2015

Annual report

DEXIA CRÉDIT LOCAL

DEXIA CRÉDIT LOCAL DCL

Registration document 2015

Management report

Message from the Chairmen

Dear shareholders,

Approved in 2012, the Dexia orderly resolution plan aimed to avoid the materialisation of the systemic risk constituted by the bankruptcy of the Group.

The efforts to achieve this goal gradually deliver results. The simplification of its structure through entity disposals or closures, combined with active on and off-balance-sheet management, reduces the Dexia Group's international footprint and its weight on the financial sector and on tax payers, year after year. In 2015, the asset portfolio was reduced by more than EUR 16 billion and total balance sheet was down by EUR 183 billion over the last 4 years.

In addition to the decrease of its liquidity need, Dexia Crédit Local endeavoured to restore diversity in its funding sources by increasing the recourse to market funding and by extending their maturities. These actions enabled it to reduce the reliance on central bank funding and to exit the exceptional mechanisms introduced when the crisis arose. Dexia Crédit Local repaid the last outstanding of guaranteed debt subscribed by Belfius, taking the redemptions made to that counterparty to a total of EUR 56 billion. The bank also redeemed EUR 19 billion in government-guaranteed bonds used within the framework of the own-use mechanism[1].

The rebalancing of the financial structure generated a reduction of Dexia Crédit Local's funding costs in 2015. Combined with the control of operating expenses, this development shows that the fundamentals are following a positive trend. The elements constituting the bank's "recurring" result do not however in themselves explain the profit made in 2015. In fact this result is due to a large extent to the impact of exogenous elements generating volatility in the accounting result, the orderly resolution plan remaining sensitive to the macro-economic context.

In addition to this progress, the year 2015 also saw the continuation of wide-ranging and transparent discussions with the Dexia Group's supervisors. This led to the recognition by the European Central Bank of Dexia's unique and specific situation, as the sole institution in resolution under its direct supervision. This approach, providing the possibility of proportionate, tailored and pragmatic prudential supervision for the Group, is a key factor in implementation of its resolution. Indeed, the plan approved in 2012 gives Dexia limited capacity to adapt to new regulatory constraints.

(1) Cf. decisions of the Board of Governors BCE/2012/12 dated 3 July 2012 and BCE/2013/6 dated 20 March 2013.

Finally, in contrast to other financial institutions managed in run-off, Dexia Crédit Local is conducting its resolution within the framework of a structure which it inherited, largely decentralised and organised around different IT systems. This situation requires an adaptation of the operating model.

After the rebuilding of tools and competence centres lost following the sale of its main commercial activities, the work undertaken is continuing along two lines. On the one hand, Dexia Crédit Local is seeking to centralise its operations, with the integration in the Paris office of previously decentralised functions. The activities in the United Kingdom were to a large extent repatriated during the year 2015. At the same time, a project was launched to simplify structures in Spain and Portugal, with the aim of centralising management functions by the end of 2016. On the other hand, Dexia Crédit Local is studying the opportunity to outsource all or some middle and back office tasks, as well as the technical infrastructure relating to market operations. The maintenance of operational continuity for these activities requires financial investments, the profitability of which is not assured over the horizon of the resolution, while other operators might potentially be in a position to realise these operations on behalf of the bank. Outsourcing these activities could also allow adjusting costs in line with the size of asset portfolios, which constitutes an important element in the context of the resolution. The opportunity to outsource these activities is therefore a question to be considered. It is from this viewpoint that Dexia Crédit Local has been analysing proposals from external service providers and has decided to enter into exclusive negotiations with Société Générale.

The simplification and strengthening of the operational model are major tasks, they demand efforts to adapt over a long period, offering Dexia staff members new challenges but also varied professional opportunities.

In 2016, Dexia Crédit Local will secure its funding, under less favourable market conditions than in recent years, and further adapt its structure. Teams will endeavour to finalise the negotiations engaged with Société Générale, centralise the operations in the Iberian Peninsula and pursue the improvement of the IT systems. Implementing the IFRS 9 accounting standard will also be a major focus of the year.

The progress made in 2015 in implementing Dexia's resolution would not have been possible without the support of the States, as guarantors and shareholders, or without the existence of relationships of trust between the various stakeholders. All of these achievements also illustrate the motivation of members of staff. We would like to thank each of them for their commitment.

Robert de Metz
Chairman of the Board of Directors

Karel De Boeck
Chief Executive Officer

Dexia Crédit Local Group profile

A Group in orderly resolution

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 2015, Dexia Crédit Local had 1,095 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 and the banking entities of 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, 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. 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 2015, Dexia Crédit Local's balance sheet totalled EUR 229 billion and its off-balance-sheet commitments stood at EUR 371 billion. Dexia Crédit Local's resolution will need to be managed over the long term in order to protect the 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. Dexia Crédit Local finances itself mainly through the issuance of State guaranteed debt and secured funding. As at 31 December 2015, its "Common Equity Tier 1" ratio[3] amounted to 12.6%.

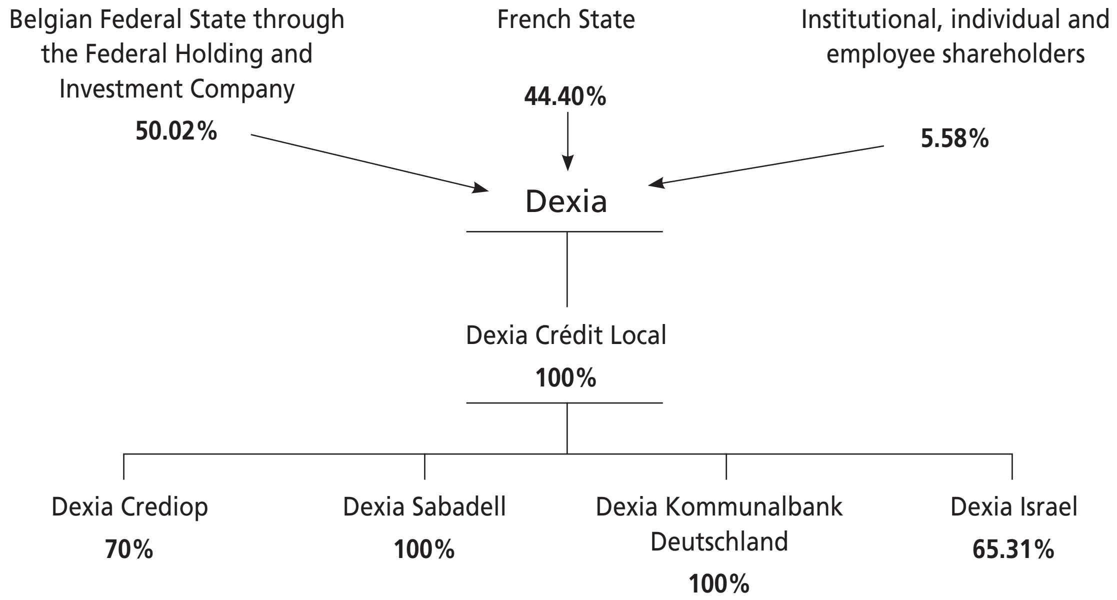
In order to enable the Dexia Group's orderly resolution, the Belgian, French and Luxembourg States granted a liquidity guarantee for a maximum principal amount of EUR 85 billion to Dexia Crédit Local, which is consequently the issuer of Dexia Group under the State guarantee format.

After completing the sale of all the commercial franchises as required under the orderly resolution plan, the Dexia Group is solely focused on managing its legacy assets while protecting the interests of the its 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":

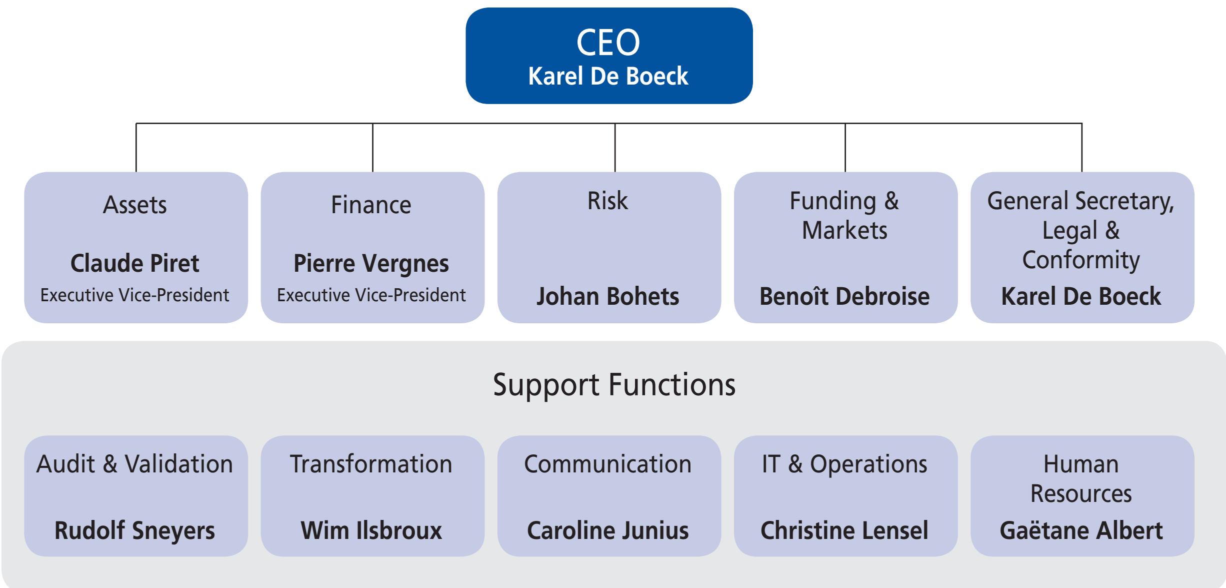
• Maintain the ability to refinance the balance sheet throughout the resolution plan;
• Preserve the capital base in order to comply with regulatory ratios;
• Ensure operational continuity by retaining the necessary expertise and resources and developing appropriate information systems.

(3) Ratio including the net profit for the year.

Simplified group structure



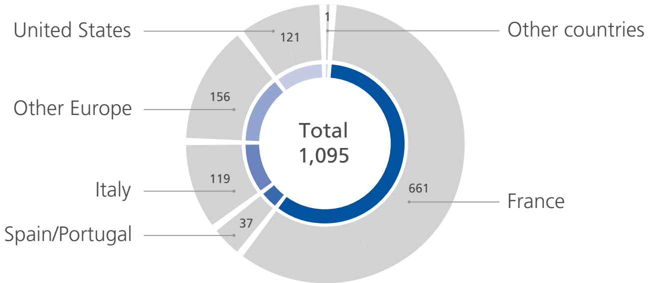
Organisational chart



Management report
Corporate governance and internal control
Consolidated financial statements
Financial statements
General information

Key figures

MEMBERS OF STAFF AS AT 31 DECEMBER 2015



RESULTS (in EUR million)	2013	2014	2015
Net banking income	(220)	(34)	982
Costs	(365)	(369)	(451)[1]
Gross operating income	(585)	(403)	531
Cost of risk	(197)	(63)	(175)[2]
Net income Group share	(904)	(478)	327

(1) Including EUR -130 million of contribution and levies.
(2) Including the EUR -197 million impairment on Heta Asset Resolution AG.

BALANCE SHEET (in EUR billion)	31/12/2013	31/12/2014	31/12/2015
Balance sheet total	222	246	229

SOLVENCY (in EUR million)	31/12/2014	31/12/2015
Common equity Tier 1	6,786	6,425
Risk-weighted assets	53,193	51,111
Common equity Tier 1 ratio	12.8%	12.6%

RATINGS AS AT 17 MARCH 2016	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	BBB+	Stable	F2
Moody's	Baa3	Stable	P-3
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

Progress made on the orderly resolution plan

2015: A year of great achievement

After significant efforts made on disposing of its main commercial activities, splitting large sections of its activities and then reconstructing operating platforms, in 2015 Dexia and Dexia Crédit Local actively continued to implement their orderly resolution plan. The year was one of great achievement, resulting particularly in the recognition of Dexia's unique and specific situation by the European supervisor as well as a reduction of the systemic risk represented by the Group. A priority was also given to continuing simplification of the Group structure and major projects were commenced to reshape and to optimise the operating model.

Continuing reduction of systemic risk

a – Major milestone passed in terms of liquidity management

2015 was a landmark year from a liquidity management viewpoint. Despite adverse circumstances generating high volatility in its funding requirement, Dexia Crédit Local managed to exit the exceptional funding mechanisms made available when it entered its resolution plan and reduced significantly its use of central bank funding.

In 2015 Dexia Crédit Local repaid the remaining guaranteed debt held by Belfius, for an amount of EUR 10 billion and the EUR 19 billion guaranteed bank bonds used within the framework of the special own-use mechanism[1] granted by the European Central Bank (ECB).

Furthermore, in the first quarter of 2015, Dexia Crédit Local redeemed the remainder of VLTRO[2] subscribed with the ECB and only partially replaced by the LTRO[3] and MRO[4].

The redemption of aforementioned funding was an important milestone in the Dexia Group's resolution process which was made possible by sustained activity in the issuance of guaranteed funding, placed to a diversified investor base, and the continued development of secured funding throughout the year 2015.

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

(1) "Own-use": use by the Dexia Group, as collateral with the Eurosystem, of securities issued by Dexia Crédit Local and guaranteed by the States.

(2) VLTRO or Very Long Term Refinancing Operations are exceptional refinancing operations at 3 years launched in December 2011 and February 2012 respectively by the European Central Bank to support liquidity on the interbank market and to facilitate the financing of the real economy.

(3) LTRO or Long Term Refinancing Operations are long-term refinancing operations. They constitute a standard refinancing tool used by banks with the Eurosystem.

(4) MRO or Main Refinancing Operations are short-term refinancing operations; They constitute a standard refinancing tool used by banks with the Eurosystem.

b – Reduction of asset portfolios

In 2015, Dexia Crédit Local continued in its policy of opportunist asset disposals, aiming to reduce the credit risk of its asset portfolios, whilst easing the pressures on the funding requirement. This policy was aided by the improvement of market conditions, supported in part by the asset purchase policies of the European monetary authorities. These policies, and similar initiatives in other European States, created significant disposal opportunities for Dexia Crédit Local, particularly with respect to covered bonds and its sovereign and sub-sovereign (European regional) risk.

As at 31 December 2015, and at a constant exchange rate, Dexia Crédit Local's asset portfolio totalled EUR 132 billion and was down EUR 14.3 billion over the year, including EUR -9.7 billion of natural portfolio amortisation and EUR -4.8 billion of asset disposals and early redemptions.

c – Simplification of the Group structure

Progress in implementation of the Dexia Group's orderly resolution plan was also made in 2015 by restructuring or closing entities.

Following Dexia Crediop being placed in run-off in July 2014, a study was launched, aimed at simplifying the organisation of the Italian bank and at reducing its costs. This resulted in an agreement with social partners, on 18 March 2015 and a reduction of the workforce by 53 to 124 members of staff. As at 31 December 2015, all the planned departures are effective.

Dexia Credito Local Mexico, the Dexia Group subsidiary previously active in local authority financing in Mexico, had its residual assets transferred to a new Mexican trust beneficially owned by Dexia and the New York branch of Dexia Crédit Local.

Dexia Kommunalkredit Bulgaria EOOD, the subsidiaries SISL in Luxembourg and Dexia CAD Funding LLC in the United States were liquidated.

Dexia Luxembourg, previously Dexia LdG Banque and the covered bond issuer for the Dexia Group in Luxembourg, abandoned its banking licence as it is expected to be liquidated in 2016.

Recognition of Dexia's specific and unique situation

Since the introduction of the Single Supervisory Mechanism (SSM), Dexia and Dexia Crédit Local have been under the direct prudential supervision of the ECB. As such, the implementation of the resolution plan has been the subject of prolonged discussions with the supervisor, especially in the past year.

Considering Dexia's specific and unique situation as a bank in orderly resolution, the public nature of its shareholder structure and the liquidity guarantee put in place by the

Belgian, French and Luxembourg governments, and in order to maintain financial stability, an objective of the orderly resolution plan, the ECB decided to apply a tailored, pragmatic and proportionate prudential supervisory approach to Dexia and Dexia Crédit Local. The resulting proportionate use of supervisory powers notably assumes that Dexia and Dexia Crédit Local's situation does not deteriorate significantly. A reversal of this approach may have a material adverse effect on the activity (including the credit institution status) of Dexia Crédit Local and consequently, on its financial condition.

For instance, this approach authorises the proportionate use of supervisory powers in view of the constraints of compliance with the liquidity ratios set forth by the CRR[1], including in particular enhanced reporting on the liquidity position. Despite the significant progress made in terms of reducing the liquidity risk, the financial characteristics of Dexia and Dexia Crédit Local since their entry into resolution do not allow them to ensure compliance with certain regulatory ratios over the term of the orderly resolution plan approved by the European Commission. These specific circumstances resulting from the orderly resolution plan are reflected in the level of the Liquidity Coverage Ratio (LCR)[2] for which there has been a minimum requirement of 60% since 1 October 2015, raised to 70% since 1 January 2016. As at 31 December 2015, Dexia Crédit Local Group LCR was 54%.

Towards a simplification and greater integration of the operating model

In line with the objectives of the business plan launched in 2013, Dexia Crédit Local continued its efforts in 2015 to adapt its operating model in two strategic directions: the Group's operational simplification and centralisation. Various projects follow this objective.

a – Outsourcing the operational processing chain for market activities

In order to manage its residual assets in run-off, Dexia Crédit Local must maintain its operational continuity. For certain activities, this requires significant investments which must be considered with the Group's financial capabilities and expected profitability over the term of the resolution.

Dexia Crédit Local began studying the opportunity to outsource all or some of the Middle and Back Office functions linked to market operations and their technical infrastructures. In addition to maintaining a high level of service, outsourcing these activities would enable Dexia Crédit Local to adjust its costs, particularly by avoiding significant investments in IT systems and any threshold effects associated with the gradual reduction of the balance sheet.

After thoroughly studying the proposals of various service providers, in September 2015, Dexia Crédit Local decided to further analyse Société Générale's proposals and entered an exclusive phase of due diligence. To date, the due diligence process is progressing at a sustained pace. Implementation of this project is subject to the approval of the regulators and Dexia Crédit Local staff representative bodies. Dexia Crédit Local is paying particular attention to the future of its staff members affected by this work and in extending the information already provided to staff representative bodies, Dexia Crédit Local has undertaken an information/consultation process with those bodies, maintaining constructive dialogue.

(1) Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

(2) LCR measures the coverage of liquidity requirements at 30 days in a stressed environment, by a volume of liquid assets. It replaces Belgian and French regulatory liquidity ratios.

b – Centralisation of operations

In 2015 Dexia Crédit Local finalised the integration of Dexia Management Services (DMS), its subsidiary in the United Kingdom. Dexia Crédit Local abandoned DMS licence with the Financial Conduct Authority and integrated all of the support functions as well as a large number of the Front Office functions to the Paris office of Dexia Crédit Local. Four staff members are still based in the United Kingdom to serve customers.

An in-depth study was also performed, to establish the best possible options for the conduct of Dexia Crédit Local operations in Spain and Portugal. Although already limited in those two countries, at present Dexia Crédit Local operates two legal entities there: Dexia Sabadell S.A., its subsidiary based in Madrid, and its branch in Lisbon named Dexia Sabadell S.A., Portugal branch.

On 31 December 2015, Dexia Sabadell S.A. had a balance sheet totalling EUR 10 billion[3] including a loan portfolio of EUR 8.1 billion mostly made of public sector and project finance.

The scenario studied and submitted for approval to the competent bodies within Dexia Sabadell and Dexia Crédit Local, subject to the approval of the regulators and consultation with staff representative bodies, is that of a cross-border merger between Dexia Crédit Local and Dexia Sabadell and a transfer of the asset management of the two Spanish and Portuguese entities to the Dexia Crédit Local management systems in Paris. It would result in the creation of two Dexia Crédit Local branches, one in Spain and the other in Portugal, and it would enable the Group to have a simpler and more homogenous organisation relying on the systems and teams of the Paris head office. The completion of this merger would enable Dexia Crédit Local to continue the streamlining and centralisation of its operating model and thus to reduce its costs and its operating risks.

The merger will be effective in 2016, with retroactive accounting effect as at 1 January 2016.

Other significant elements

Weight of contributions and levies paid to public authorities

Dexia Crédit Local's results for 2015 were impacted by EUR -130 million of various levies and contributions.

Dexia Crédit Local recorded its first such annual contribution of EUR -50 million to the Single Resolution Fund (SRF) introduced by the European authorities within the framework of the Single Supervisory Mechanism. The bank also recognized EUR -14 million due for the annual levy for systemic risk. These charges, due each year, are of a recurring nature.

Furthermore, Dexia Crédit Local provisioned the full amount of its multi-year contribution to the local authority and hospital sector support funds introduced in France, for EUR -28 million.

In addition, Dexia Crediop booked an exceptional contribution of EUR -31 million for Italian banks.

(3) Statutory data.

All of these levies and contributions were booked pursuant to the principles of the IFRIC 21 "Levies" accounting standard[(1)], applied by Dexia Crédit Local since 1 January 2015.

Developments with credit risk and the risk associated with structured loans

a – Credit risk

At the end of 2015, Dexia Crédit Local's credit portfolio remained of good quality overall with 88% of exposures rated "investment grade". Reported in relation to Group exposure, the cost of risk is up however, at 10.5 basis points on average over the year, against 3.6 basis points on average in 2014. This increase in the cost of risk reflects the concentration risk of the Dexia Crédit Local asset portfolio which materialised in the first quarter of 2015 with Heta Asset Resolution AG.
The situation of the Commonwealth of Puerto Rico, which is facing major financial difficulties, limiting its ability to honour its financial obligations, was also a matter of attention for Dexia Crédit Local.

(1) IFRIC: International Financial Reporting Interpretations Committee.

Against an economic background still marked by severe uncertainty, Dexia Crédit Local paid particular attention to certain sectors and counterparties, including the renewable energy sector and the oil sector, under pressure with falling prices.

More detailed information is provided in the chapter "Risk management" of this registration document.

b – Risk associated with structured loans

In 2015, Dexia Crédit Local continued its voluntary action to assist French local authorities, in order to reduce its outstanding on sensitive structured loans. The outstanding on sensitive structured loans was reduced by 20% compared to the end of 2014 and by 50% compared to May 2012, to EUR 973 million as at 31 December 2015.
In addition, following the creation of the local authority and hospital sector support funds in France, the Dexia Crédit Local teams have approached all potential beneficiaries in order to help them start their application.

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

Financial results

Notes regarding the Dexia Crédit Local Group's annual consolidated financial statements 2015

Going concern

The statutory and consolidated financial statements of Dexia Crédit Local as at 31 December 2015 were prepared in accordance with the accounting rules applicable to a going concern. The assumptions detailed hereafter were the basis of the business plan underlying the Dexia Group resolution plan and were already explained in previous accounting closures.

• The business plan was constructed from market data observable at the end of September 2012; the underlying macroeconomic assumptions are reviewed as part of the semi-annual reviews of the entire plan.

In particular, the updates made in 2015 take into account an updated funding plan based on the most recent market conditions. They also incorporate regulatory developments to date, such as the final version of the CRD IV Directive and the implementation of the IFRS 9 accounting standard from 2018, based on assumptions known to date.

An updated business plan on the basis of data available as at 30 June 2015 and validated by the Board of Directors of Dexia on 19 November 2015 leads to adjustments of the plan originally validated, but these do not raise any issues regarding the trajectory of the Group's resolution over the long term.

• The business plan assumes the preservation of the banking licences of various entities as well as the rating of Dexia Crédit Local.

• It relies on a robust funding capacity, which is dependent on investor appetite for the debt guaranteed by Belgium, France and Luxembourg and Dexia Crédit Local's ability to raise secured funding.

In this respect, the funding structure benefited in 2015 from an increase in market funding volume at a lower cost than anticipated in the business plan and for longer maturities. Dexia Crédit Local also exited the special and exceptional funding mechanisms introduced in 2012 and reduced its reliance on central bank funding. Finally, it focused on providing liquidity reserves with the aim of protecting itself against short-term liquidity risk primarily related to an increase in the amount of cash collateral[1] posted to its derivatives counterparties.

(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.

However, over the duration of the Group's resolution, uncertainties remain regarding the implementation of the business plan.

• It is in particular exposed to the evolution of accounting and prudential rules.

• The financial characteristics of Dexia and Dexia Crédit Local since their entry in resolution do not allow them to ensure compliance with certain regulatory ratios. The business plan is also sensitive to the evolution of the macroeconomic environment. Thus, a 10 basis point decrease in interest rates over the entire yield curve would result in an immediate increase of approximately EUR 1 billion in the liquidity requirement, related to the increase in cash collateral. Similarly, more conservative assumptions as to an improvement of ratings and/or a tightening of credit spreads would negatively impact the income statement as well as the available liquidity reserves and would increase the level of regulatory capital required.

• Finally, if market demand for government-guaranteed debt would decline, Dexia Crédit Local may need to turn to more costly funding sources which would directly impact the profitability assumed in the original business plan. The coming years will remain a risk in the context of greater exchange rate volatility and very low interest rates.

The most recent update of the business plan shows a surplus liquidity position throughout the life of the plan. Dexia and Dexia Crédit Local's liquidity surplus was impacted in 2015 by the volatile cash collateral needs and high levels of amortisations and funding redemptions. At the beginning of 2016, Dexia and Dexia Crédit Local's liquidity need increased due to higher cash collateral to be posted to market counterparties. Collateral posting reached a maximum of EUR 36 billion in February 2016, up EUR 5 billion from the end of 2015. However, this increased liquidity need has been offset by a dynamic funding activity since the beginning of the year. This is illustrated by the renewal of the short-term government-guaranteed and secured funding under favourable conditions and the issuance of EUR 6.1 billion of long-term government-guaranteed funding as at half March 2016.

Analytical segmentation

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

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

Notes on accounting and regulatory developments

In accordance with the provisions of the IFRS 13 accounting standard and in line with market practice, the Dexia Crédit Local Group developed a methodology for the calculation, from June 2015, of a Funding Valuation Adjustment (FVA) aimed at measuring the funding costs associated with non-collateralised derivatives. The impact of the FVA on the 2015 consolidated financial statements amounted to EUR -106 million.
In addition, in calculating its regulatory capital, Dexia Crédit Local booked an Additional Valuation Adjustment (AVA) which results from a cautious valuation as defined by the European Banking Authority (EBA). The AVA resulted in an impact of EUR -136 million on Dexia Crédit Local's Common Equity Tier 1 capital as at 31 December 2015.

Dexia Crédit Local's consolidated financial statements

Analysis of the consolidated income statement

In 2015 Dexia Crédit Local posted a net income Group share of EUR +327 million.
Over the year, net banking income reached EUR +982 million, including EUR +523 million related to the impact of the valuation of financial instruments at fair value by profit or loss, against EUR -343 million in 2014. This amount is strongly correlated to the positive evolution of market parameters, essentially the valuation of collateralised derivatives on the basis of an OIS curve, the CVA, the DVA and own credit risk, partially offset by the impact of the FVA (EUR -106 million).
The net banking income for the year was also impacted by:
- Payments in favour of Dexia Crédit Local as part of the unwinding of disputes (EUR +30 million);
- Recognition of the exercise price of the put option to purchase Banco de Sabadell's stake in Dexia Sabadell following the decision of the Court of Arbitration in Madrid (EUR -52 million).

Excluding these elements, the evolution of net banking income followed the trend observed in 2014, improving quarter on quarter. The funding cost was down over the year, as a result of the reduction of the funding requirement and a fall in the average funding cost, as Dexia Crédit Local replaced the funding issued at resolution inception with less costly market funding. Income from asset portfolios remained stable over the year 2015.
Operating expenses totalled EUR -451 million over the year 2015 and included EUR -130 million in various levies and contributions, particularly Dexia Crédit Local's contribution to the Single Resolution Fund (EUR -50 million) and to the fund to support local authorities and the hospital sector (EUR -28 million), Dexia Crediop's contribution to saving Italian banks (EUR -31 million) and the annual levy for systemic risk (EUR -14 million). Excluding these levies and contributions, operating expenses were tightly controlled.
Gross operating income was therefore positive, at EUR +531 million over the year.
The cost of risk and net gains or losses on other assets reached EUR -161 million, including EUR -175 million for the cost of risk. It mainly includes impairments for Dexia Crédit Local's exposure to Heta Asset Resolution AG (EUR -197 million), provisioning on project finance in Spain and exposures to the local public sector in Greece. These allocations were partially offset by reversals of provisions. Net gains or losses on other assets include gains on the sale of buildings (EUR +15 million). Considering these elements, pre-tax income amounted to EUR +370 million.
Over the year, income tax amounted to EUR -37 million.
The net income attributable to minority interests was EUR 6 million, leading to a net income Group share for the year 2015 of EUR +327 million.

CONSOLIDATED INCOME STATEMENT - ANC FORMAT

(in EUR million)	2014	2015
Net banking income	**(34)**	**982**
Operating expenses	(369)	(451)
Gross operating income	**(403)**	**531**
Cost of risk and net gains or losses on other assets	(64)	(161)
Pre-tax income	**(467)**	**370**
Income tax	(18)	(37)
Net income	**(485)**	**333**
Minority interests	(7)	6
Net income Group share	**(478)**	**327**

Evolution of the consolidated balance sheet

As at 31 December 2015, Dexia Crédit Local's consolidated balance sheet totalled EUR 229.4 billion, down EUR 16.8 billion on 31 December 2014.

At a constant exchange rate, the balance sheet reduction is mainly associated with:

- The EUR -14.3 billion reduction of the asset portfolio, including EUR -9.7 billion in natural amortisation and EUR -4.8 billion in disposals and early redemptions;
- A decline in the fair value of assets and derivatives of EUR -7.5 billion;
- These developments were partially offset by the EUR +2 billion increase of the liquidity reserve placed with central banks.

On the liabilities side and at a constant exchange rate, the balance sheet reduction is mainly attributable to:

- A EUR -12.2 billion reduction of stock of market and central bank funding;
- The reduction of the fair value of liabilities and derivatives representing EUR -8.5 billion.

The impact of exchange rate variations on the evolution of the balance sheet amounts to EUR +3 billion over the year, principally associated with the weakening of the euro against the US dollar.

The balance sheet total evolved in a contrasted manner over the year 2015. In the first quarter, it evolved in line with the rising trend seen in 2014, mainly as a result of exchange rate fluctuations and the decline of long-term interest rates. The trend was then reversed, the balance sheet posting a steady decline associated with the reduction of the asset portfolio, despite the volatility of interest and exchange rates.

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	Other financial activities
Dexia Financial Products Services LLC	Other financial activities
FSA Asset Management LLC	Other financial activities
FSA Capital Markets Services LLC	Other financial activities
FSA Capital Management Services LLC	Other financial activities
France	
Dexia Crédit Local SA	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	Other financial activities
Premier International Funding Co	Other financial activities
Ireland	
Dexia Crédit Local - branch	Bank, credit institution
Dexia Crediop Ireland	Other financial activities
WISE 2006-1 PLC	Other financial activities

1. ESTABLISHMENTS AND THE NATURE OF THEIR ACTIVITY

Israel	
Dexia Israel Bank Ltd.	Bank, credit institution
Italy	
Dexia Crediop	Bank, credit institution
Tevere Finance S.r.l	Other financial activities
Japan	
Sumitomo Mitsui SPV	Other financial activities
Luxembourg	
Dexia Luxembourg SA	Other financial activities
Portugal	
Dexia Sabadell - branch	Bank, credit institution
United Kingdom	
FSA Portfolio Asset Limited (UK)	Other financial activities

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	14)	(188)	0	79
Spain	55	60	(1)	35
United States	86	36	11	128
France	267	(30)	(2)	674
Cayman Islands	31	31	0	
Ireland	413	416	0	32
Israel	33	21	(8)	47
Italy	70	12	(1)	121
Japan	(2)	(2)	0	
Luxembourg	(5)	(6)	0	
Mexico	4	4	0	0
Portugal	6	6	0	3
United Kingdom	9	9	0	0

Dexia Crédit Local’s statutory financial statements

Evolution of the income statement

For the financial year 2015, Dexia Crédit Local’s net income was EUR +60 million, against EUR -747 million in 2014. It is principally marked by the ongoing transformation of the Group’s funding structure.

Net banking income was positive, at EUR 314 million in 2015, compared with EUR -463 million at the end of 2014.

The interest margin was up over the year and amounted to EUR 451 million. In particular it integrates the cost of the State guarantees (EUR -34 million), the application of the discount on securities, acquired by DCL, of a subsidiary of the Dexia Group (EUR +237 million) and the application of the discount associated with the reclassification in 2013 of securities available for sale as securities held to maturity (EUR +120 million).

Furthermore, losses associated with the booking of impairments in held-for-trading and available-for-sale portfolios (EUR -253 million) are partially offset by gains associated with the sale of securities held to maturity (EUR +120 million).

Net banking income included a first recognition of funding costs associated with non-collateralised derivatives in an amount of EUR -84 million.

Operating expenses were EUR -300 million over the year 2015, up 12%. They include various levies and contributions, particularly the annual levy for systemic risk, the perennial contribution to the fund to support local authorities and the hospital sector and the contribution to the Single Resolution Fund.

The cost of risk improved, from EUR -21 million in 2014 to EUR -7 million at the end of 2015. Over the year, allocations to specific impairments on customer loans were more than offset by reversals of provisions.

The item gains/losses on non-current assets amounted to EUR +52 million. It essentially consists of the repayment of capital of Dexia LdG Banque (currently Dexia Luxembourg) in an amount of EUR 103 million and the EUR -52 million impairment in relation to the arbitration proceedings on the exercise price of the put option to purchase Banco de Sabadell’s stake in Dexia Sabadell.

INCOME STATEMENT

(in EUR million)	2014	2015
Net banking income	**(463)**	**314**
Operating expenses	(268)	(300)
Gross operating income	**(731)**	**14**
Cost of risk	(21)	(7)
Operating income	**(752**	**7**
Capital gains (losses) on non-current assets	8	52
Pre-tax income	**(744)**	**59**
Corporate income tax (expense)	(3)	1
Net income	**(747)**	**60**
Basic earnings (loss) per share (in EUR)	*(3.34)*	*0.27*
Diluted earnings per share (in EUR)	*(3.34)*	*0.27*

Evolution of the balance sheet

The balance sheet total as at 31 December 2015 was EUR 138.4 billion, against EUR 148.6 billion in 2014, down 6.9%.

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 +0.1% in 2015.

A - Assets

Customer loans

As at 31 December 2015, total customer loans were down 6.8% at EUR 32.7 billion (against EUR 35 billion at the end of December 2014) due to natural amortisation.

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

The total value of securities held was EUR 38 billion, against EUR 39 billion at the end of 2014. 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.
On 1 July 2015 Dexia Crédit Local reclassified EUR 2.3 billion in held-to-maturity securities as available-for-sale securities.

Equity investments, shares in affiliated enterprises

Equity investments were at EUR 1.3 billion, up EUR 125 million. This increase resulted from Dexia Crédit Local's participation in the capital increase of its subsidiary Flobail.
There was no acquisition in 2015.

Other assets

The item "Other assets" was EUR 27.5 billion, against EUR 27.2 billion at the end of 2014.
The cash collateral remained stable between 2014 and 2015 and was EUR 27.2 billion as at 31 December 2015.

B- Liabilities

Interbank borrowings and deposits

Interbank borrowings and deposits were EUR 53 billion as at 31 December 2015, against EUR 49 billion at the end of 2014.
The portion of central bank funding represented EUR 4.5 billion as at 31 December 2015, against EUR 6.9 billion as at 31 December 2014.

Debt securities

The important share of debt securities in total liabilities is a characteristic element of the Dexia Crédit Local balance sheet. As at 31 December 2015, it was EUR 66 billion, against EUR 79 billion at the end of 2014 and represented the outstanding of bonds issued by Dexia Crédit Local and for the most part benefiting from the guarantee of the French, Belgian and Luxembourg States.

Delays in paying suppliers

Applying Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, Dexia Crédit Local must each year publish a breakdown of the balance of its debts to suppliers by due date. The supplier debts of Dexia Crédit Local represent an insignificant amount 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 EUR 1.96 million as at 31 December 2015.

Five-year financial summary

	2011	2012	2013	2014	2015
EQUITY					
Share capital (in EUR)	500,513,102 [1]	1,286,032,212 [2]	1,286,032,212	223,657,776 [3]	223,657,776
Number of shares	87,045,757	223,657,776	223,657,776	223,657,776	223,657,776
COMPREHENSIVE INCOME (IN EUR)					
Revenues	2,959,081,434	3,627,154,228	2,073,786,463	1,608,398,829	1,432,949,370
Earnings before income tax depreciation, amortisation and net impairment charges	(2,433,312,349)	(2,617,452,491)	(1,726,311,574)	(105,198,739)	209,875,341
Corporate income tax	(536,307,767)	(15,803,247)	(118,600,706)	(3,079,383)	886,101
Earnings after income tax, depreciation, amortisation and net impairment charges	(4,435,388,577)	(932,703,020)	(25,026,743)	(747,087,790)	60,179,506
Dividends	Nil	Nil	Nil	Nil	Nil
DATA PER SHARE (IN EUR)					
Revenues	33.99	16.22	9.27	7.19	6.41
Earnings after income tax and before depreciation, amortisation and net impairment charges	(34.12)	(11.7)	(8.25)	(0.47)	0.94
Corporate income tax	(6.16)	(0.07)	(0.53)	(0.01)	0
Earnings after income tax, depreciation, amortisation and net impairment charges	(50.95)	(4.17)	(0.11)	(3.34) [4]	0.27
Dividends	0	0	0	0	0
EMPLOYEE DATA					
Employees as at 31 December	1,276	1,132	922	805	793
Managerial staff	955	885	729	644	640
Administrative staff	321	247	193	161	153
Gross payroll (in EUR)	104,489,065	84,162,812	100,668,306	81,251,269	79,595,293
Payroll taxes and employee benefits (social security, employee benefit programmes, etc) (in EUR)	33,539,417	32,379,243	30,914,577	24,803,347	25,302,829

(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 of 19 December 2012, in accordance with the authority granted to it at the shareholders' meeting held on 12 December 2012, to increase its capital by approximately EUR 2 billion including issue premiums. This increased the share capital of Dexia Crédit Local from EUR 500,513,102.75 to EUR 1,286,032,212 as at 31 December 2012.
(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.
(4) The 2014 figure has been restated.

Risk management

Introduction

Against an economic background still marked by severe uncertainty, in 2015 the Risk activity line maintained its active credit risk management. It paid particular attention to certain sectors and counterparties, including the renewable energy sector, the banking sector and specifically the risk associated with the situation of Heta Asset Resolution AG in Austria and the Commonwealth of Puerto Rico in the United States. In addition, the situation in Greece is still being closely monitored Over the year, the cost of risk was EUR -175 million, or 10.5 basis points compared with total exposure. Up on the previous year as a result of the impairments on Heta Asset Resolution AG, it nonetheless remains low and confirms the good quality of the asset portfolio, as 88% of exposure is rated "investment grade".

In 2015, Dexia Crédit Local also continued with its important work of assisting French local authorities, in desensitising the outstanding amount of structured loans.

The year was also marked by the effective implementation of the Single Supervisory Mechanism (SSM), under the aegis of the European Central Bank.

Finally, in the interests of consistency in its internal and external reporting, the Dexia Group decided to harmonise the metric used to communicate its credit risk exposure and to present it as Exposure at Default (EAD) and no longer as Maximum Credit Risk Exposure (MCRE). This change of metric is detailed in the section on Credit Risk of this chapter.

Governance

Dexia Crédit Local's policy on risks, including the level of risk tolerance, is defined and supervised by the Board of Directors. The role of the Risk activity line is to implement Dexia Crédit Local's strategy on monitoring and managing risk and to put independent and integrated risk measures in place. The activity line seeks to identify and manage the risk to which Dexia Crédit Local is exposed. If necessary it proactively alerts the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of impairments deemed necessary to cover the risks to which Dexia Crédit Local is exposed.

In 2014, within the framework of the business plan, Dexia Crédit Local developed the organisation and governance of the Risk activity line, to adapt it to its resolution management mandate.

Role of the Risk Committee, the Management Board and the Transaction Committee

The Risk Committee, created within the Dexia Board of Directors and with authority for Dexia Crédit Local, results from the split, in March 2015, of the Audit Committee into an Audit Committee and a Risk Committee. It is responsible for monitoring aspects relating to risk strategy and level of tolerance of both current and future risk, as defined by the Board of Directors. It assists the Board of Directors in its supervision of the implementation of that strategy.

The Management Board is responsible for implementation of the various policies and directives framing Group strategy, particularly with regard to risk. To facilitate 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, Risks 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 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 Dexia Crédit Local's risks under the supervision of those three committees.

The Assets activity line is responsible for managing Group assets over the period of the orderly resolution, whilst preserving and improving their value.

More detailed information on the Risk Committee, the Management Board and the Transaction Committee is provided in the chapter "Report of the Chairman of the Board of Directors" of this registration document.

Organisation of the Risk activity line

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 operation of the activity line also relies on certain committees, the prerogatives of which are governed by a system for the delegation of powers, defined in relation to the nature of the risks to which Dexia Crédit Local is exposed.

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 quarterly within the accounts coordination committee.
Along with the Risk Committee, the Management Board and the Transaction Committee, the following three committees meet on a quarterly basis:
• The **Watch-list 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 internal rules, in compliance with the regulatory framework;
• The **Rating Committee** ensures that internal rating processes are aligned with the established principles and that those processes are consistent across the Group's various entities.

Market risk

Market risk represents Dexia Crédit Local's exposure to changes in market parameters, such as interest and exchange rates. Interest rate risk consists of structural interest rate risk and specific interest rate risk associated with a given credit counterparty. The latter arises from fluctuations in the credit spread on specific counterparties within a rating class. The foreign exchange risk represents the potential decrease in the value of assets arising from fluctuations in exchange rates against the euro, which is the reference currency in which Dexia Crédit Local prepares its financial statements.

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 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.
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 market 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 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.

Transformation risk

Monitoring transformation risk involves monitoring the risk of loss associated with the transformation of the banking portfolio as well as liquidity risk. Transformation risk arises when assets are refinanced by resources presenting a different maturity, indexation or currency. It 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.
Asset and liability management is supervised by the Dexia Crédit Local 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, and centralises and coordinates the decision-taking process concerning liquidity matters. It is periodically informed of the liquidity position, 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 Dexia Crédit Local'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.
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 expo-

sures and checking compliance with Group standards. ALM Risk also defines the stresses to be applied to the various risk factors, validates the risk management approach adopted by the Finance activity line and ensures that it complies with the regulatory framework in force.

Operational risk and IT systems security

Operational risk represents the risk of financial or non-financial impacts arising from a shortcoming or failure in internal processes, personnel or systems, or external factors. This definition includes IT, legal and compliance risks.
The Management Board regularly monitors the evolution of the risk profile of the various 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.
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 Dexia Crédit Local'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.

Risk monitoring

Credit risk

Credit risk exposure

In the interests of consistency in its internal and external reporting, the Dexia Group has decided to harmonise the metric used to communicate its credit risk exposure and to present the latter as "Exposure at Default" (EAD) and no longer as "Maximum Credit Risk Exposure" (MCRE).
Exposure at Default (EAD) is one of the parameters used to calculate capital requirements under the Regulation (EU) No 575/2013.
It corresponds to the best estimate of credit risk exposure at default and the definition varies depending on the approach adopted in calculating capital requirements. The Dexia Group uses both the standard and the advanced approach to calculating its risk-weighted assets. Thus the regulatory metric has been adapted to allow the treatment of impairments to be homogenised for comparability purposes.
• For financial assets measured at amortised cost, the EAD of a credit exposure on the balance sheet corresponds to the book value, gross of impairments[1], taking account of accrued interest and the impact of hedge accounting;
• For financial assets measured at fair value, the EAD of a credit exposure on the balance sheet corresponds to its book value, before impairments;
• For derivatives, the EAD is calculated using the mark-to-market valuation method under Article 274 of the Regulation (EU) No 575/2013 and includes the replacement cost as well as the amount representing future potential exposure, obtained by the product of the notional amount and a coefficient depending on the type of derivative and its residual term;
• For off-balance-sheet commitments, the EAD represents the product of the (nominal) amounts of commitments and a Credit Conversion Factor (CCF). The Dexia Group applies the standard method (Article 111 of the Regulation (EU) No 575/2013) to determine credit conversion factors, except for project finance transactions (advanced approach).
The main differences between the EAD used in this report and the former measure of Maximum Credit Risk Exposure (MCRE) are essentially related to:
• Financial assets measured at amortised cost, for which the exposure at default includes the impact of hedge accounting, which was not taken into account in the MCRE;
• Derivatives, for which the exposure at default includes an amount representing future potential exposure (regulatory "add-on") which was not taken into account in the MCRE;
• Off-balance-sheet commitments, for which the exposure at default is calculated taking account of the regulatory CCF compared to 100% of the commitment in the MCRE;
• Impairments which are not deducted from exposure at default although they were deducted in the MCRE.
In addition, as information relating to credit risk only concerns financial instruments generating credit risk exposure, the Dexia Group has decided to exclude from the scope of this report the other assets previously included, mainly accruals and other assets.
As at 31 December 2015, Dexia's exposure to credit risk was EUR 181.0 billion, compared with EUR 193.6 billion at the end of December 2014, representing a decrease of 7%.
The EUR 12.7 billion fall, linked to the natural amortisation of the portfolio and to assets sales, is in part offset by an exchange effect resulting from the appreciation of the US dollar, the sterling and the yen against the euro over the year 2015. At a constant exchange rate, the asset portfolio is down by EUR 18.3 billion over the year.
The exposures are distributed for EUR 85 billion in loans and for EUR 81 billion in bonds.
The majority of exposures are concentrated in the European Union (71%) and the United States and Canada (17%). Compared to the end of 2014 they are down, except for exposures to Canada, the United Kingdom and Japan in view of the exchange effect.

(1) For exposure under the standard method, a specific EAD is calculated (gross of impairments).

EXPOSURE BY GEOGRAPHIC REGION

(in EUR million)	31/12/2014 (MCRE)	31/12/2014 (EAD)	31/12/2015 (EAD)
United States	26,327	29,366	28,635
Italy	27,178	30,663	27,242
France	26,588	29,021	26,544
United Kingdom	17,854	23,195	25,804
Germany	21,307	26,021	22,308
Spain	18,955	20,027	16,833
Japan	5,839	6,962	7,551
Portugal	4,079	4,299	4,149
Central and Eastern Europe	3,539	3,609	2,895
Belgium	3,059	3,691	2,143
Austria	1,481	1,577	1,575
Scandinavian countries	1,113	1,171	1,471
Hungary	1,102	1,094	946
Southeast Asia	990	1,005	828
South and Central America	584	585	552
Switzerland	553	604	520
Turkey	502	508	496
Netherlands	419	417	342
Ireland	221	297	160
Greece	156	168	149
Luxembourg	153	147	58
Not rated and Others	7,369	6,573	6,994
TOTAL	**171,679**	**193,605**	**180,912**

As at 31 December 2015, the majority of exposures remained concentrated in the local public sector and sovereigns (69%), considering the historical activity of Dexia Crédit Local.

Exposures to the local public sector therefore posted a slight fall of EUR 5.7 billion, and EUR 8.5 billion at a constant exchange rate.

Exposures to financial institutions were down by virtue of portfolio amortisation.

Exposures to project finance and corporates were up slightly. Exchange effects, the valuation of bonds held and the effect of substitution of certain contracts with monoliner on the best rated underlying, more than neutralised the impact of natural portfolio amortisation and early redemptions.

EXPOSURE BY CATEGORY OF COUNTERPARTY

(in EUR million)	31/12/2014 (MCRE)	31/12/2014 (EAD)	31/12/2015 (EAD)
Local public sector	86,526	100,118	94,412
Central governments	28,148	29,858	29,513
Financial institutions	26,977	30,719	24,383
Project finance	14,761	15,756	14,562
Corporate	5,511	6,833	8,406
ABS/MBS	6,524	6,111	7,799
Monolines	3,232	4,210	1,837
TOTAL	**171,679**	**193,605**	**180,912**

The credit quality of the portfolio remained high, with 88% of exposures rated "investment grade" as at 31 December 2015. The downgrade of Italy in the first quarter essentially explains the increase of BBB exposures.

EXPOSURE BY RATING*	31/12/2014 (MCRE)	31/12/2014 (EAD)	31/12/2015 (EAD)
AAA	15.09%	14..10%	16.47%
AA	22.65%	24.86%	22.07%
A	28.43%	28.97%	21.65%
BBB	20.20%	19.58%	27.81%
Non Investment Grade	12.17%	11.50%	10.72%
D	0.59%	0.72%	1.10%
Not rated	0.87%	0.27%	0.18%
TOTAL	**100%**	**100%**	**100%**

** Internal Rating System.*

Particular attention is paid to the countries listed in the following table because of the significant amounts of exposure or the degree of sensitivity. The main developments and significant facts for those sectors and countries in 2015 are presented in the following paragraphs.

SECTOR EXPOSURE TO CERTAIN COUNTRIES (EAD AS AT 31 DECEMBER 2015)

(in EUR million)	Total	o/w local public sector	o/w corporate and project finance	o/w financial institutions	o/w ABS/ MBS	o/w sovereign exposures	o/w monolines
United States	28,635	12,964	977	5,153	4,606	3,097	1,837
Italy	27,242	11,110	1,171	604	131	14,226	0
France	26,544	17,154	4,402	2,940	0	2,047	0
United Kingdom	25,804	12,427	9,134	1,939	2,231	73	0
Germany	22,308	18,599	410	3,060	8	232	0
Spain	16,833	7,782	2,372	5,620	505	554	0
Japan	7,551	4,813	0	1,283	0	1,456	0
Portugal	4,149	1,825	193	16	54	2,061	0
Poland	1,869	4	0	4	0	1,861	0
Hungary	946	26	25	1	0	893	0
Greece	149	63	80	0	6	0	0

Dexia Crédit Local commitments on sovereigns

Dexia Crédit Local outstanding on sovereigns is focussed essentially on Italy and to a lesser extent on Portugal, France, Hungary, the United States, Poland, Japan and Spain.

Whilst the economic recovery of the developed countries was confirmed in 2015, growth in the emerging countries, affected by the sharp fall of commodity prices and the slowdown of the Chinese economy, was attenuated, provoking a decline in global growth. The year was also marked by severe volatility on the financial markets, particularly due to concern about the ability of Greece to fulfil its financial obligations at the beginning of the year, then those in relation to the economic situation in China during the second half-year, combined with uncertainties as to the timetable for interest rate hikes by the Federal Reserve in the United States.

In Europe, the economic recovery which began at the end of 2014 was sustained by low interest rates and oil prices, as well as by accommodating monetary policies. Despite a clear improvement compared with previous years, economic growth in the euro zone nonetheless remains weak, with a slowdown observed in the third quarter. The low level of inflation, the weakness of exports, considering the economic slowdown in the emerging markets, and geopolitical developments, particularly in the Middle East, contribute to this weakening of the economy. Furthermore, the crisis linked with the uncertainties as to Greek debt in the first half-year highlighted the persistence of the poor political and budgetary integration of Member States. Against this background, the European States continued in their efforts to reduce public deficits over the year. Nevertheless, such efforts became less of a priority, considering the weakness of the recovery and the budget choices made to deal with security threats.

The growth of the US economy remained relatively sustained, supported in particular by household consumption, despite a slowdown observed during the third quarter, amplified by the effect of corporate destocking.

In Japan, the economy remained weak, diminishing the hopes of a recovery of economic activity. This situation is principally explained by the fall in corporate investments, thus illustrating the persisting lack of confidence of Japanese businesses. The Japanese economy nonetheless benefits from the momentum of household consumption.

Dexia Crédit Local commitments to the local public sector

France

General context

In 2015, budget constraints were increased for local authorities, taking account of the reduction of State subsidies by EUR 3.7 billion. This downward trend should continue in 2016 and 2017. Debt outstanding increased overall by 2.5%, to EUR 179 billion.

The quality of Dexia Crédit Local portfolio, consisting mainly of outstanding on local authorities and social housing, remains extremely good, with a very limited number of payment incidents observed.

Update on structured loans

In 2015, Dexia Crédit Local continued its voluntary action to assist French local authorities, in order to reduce its outstanding on sensitive structured loans. In accordance with the policy implemented since 2013, Dexia Crédit Local has offered all of its customers the opportunities to switch definitively to a fixed rate and mutually acceptable solutions have been found with an increasing number of borrowers. Thus, the outstanding on sensitive structured loans was reduced by 20% compared to the end of 2014 and by 50% compared to May 2012, to EUR 973 million as at 31 December 2015.

In addition, following the creation of the local authority and hospital sector support funds in France, the Dexia Crédit Local teams have approached all potential beneficiaries in order to help them start their application.

The notification from the support fund began in September 2015 and will continue until the end of March 2016. Within 3 months from receipt of the notification, customers must communicate their decision to accept or refuse support and then sign an agreement with the bank, ending any proceedings before the courts.

As a consequence, the number of cases in which Dexia Crédit Local is involved has fallen over the year, from 221 at the end of 2014 to 147 at the end of 2015.

More detailed information on the evolution of litigation associated with Dexia Crédit Local's sensitive structured loans is provided in the section "Litigation" at the end of this chapter.

Spain

The maturity term of programmes aimed at helping local authorities facing severe liquidity problems, the Autonomous Liquidity Fund (FLA) and the FFPP (aimed at clearing supplier debts) respectively in 2015, led central government to adopt new measures to extend the support it has given to the public sector since 2012. This support now involves two major funds:

- The "regional fund", which includes the FLA, was extended until 2017, and had a budget of EUR 28 billion in 2015 for the weakest regions. In addition, financial facilities are allocated for debt clearance, in an amount of EUR 12 billion. Finally, a social fund of EUR 1.3 billion enables financial aid to be provided for settling specific debts due from regions to municipalities.
- The "municipal fund", composed of two programmes: the "economic momentum fund", intended for the weakest municipalities suffering serious budget difficulties and the "financial reorganisation fund", intended for the municipalities most deeply in debt. The overall amount of these two programmes is EUR 0.8 billion.

These evolutions are positive since they increase support from the central State to the regions and the municipalities and broaden their functions, in particular by developing a specific support mechanism for the municipalities facing greatest difficulty.

Four municipalities placed on a watch list in 2015, representing total exposure of EUR 56 million, have already received ministerial approval to benefit from this support.

The adhesion of these municipalities to the support fund has internal consequences:

- Exit from the watch list or default when all unpaid amounts are regularised;
- The reversal of impairments.

United States

In 2015, Dexia Crédit Local carefully monitored the development of the situation of the Commonwealth of Puerto Rico.

The Commonwealth of Puerto Rico faced severe financial difficulties, limiting its ability to meet its financial commitments. A reform plan was launched to reduce the deficit by one half by 2020. This reform plan will not be enough without contributions from creditors of the Commonwealth and its government sponsored enterprises. On 6 February 2015, the US District Court rejected the Puerto Rico Public Corporation Debt Enforcement and Recovery Act signed in 2014, with the aim of allowing the debt of certain government sponsored enterprises in Puerto Rico to be restructured. Taking this decision into account, discussions were begun directly with creditors at the beginning of July 2015 by the Governor of Puerto Rico and government sponsored enterprises in the Commonwealth, to restructure their debts. The Commonwealth's financial situation depends on the desire of the Federal State to support the Commonwealth with financial aid and facilities through reforms. Two draft bills of law have been put before Congress aimed at providing ad hoc aid of USD 3 billion, and the possibility of extension of the scope of application of Chapter IX of the American Bankruptcy Act to include Puerto Rico.

Dexia Crédit Local's exposure to government sponsored enterprises of the Commonwealth of Puerto Rico amounted to EUR 421 million[(1)] as at 31 December 2015, of which 95% is covered by good quality monolines.

Impairments amounted to EUR 42 million (USD 45 million). They cover outstanding without good quality credit enhancement and the possibility of acceleration of payments in the event of guarantee call, which would generate costs for unwinding hedge instruments.

Greece

Dexia Crédit Local's exposure to the Greek local public sector represented EUR 63 million at the end of December 2015, spread between the municipalities of Athens and Acharnai. Considering the financial and macroeconomic uncertainties weighing on Greece, impairments were booked on these two exposures during the 2015 financial year, in relation to their level of financial dependency towards the central State.

Dexia Crédit Local commitments on project finance and corporates

The portfolio of project financing and corporate loans amounted to EUR 23 billion as at 31 December 2015, up 2% on the end of 2014. Over the year 2015, the effects of exchange rate fluctuations and the valuation of bonds held, particularly on large corporates, more than neutralised the impact of natural portfolio amortisations and early redemptions. This portfolio is composed 63.4% of project financing[(2)], the balance being in corporate loans, such as acquisition funding, commercial transactions and corporate bonds. Dexia Crédit Local is following a policy of disengagement towards its counterparties.

As at 31 December 2015, the project finance portfolio amounted to EUR 14.6 billion. It consists 50% of Public-Private Partnerships (PPP), principally in the United Kingdom and France, 12% in energy sector projects, mostly in the field of renewable energies, and 18% in projects presenting a traffic risk (mainly toll roads and airports). 72% of the portfolio is placed in Western Europe, 19% in the United States, Canada and Australia. 70% of the portfolio is rated "investment grade".

(1) EAD amount corresponding to USD 430 million of gross accounting value as previously disclosed.

(2) 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.

The situation concerning certain projects in Spain is monitored carefully. The change to the Spanish regulatory framework on renewable energies adopted on 16 June 2014, providing the revision of electricity purchase tariffs, in fact continues to weigh on a part of the portfolio of renewable projects, principally photovoltaic projects, and in some cases has necessitated debt restructuring. A dozen projects have been subject to restructuring so far. Negotiations are in progress on other projects. Taking this situation into account, Dexia Crédit Local booked impairments on the more fragile projects, resulting at the same time in a reduction of the sector provision established in 2014 to cover this risk.

The corporate loan portfolio was EUR 8.4 billion at the end of 2015. It consists 59% of companies in the utilities sector (water, environment, distribution and transmission of energy or gas) and 32% of companies in the infrastructure sector (motorway operators, airports, ports and car parks). 88% of the portfolio is situated in Western Europe, 11% in the United States, Canada and Australia. 95% of the portfolio is rated "investment grade".

Dexia Crédit Local's exposure to the oil sector, under pressure with falling prices, amounted to EUR 292 million. Exposure, if any, is mostly in the project finance sector, the resilience of which when oil prices fall is deemed satisfactory, and to a lesser extent with leading corporates.

Dexia Crédit Local commitments on ABS

As at 31 December 2015, Dexia Crédit Local's ABS portfolio amounted to EUR 7.8 billion, up EUR 1.7 billion on the end of 2014, mainly due to the rise of the US dollar against the euro, despite the natural amortisation of the portfolio and some asset sales during the year.

This portfolio consists of EUR 4.2 billion in US government student loans, which present a rather long amortisation profile and benefiting from the US State guarantee. The balance is principally in residential mortgage backed securities (RMBS), representing an amount of EUR 0.8 billion, of which EUR 0.4 billion in Spain.

The quality of the ABS portfolio remains stable overall, with 94% of the portfolio rated "investment grade" at the end of December 2015, almost all of the tranches in which Dexia Crédit Local invested being senior level.

Dexia Crédit Local commitments on financial institutions

Dexia Crédit Local's commitments on financial institutions amounted to EUR 24.4 billion as at 31 December 2015. 40.2% 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 down 21% over the year, principally due to portfolio amortisation.

Dexia Crédit Local's exposure is concentrated 21% in the United States and 68% in Europe, principally in Spain (23%), Germany (13%), France (12%) and the United Kingdom (8%).

This year was marked by unfavourable developments in the situation of Heta Asset Resolution AG during the first half-year.

On 1 March 2015, within the framework of the federal law on the reorganisation and resolution of banks, the Austrian financial market supervisory authority published a decree on the adoption of resolution measures consisting of a temporary moratorium, until 31 May 2016, on a substantial portion of the debt of Heta Asset Resolution AG.

Via its subsidiary Dexia Kommunalbank Deutschland AG (DKD), Dexia Crédit Local has an exposure of EUR 417 million[1] to the debt of Heta Asset Resolution AG concerned by the moratorium, guaranteed by the Province of Carinthia.
Following this decision, DKD decided to book an impairment of EUR 197 million, corresponding to 44% of its notional exposure to Heta Asset Resolution AG and taking into account the total amount of the interest rate derivatives associated to these assets.
At the same time, DKD and a pool of 10 other creditors launched a legal action objecting to the moratorium. On 15 July 2015, this pool of creditors began a legal action against Heta Asset Resolution AG in the Regional Court in Frankfurt to claim immediate payment of Heta's obligations. These proceedings are ongoing.
On 21 January 2016, the Province of Carinthia presented to the market an offer to repurchase the senior bonds issued by Heta Asset Resolution AG at 75% of par and subordinated bonds at 30% of par. The pool of creditors, including DKD, and other groups of creditors, jointly representing more than one third of the exposures affected by the offer and thus representing a blocking minority, undertook contractually to accept no transaction involving a recovery of debts below par. As a consequence, they did not accept the repurchase offer made by the Province of Carinthia as well as the additional offer made by the Austrian government, shortly before the expiry of the tender period, as it was still not satisfactory to the creditors' pool.
DKD is studying other legal actions to preserve, defend and strengthen its rights against Heta Asset Resolution AG, the Province of Carinthia, Kärntner Landesholding[2] or any other party involved in this case.
Outside the exposure to Heta Asset Resolution AG, the credit quality of the portfolio improved overall in 2015, with the effect of the amortisation of exposures to counterparties rated "non-investment grade".

Dexia Crédit Local commitments on monolines

Dexia has indirect exposure to monolines through unconditional and irrevocable financial guarantees that insure the timely payment of principal and interest on certain bonds and loans. Actual claims against monoline insurers only become due if actual defaults occur on the underlying assets.

(1) EAD amount corresponding to EUR 395 million of nominal exposure as previously disclosed.
(2) Kärntner Landesholding is a legal entity sui generis, held by the Province of Carinthia. It is liable as a deficiency guarantor for all present and future liabilities of Heta Asset Resolution AG.

As at 31 December 2015, the Dexia Crédit Local portfolio included EUR 20.6 million of assets insured by monolines, of which, 68% was insured by monolines rated "investment grade" by two or more external rating agencies. All but two insurers (FGIC and Ambac's Segregated Account) continue to pay all claims on time and in-full.

Impairments on counterparty risk – Asset quality

The year 2015 was marked by an increase of the stock of impaired assets by EUR 300 million, as well as an increase of specific impairments by EUR 205 million. This is explained in particular:
- By the constitution of a provision on Heta Asset Resolution AG;
- By the allocation to provisions of several receivables associated with the renewable energy sector and the automobile sector in Spain;
- By the allocation to provisions of receivables from Greek municipalities.

At the same time, Dexia Crédit Local continued its disposal of impaired assets and benefited from a redemption in the banking sector and a restructuring of impaired outstanding (financing wind and solar farms in the United States and in Spain) and the establishment of a support fund for local public authorities in Spain ("Fondo de Ordenacion") allowing the reversal of impairments booked on several Spanish municipalities.
The coverage ratio was subsequently up over the year, reaching 36.2% as at 31 December 2015.
In addition to specific impairments, Dexia Crédit Local has collective (statistical and sector) provisions in a total amount of EUR 417 million as at 31 December 2015, against EUR 498 million as at 31 December 2014.
The reduction observed is due mainly to the constitution of new specific impairments, the files then leaving the base for calculating collective provisions. Restructuring in the renewable energy sector in Spain also had a positive impact on the amount of collective provisions. Furthermore, the collective provision for ABS was also down.
These falls are partially offset by an increase in the contribution of the US local public sector and the banking sector in Eastern Europe.
To facilitate monitoring and comparison between the different European banks, the European Banking Authority (EBA) harmonised the definition of Non-Performing Exposure (NPE) and Forbearance.
Non-performing exposure amounts to outstanding unpaid for more than 90 days for which Dexia Crédit Local thinks that the counterparty is unable to repay without the implementation of guarantees. Dexia Crédit Local has identified exposures corresponding to the said EBA definition and published the amount of its non-performing exposure.

ASSET QUALITY

(in EUR million)	31/12/2014	31/12/2015
Impaired assets	1,230	1,530
o/w impaired loans and advances to customers	*1,158*	*1,318*
Specific impairments	349	554
o/w impairments on loans and advances to customers	*306*	*456*
Coverage ratio [1]	28.4%	36.2%
Coverage ratio on loans and advances to customers	26.4%	34.6%
Collective provisions	498	417

(1) Ratio between the specific impairments and the impaired assets.

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 2015, 97 contracts, corresponding to 48 counterparties, were considered forborne, for an amount of outstanding at EUR 1 billion.

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 market 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 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 the distribution of which 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 various 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 2015, total VaR consumption stood at EUR 13.7 million, compared with EUR 13.3 million at the end of 2014, 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					2015				
VaR (10 days, 99%)	Interest and FX (Banking and Trading)	Spread (Trading)	Other risks	Total	Limit	Interest and FX (Banking and Trading)	Spread (Trading)	Other risks	Total	Limit
Average	6.7	5.3	0.2	12.1		9.6	4.6	0.2	14.4	
End of period	8.3	4.7	0.3	13.3	40	10.3	3.1	0.2	13.7	40
Maximum	8.3	5.8	0.4	13.3		11.6	5.5	0.3	17	
Minimum	5.4	4.7	0	11.0		6.9	3	0.2	12.4	

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 2015, this sensitivity amounted to EUR -18 million for a one basis point increase in credit spreads.
Sensitivity to interest rate fluctuations is extremely limited, as interest rate risk is hedged.

Transformation risk

Dexia Crédit Local's asset and liability management (ALM) 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 the 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's assets and liabilities after hedging for interest rate risk.

The sensitivity of long-term ALM was EUR +2.2 million as at 31 December 2015, compared with EUR -14.2 million as at 31 December 2014. This is in line with the ALM strategy, which seeks to minimise income statement volatility.

(in EUR million)	2014	2015
Sensitivity	-14.2	+ 2.2
Limit	+/-80	+/-80

Measurement of foreign exchange risk

With regard to foreign exchange, the Management Board decides on the policy to hedge foreign 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 Dexia Crédit Local or its subsidiaries 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 euros 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 Dexia Group's funding requirements taking into account the constraints to which it is exposed. Funding requirements are assessed prudently, taking existing transactions into account as well as planned on- and off-balance-sheet forecasts.

The 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 conditions for funding transactions on the market segments on which Dexia Crédit Local operates. It also guarantees proper execution of the funding programmes put in place. To that end, a specific and regular mode of information has been introduced:

- Daily and weekly reports are provided to members of the Management Board, the State shareholders and guarantors and the supervisory authorities. This information is also used by all parties involved in managing the Dexia Group'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-monthly conference calls are held with the regulatory authorities and (European, French and Belgian) central banks.

Liquidity risk measurement

As mentioned in the chapter "Highlights" of this registration document, the ECB decided to apply a tailored, pragmatic and proportionate prudential supervisory approach to Dexia and Dexia Crédit Local.

For instance, this approach authorises the proportionate use of supervisory powers in view of the constraints of compliance with the liquidity ratios set forth by the CRR[1]. It relies in particular on an enhanced reporting of the liquidity position, including weekly liquidity projections over four weeks and monthly funding plans over twelve months, made on the basis of a central scenario and stress scenarios. Furthermore, Dexia Crédit Local sends monthly LCR projections at twelve months. Finally, close monitoring of the diversity of funding sources and the concentration of cash outflows completes the mechanism for measuring liquidity risk.

Despite the significant progress made by Dexia Crédit Local in terms of reducing its liquidity risk, the financial characteristics of Dexia and Dexia Crédit Local since their entry into resolution do not allow them to ensure compliance with certain regulatory ratios over the term of the orderly resolution plan approved by the European Commission. These specific circumstances resulting from the orderly resolution plan are reflected in the level of the Liquidity Coverage Ratio (LCR)[2] for which there has been a minimum requirement of 60% since 1 October 2015, raised to 70% since 1 January 2016. As at 31 December 2015, Dexia Crédit Local LCR was 54%.

The proportionate use of supervisory powers notably assumes that Dexia Crédit Local's situation does not deteriorate significantly. A reversal of this approach may have a material adverse effect on the activity (including the credit institution status) of Dexia Crédit Local and, consequently, on its financial condition.

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 identifying and assessing the various risks 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 in particular covering information security, business continuity and, when necessary, the transfer of certain risks via insurance.

Risk measurement and management

Operational risk management has been identified as one of the pillars of Dexia Crédit Local' strategy in the context of its orderly resolution.

This risk is monitored within the framework of the standard approach determined by the Basel regulatory methodology. Under this methodology, information relating to the opera-

(1) Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

(2) LCR measures the coverage of liquidity requirements at 30 days in a stressed environment, by a volume of liquid assets. It replaces Belgian and French regulatory liquidity ratios.

tional 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 obligations, Dexia 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 internal control system.

Over the last three years, the breakdown of the different categories of incidents resulting in losses within the Basel definition shows almost 100% of losses originating from the category "Execution, Deliveries and Process Management", knowing that overall few major events have been recorded since 2010.

The other categories ("External Fraud" and "Failure of Systems or IT Infrastructure") show incidents to be limited in number and in amount of loss.

The principal incidents are subject to corrective actions approved by the 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 Group 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. The overall mapping is presented each year to the Management Board. Actions to limit risk may be defined where applicable.

• Definition and monitoring of action plans: actions are defined in response to major incidents, 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 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 applies the Basel standard approach to calculate regulatory capital for operational risk management.

The table below shows the capital requirements for the years 2014 and 2015:

(in EUR million)	2014	2015
Capital requirement	80	80

Management of operational risk during the period of resolution

In 2015, continuing the actions commenced in 2014, Dexia Crédit Local continued to adjust its structure and its operational processes in line with its orderly resolution plan. This transitional 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 or 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.

Finally, Dexia Crédit Local has taken action to prevent psychosocial risks and provide staff with support in connection with such risks as it continues to implement its orderly resolution plan.

Stress tests

Taking the orderly resolution plan into account, Dexia Crédit Local carries 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, risk-weighted assets, liquidity and capital requirements.

In 2015, Dexia Crédit Local performed a series of stress tests (including sensitivity analysis, scenario analysis and the assessment of potential vulnerabilities) based on macroeconomic scenarios reflecting crisis situations. In addition to regular stress tests covering market and liquidity risk in accordance with regulatory requirements, Dexia Crédit Local performed stress tests covering the majority of its credit portfolios. In particular, within the framework of Pillar 1 of the Basel regulations, the credit exposure covered by internal rating systems was tested for sensitivity and performance under adverse macroeconomic scenarios.

Dexia participated in the transparency exercise organised by the European Banking Authority (EBA), the elements and conclusions of which were published on 24 November 2015. This exercise aimed to provide detailed and standardised information on the balance sheets and loan portfolios of the main European banks, based principally on the regulatory declarations to supervisory bodies (Finrep, Corep) as at 31 December 2014 and 30 June 2015.

Considering its specific status as a bank in orderly resolution, Dexia is not on the list of the banks concerned by the stress test exercise to be organised by the EBA in 2016.

Application of and changes to the regulatory framework

Dexia Crédit Local monitors changes to the regulatory and accounting framework and ensures these are respected.

Since 30 June 2015, in calculating its regulatory capital, Dexia has taken account of the Additional Valuation Adjustment (AVA) which results from the prudent valuation as defined in the definitive version of the technical regulatory standards published by the EBA at the beginning of 2015. The AVA resulted in an impact of EUR -136 million on Dexia Crédit Local's Common Equity Tier 1 capital as at 31 December 2015.

Litigation

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 Dexia 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. This litigation is referred to below. Unless otherwise indicated, the status of such principal disputes and investigations is summarised below as at 31 December 2015 and based on information available to Dexia on that date.

On the basis of the information available to Dexia on 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 accurately to assess whether they may have such an impact.

The consequences, as assessed by Dexia in accordance with the information available to it on the aforementioned date, of the principal disputes and investigations liable to have a material impact on the Group's financial position, performance or activities are reflected in the Group's consolidated financial statements. Subject to the general terms and conditions of professional indemnity and Directors' liability insurance policies taken out 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 Dexia 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 with them 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 regulations in connection with bidding on and entering into municipal derivatives transactions, including guaranteed investment contracts (GICs[1]), with municipal bond issuers. A number of US states have also initiated similar investigations.

In addition to the government investigations described above, a large number of banks, insurance companies and brokerage firms, including in some cases FSA Holdings, Dexia and/or AGM, 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 Financial Products business and agreed to indemnify AGM and Assured Guaranty Ltd for any losses related to this business that these companies may incur as a result of the investigations and lawsuits referred to above.

The SEC concluded its investigation into FSA Holdings and found that there were no grounds for it to continue its investigations into FSA Holdings.

Alongside these developments, in 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 Financial Products Group in connection with its indictment of Goldberg. After being found guilty of fraud in first instance, Goldberg was freed when the US appellate court overturned the verdict in a final decision.

In spite of some recent developments, at present Dexia is unable reasonably to predict the duration or outcome of the various investigations and legal proceedings in progress, or their potential financial repercussions.

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 2014 the Italian Supreme Court definitively recognised the earlier ruling of the Council of State, which confirmed the validity of the derivative instruments.

On the other hand, the Italian Supreme Court confirmed in 2013 that Italian courts (both administrative and civil courts) do not have locus standi to decide on disputes relating to swap agreements. Rather, English courts have jurisdiction on such disputes. This decision was confirmed in similar pending cases.

On 11 June 2015, the Province of Milan served 2 claims on Dexia Crediop, concerning different swap agreements and a loan agreement entered into between Dexia Crediop and the Province of Milan. The allegations are similar to the previous cases, but Milan also alleges that Dexia Crediop acted in a

(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, the terms and repayment conditions of which 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.

position of conflict of interests. On 15 October 2015, Dexia Crediop was served with two ADR (Alternative Dispute Resolution) applications by the Province of Milan, but the parties failed to reach an agreement. On 7 December 2015, Dexia Crediop filed a claim against the Province of Milan before the High Court of London, seeking for a declaration that the swap agreements are valid, legal and binding. Dexia Crediop has also been recently served a writ by the Province of Brescia.

Contrary to previous rulings, the High Court of Justice in London handed down a judgment unfavourable to Dexia in relation to an interest rate swap entered into in 2006 by Dexia and the Italian local authority of Prato. The decision was based on Italian law, which – according to the court – requires that the swap agreements provide for an opt-out right for the counterparty. Dexia has appealed the decision. In three cases, 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 appropriate steps to prevent its employees from committing the alleged crimes. The employees in question and Dexia Crediop deny any charges brought against them in this regard. Criminal charges for alleged fraudulent behaviour brought by the Region of Tuscany and the Region of Puglia were dismissed.

Dexia Crediop is involved in a litigation concerning the Istituto per il Credito Sportivo (“ICS”) in which Dexia Crediop is a quotaholder, together with other Italian financial institutions. The extraordinary shareholders of ICS have challenged the legal qualification of subsidies granted to ICS, which were therefore recharacterised as equity. The pro rata shareholdings in ICS and the dividend distributions since 2005 are therefore contested through legal proceedings, after self-redress decisions regarding the annulment of the by-laws and of the decision on dividend distribution have been taken. On 21 September 2015 the Council of State rejected the appeal of Dexia Crediop and the other ICS’ quotaholders by confirming the previous judgment (RAC of Lazio) and the annulment of the 2005 by-laws, stating inter alia that the decision on dividends' distribution are subject to the Civil Courts' jurisdiction. Dexia Crediop has decided not to appeal against the judgment of the Council of State. The proceedings relating to the dividends distributions are ongoing.

At present, Dexia Crediop is unable 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 facilitate 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.

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

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

• 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. DCL’s claims have been dismissed by the 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.

DCL also filed a claim against the Republic of Austria in 2015 and asked for the payment of damages in view of Austria’s failure to comply with its contractual obligations regarding the redemption of the participation capital notes. These proceedings are ongoing.

At present Dexia Crédit Local is unable reasonably to predict the duration or outcome of these proceedings, or their potential financial repercussions.

Structured loans litigation

Dexia Crédit Local (DCL) is involved in a number of cases brought by local authorities to whom it had granted structured loans. As at 31 December 2015, 147 clients had issued summonses against DCL in connection with structured loans (compared to 221 clients at the end of 2014), of which 118 concern structured loans held by the Société Française de Financement Local (SFIL), parent company of the Caisse Française de Financement Local (CAFFIL), 19 concern structured loans held by DCL and 10 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 exclusively in case of non-fulfilment of its regulatory obligations relating to the marketing by DCL of the structured loans held by CAFFIL at the time of the sale.

The first instance courts pronounced the first decisions considering that faxes preceding the signature of the final agreements of the structured loans could be described as “loan agreements”, and that failure to state the Effective Annual Percentage Rate (EAPR) on those faxes meant that the statutory interest rate was applicable. In view of the risk which arises with the generalisation of the said decisions, 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.

In September 2015 the Court of Nanterre dismissed a borrower’s demand regarding the omission of the EAPR on a fax confirming the loan. It was the first time a court applied the validation law of 2014. The borrower appealed this decision.

In a dispute between a municipality and CAFFIL/DCL, with respect to a structured loan reported on the balance sheet of CAFFIL, the Superior Court of Nanterre dismissed in June 2015 the requests of the borrower for, inter alia, the nullity of the contract and confirmed the validity of the loan agreement until its maturity date. However, the Court found DCL and CAFFIL responsible for not respecting the duty of information, and held that the compensation for the loss of opportunity not to enter into a structured loan should be based on a decrease of the interests. The municipality appealed this decision.

In 2014, the French Government also gave impetus to the implementation of a support fund created by article 92-I of the 2014 Finance Act.

The Fund 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 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 75% (the percentage of 45% has been increased in 2015) 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, following the deterioration of current market conditions for certain loans, the French Government decided (by the 2016 Finance Act, adopted on 29 December 2015), that the size of the fund would be doubled for local authorities (from EUR 1,5 billion up to EUR 3 billion). The aid envelope proposed for public hospitals rose from EUR 100 million to EUR 400 million.

A huge majority of the qualifying applicants sent their requests before the deadline of 30 April 2015. As from September 2015 (and ongoing to the end of March 2016), the Fund began to notify borrowers of its decisions to attribute grants. Borrowers need to communicate their decision whether to accept or not the aid and then sign a Protocol with the bank, within 3 months after reception of the notification, which makes an end to any litigation procedure before the courts.

Dexia Kommunalbank Deutschland, a subsidiary of DCL, was also summonsed in a small number of disputes relating to structured loans. In 2015 and early 2016, Dexia Kommunalbank Deutschland obtained favourable decisions in first instance in some of these proceedings.

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 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 (together with a derivative claim filed in July 2012 by the same minority shareholders, to claim reimbursement of dividends allegedly overpaid by DIL to DCL). The Central District Court of Tel Aviv approved the settlement agreement on 13 May 2015.

In December 2011, individual shareholders filed another class action against DCL, DIL and the Union of Local Authorities in Israel (ULAI). This action is based, inter alia, on an alleged failure to complete the process of equalising the rights attached to shares in DIL. On 7 October 2014, a new derivative action was brought by certain shareholders (including one of the authors of the class action of December 2011) against DCL, DIL's CEO 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. A settlement has been agreed by the parties on those two litigations in January 2016. Provided the settlement is approved by the Court, DIL will initiate an equalization process of its categories of shares and pay a NIS 25 million dividend to all shareholders, whilst the claimants agreed to fully waive all their claims. The approval process of this settlement is ongoing.

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 disagreed on the exercise price of the put and conducted arbitration proceedings. The arbitration award was rendered at the end of August 2015 and, despite confirming DCL's position on the merits, has required DCL to pay an exercise price for the put option. DCL filed an application for annulment of the arbitral award. The arbitral award has not been annulled and is now to be executed by the parties.

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

As at 31 December 2015, the share capital of Dexia Crédit Local 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.

Shareholding structure

Dexia Crédit Local's share capital is held directly and almost exclusively by Dexia. In addition, six members of the Board of Directors held one registered share in the company. 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 and the Board of Directors will propose at the next shareholders' meeting that no dividend be paid in respect of 2015

As at 31 December	2011	2012	2013	2014	2015
Capital (in EUR)	500,513,102	1,286,032,212	1,286,032,212	223,657,776	223,657,776
Number of shares	87,045,757	223,657,776	223,657,776	223,657,776	223,657,776
Dexia	87,045,745 shares	223,657,766 shares	223,657,763 shares	223,657,764 shares	223,657,770 shares
Individual investors (directors)	12 shares	10 shares	13 shares	12 shares	6 shares

Regulatory capital and solvency

Dexia Crédit Local monitors its solvency using rules established by the Basel Committee on Banking Supervision and European Directive CRD IV. On the other hand, the bank ensures observance of the capital requirements imposed by the European Central Bank (ECB), within the framework of Pillar 2 of Basel III, following the Supervisory Review and Evaluation Process (SREP).

The year 2015 was marked by the effective implementation of the Single Supervisory Mechanism (SSM), under the aegis of the ECB and the implementation of new regulatory deductions linked to the Additional Valuation Adjustment (AVA).

Prudential requirements applicable to Dexia and Dexia Crédit Local with regard to solvency

Within the framework of Pillar 2 of Basel III, following the SREP performed by the ECB, the Common Equity Tier 1 (CET 1) requirement applicable to Dexia and Dexia Crédit Local is set at 8.625% (phased ratio) on a consolidated basis as at 1 January 2016. It contains a safety buffer, the so-called "capital conservation buffer", set at 0.625% of core capital as from 1 January 2016 and which will be increased by 0.625% per annum to reach 2.5% in 2019. This buffer, identical for all banks in the EU, is intended to absorb losses in a situation of intense economic stress.

Although Dexia Crédit Local's capital position is beyond minimum regulatory requirements, since its entry into resolution in December 2012 the bank has already been subject to restrictions imposed by the European Commission within the context of the principle of "burden sharing". In particular, they include a ban on the payment of dividends, certain restrictions in relation to the payment of coupons and the exercise of calls on subordinated debt and hybrid capital issues by Group issuers. Consequently, non-observance of the capital conservation buffer would have no impact on Dexia and Dexia Crédit Local's conduct in terms of capital distribution.

Regulatory capital

Total capital can be broken down as follows:
- Common Equity Tier 1 capital, including in particular:
– share capital, premiums, retained capital,
– profits for the year,
– gains and losses directly recognised in equity (revaluation of financial assets available for sale or reclassified, revaluation of cash flow hedge derivatives and translation adjustments),
– the eligible amount of non-controlling interests,
– after deduction of intangible assets, goodwill, accrued dividends, own shares, the amount exceeding thresholds provided with regard to deferred tax assets and for holding shares and interests in credit or financial institutions and elements subject to prudential filters (own credit risk, Debit Valuation Adjustment, cash flow hedge reserve, Additional Valuation Adjustment).
- Additional Tier 1 including Tier 1 subordinated debt;
- Tier 2 Capital which includes the eligible portion of Tier 2 subordinated debt as well as surplus provisions on the level of expected losses, reduced by the surplus amount of thresholds provided with regard to holding subordinated debt issued by financial institutions.

In accordance with regulatory requirements and applicable transitional provisions:
- Gains and losses directly recognised in equity as revaluation of non-sovereign bonds and shares 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, i.e. 40% in 2015.

The National Bank of Belgium and the French Autorité de Contrôle Prudentiel et de Résolution have confirmed to Dexia and Dexia Crédit Local the applicability of the exemption provided in Article 467, § 3 of Regulation 575/2013. That exemption allows the AFS reserve on sovereign securities not to be deducted from regulatory capital. In accordance with the provisions of the CRR, this national discretion will be applicable until adoption by the European Commission of a regulation approving the IFRS 9 accounting standard, replacing standard IAS 39. After approval of this regulation, Dexia and Dexia Crédit Local will have to take the AFS reserve on sovereign securities into account in the calculation of their regulatory capital. As at 31 December 2015, the amount of the AFS reserve on sovereign securities was EUR -1.3 billion. The deduction of this AFS reserve from regulatory capital will be gradually phased in until 2018, in accordance with the timetable for implementation of CRD IV.
- Non-controlling interests are partially eligible for Tier 1 capital; their limited inclusion is the object of transitional provisions.
- Certain adjustments on subordinated and hybrid debt must be taken into consideration in the calculation of capital in order to reflect the loss-absorption characteristics of these instruments.

As at 31 December 2015, Dexia Crédit Local Total Capital reached EUR 6, 435 million, against EUR 6,960 million as at 31 December 2014. This reduction is explained in particular by the 40% deduction of the AFS reserve linked to non-sovereign securities, or EUR -1.1 billion, in accordance with the schedule defined in the CRD IV Directive. Furthermore, the AVA had an impact of EUR -136 million on regulatory capital as at 31 December 2015. These elements are partially offset by the net profit for the year.

Common Equity Tier 1 Capital followed a similar trend and was at EUR 6,425 million as at 31 December 2015, compared to EUR 6,786 million as at 31 December 2014.

REGULATORY CAPITAL (in EUR million)	**31/12/2014**	**31/12/2015**
Total Capital	**6,960**	**6,435**
Common Equity Tier 1 Capital	**6,786**	**6,425**
Core shareholders' equity	7,192	7,561
Gains or losses directly recognised in equity on available-for-sale or reclassified assets	(529)	(1,128)
Cumulative translation adjustments (group share)	79	170
Actuarial differences on defined benefit plans	(9)	(4)
Non-controlling interests eligible in Tier 1	341	292
Items to be deducted:		
Intangible assets and goodwill	*(23)*	*(26)*
Ownership of Common Equity Tier 1 instruments in financial institutions (>10%)	*(7)*	*(9)*
Own credit risk	*(104)*	*(173)*
DVA	*(154)*	*(122)*
AVA	*0*	*(136)*
Additional Tier 1 Capital	**39**	**10**
Subordinated debt	45	39
Items to be deducted:	(6)	(29)
Ownership of Tier 1 instruments in financial institutions (>10%)	*(6)*	*(29)*
Tier 2 Capital	**135**	**0**
Subordinated debt	61	47
of which additional Tier 1 reclassified	*11*	*17*
IRB provision excess (+); IRB provision shortfall 50% (-)	320	261
Items to be deducted:		
Ownership of Tier 2 instruments in financial institutions (>10%)	*(246)*	*(309)*

As at 31 December 2015, Dexia Crédit Local's Tier 1 hybrid capital securities represented a nominal amount of EUR 56 million, including EUR 39 million eligible as additional Tier 1 and EUR 17 million reclassified as Tier 2. Taking account of regulatory deductions, additional Tier 1 amounted to EUR 10 million.

No hybrid debt buyback operations were carried out in 2015. 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.

Total outstanding Tier 2 subordinated debt amounted to EUR 483 million as at 31 December 2015 and included EUR 30 million of eligible subordinated debt. Taking account of the additional Tier 1 reclassified, the IRB provision excess and the regulatory deductions, Tier 2 Capital was nil.

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 the Group's proposal to repurchase the hybrid capital debt issued by Dexia Funding Luxembourg (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.

Risk-weighted assets

As at 31 December 2015, risk-weighted assets were EUR 51.1 billion, including EUR 47.9 billion for credit risk, EUR 2.2 billion for market risk and EUR 1 billion for operational risk as As for credit risk, the fall caused by the reduction of the asset portfolio is partially offset by the deterioration of internal ratings, particularly for Italy, as well as by exchange rate fluctuations, in particular the appreciation of the US dollar against the euro. The decline in market risk-weighted assets is due to the decrease in general and specific foreign exchange risk and specific interest rate risk.

RISK-WEIGHTED ASSETS (in EUR million)	31/12/2014	31/12/2015
Credit risk-weighted assets	49,252	47,863
Market risk-weighted assets	2,941	2,248
Operational risk-weighted risks	1,000	1,000
TOTAL	**53,193**	**51,111**

Solvency ratios

Dexia Crédit Local's Common Equity Tier(1) ratio was 12.6% as at 31 December 2015, representing a margin of 457 basis points compared to the minimum regulatory requirement required excluding the capital conservation buffer.

Liquidity management

2015 was a landmark year for Dexia Crédit Local's liquidity management in several ways. Firstly Dexia Crédit Local had to deal with the extremely severe volatility of its funding requirement mainly linked to the evolution of long-term interest rates. In that context, by virtue of anticipation and prudent management, the bank dealt with major maturities of guaranteed debt. Finally, Dexia Crédit Local completely exited the exceptional funding mechanisms on which the bank had relied since it entered resolution. This key phase in the Dexia Group's resolution enabled it to begin to redraw the contours of a more stable funding profile over time.

Contrasted development of Dexia Crédit Local's funding requiremen

Dexia Crédit Local's funding requirement evolved in contrasted ways in 2015 against a background marked by the severe volatility of interest and exchange rates.

In the first quarter, the fall of long-term interest rates, coupled with the weakening of the euro, in particular against the US dollar and the sterling, resulted in an increase of net cash collateral posted by Dexia Crédit Local with its derivatives counterparties, reaching a maximum of EUR 38 billion in April 2015, this in turn generating an increase in the funding requirement.

The strengthening of the euro in the second quarter and the rise of long-term interest rates resulted in a reduction of the amount of net cash collateral posted by Dexia Crédit Local to its derivatives counterparties and a fall in the funding requirement in the middle of the year.

During the second half of the year, the funding requirement continued to fall slightly, under the effect of the reduction of the asset portfolio, despite a downward trend in long-term interest rates, resulting in a further increase in the amount of net cash collateral posted by Dexia Crédit Local, which reached EUR 31 billion at the end of December 2015.

Exit from exceptional funding mechanisms

Dexia Crédit Local continued to evolve its funding structure favourably in 2015, in particular by exiting all the exceptional funding introduced on its entry into resolution.

In the first quarter of 2015, Dexia Crédit Local repaid the remaining guaranteed debt held by Belfius, amounting to EUR 10 billion. In total, EUR 12.8 billion was repaid to Belfius between December 2014 and the end of February 2015.

Dexia Crédit Local also repaid EUR 19 billion of guaranteed bank bonds, used within the framework of the exceptional own-use mechanism(2) granted by the ECB. A first tranche of EUR 13 billion was repaid in the first quarter of 2015. The repayment of the second tranche of EUR 6 billion took place in the fourth quarter.

(1) Including the net profit for the year.
(2) "Own-use": use by the Dexia Group, as collateral with the Eurosystem, of securities issued by Dexia Crédit Local and guaranteed by the States

Furthermore, in the first quarter of 2015, Dexia Crédit Local redeemed the remainder of EUR 33.5 billion subscribed with the ECB in the form of VLTRO[1], partially replaced by the LTRO[2] and the MRO[3].

Dexia Crédit Local's refinancing in 2015

Over the year, Dexia Crédit Local successfully launched various long-term public transactions, in euros, in US dollars and in sterling, with maturities from 3 to 10 years. These issues were accompanied by private placement activity, with the total guaranteed long-term funding raised in 2015 amounting to EUR 9.3 billion, USD 2.7 billion and GBP 1.5 billion.
At the same time, Dexia Crédit Local was extremely active in short-term funding, via various guaranteed programmes in euros and in US dollars. 363 short-term transactions were completed for a total of EUR 48.9 billion. The average term of the short-term funding exceeded 7 months.

(1) VLTRO or Very Long Term Refinancing Operations are exceptional refinancing operations at 3 years launched in December 2011 and February 2012 respectively by the European Central Bank to support liquidity on the interbank market and to facilitate the financing of the real economy
(2) LTRO or Long Term Refinancing Operations are long-term refinancing operations. They constitute a standard refinancing tool used by banks with the Eurosystem
(3) MRO or Main Refinancing Operations are short-term refinancing operations; They constitute a standard refinancing tool used by banks with the Eurosystem

As at 31 December 2015, the outstanding guaranteed debt was down, at EUR 61 billion, against EUR 73 billion at the end of 2014.
At the same time, Dexia Crédit Local continued in its efforts to develop short and long-term secured market funding, the outstanding of which rose by EUR 2.9 billion compared to year-end 2014, to reach EUR 67.4 billion as at 31 December 2015. Dexia also reduced its funding subscribed with the ECB to EUR 15.9 billion as at 31 December 2015, including EUR 11.9 billion in the form of LTRO and EUR 4 billion in the form of MRO.
As a consequence, as at 31 December 2015, guaranteed funding, secured funding and central bank funding represented 37%, 42% and 10% respectively of Dexia Crédit Local's funding.
As at 31 December 2015, Dexia Crédit Local had a liquidity buffer of EUR 6.3 billion, including EUR 2.1 billion of assets eligible to ECB refinancing.

Human resources, environmental and social data

Dexia Crédit Local's sustainable development approach

Dexia Crédit Local subscribes to the sustainable development approach pursued by the Dexia Group.
Since 2001 the Dexia Group has published a sustainable development report devoted to the steps and measures taken in the field of corporate social responsibility (CSR). This report is henceforth published by each of the Group's operational entities. In light of the Group resolution process, Dexia no longer publishes a consolidated CSR report.

The French legal and regulatory framework relating to CSR reporting

This part of the registration document presents the CSR information pertaining to Dexia Crédit Local as requested by Article L.225-102-1 of the French Commercial Code.

Methodology

As a company whose securities are admitted for trading on a regulated market, Dexia Crédit Local is required to include in its management report the measures and courses of action taken to take into account the social and environmental consequences of its activities and to meet its social commitments in favour of sustainable development.
The information to be reported covers 42 topics grouped into three categories: information on human resources, environmental data and data on the company's social commitments in favour of sustainable development.
The companies included within the scope of the CSR reporting correspond to those falling within Dexia Crédit Local's financial consolidation perimeter. It includes Dexia Crediop, Dexia Kommunalbank Deutschland, Dexia Sabadell, Dexia Crédit Local Dublin Branch and Dexia Crédit Local New York Branch.
It should be noted that some topics do not concern or no longer concern Dexia Crédit Local and its subsidiaries or branches due to the Group's resolution, which resulted in a significant reduction in the consolidation scope of the Dexia Crédit Local group. The following topics are excluded on account of their insignificance or immaterial nature:
• Resources devoted to the prevention of environmental risk and pollution.
• The amount of provisions and guarantees for risks in the field of the environment.
• Measures for preventing, reducing or compensating for discharges into the air, the water and the soil that have a serious impact on the environment.
• The taking into consideration of noise pollution and any other type of pollution specific to an activity.
• Ground use.
• Measures taken to preserve or develop biodiversity.
• The promotion and observance of the stipulations of the fundamental conventions of the International Labour Organisation concerning the eradication of forced labour and the abolition of child labour.
• Other actions in favour of human rights.
Staff movements (hiring, redundancies, etc.), absenteeism, remuneration, training and data relating to accidentology are reported within the scope of the Dexia Crédit Local France Economic and Social Unit (ESU) including Dexia CLF Banque, this information not being the subject of consolidation at global level and Dexia Crédit Local being managed in orderly resolution.
Energy consumption is reported for Dexia Crédit Local registered office, Dexia Crediop, Dexia Kommunalbank Deutschland, Dexia Sabadell, Dexia Crédit Local New York Branch and Dexia Crédit Local Dublin Branch.
Emissions per type of transport are reported according to this same scope.
Dexia Crédit Local has commissioned the firm Deloitte for the validation of the extra-financial data reported below for the year 2015.

1. Human resources

1.1. Employment-related information

Breakdown of members of staff by entity

	2014	2015
Dexia Crédit Local France ESU (except for Dexia SA seconded employees)	660	661
Dexia Crediop	177	119
Other European entities	204	193
Other non-European entities	141	122
All categories	**1,182**	**1,095**

(Scope: Dexia Crédit Local consolidated)

Breakdown of members of staff by geographical area

	2014	2015
France	660	661
Spain and Portugal	37	37
Italy	177	119
Other European countries	167	156
North America	140	121
Other countries outside Europe	1	1
TOTAL	**1,182**	**1,095**

(Scope: Dexia Crédit Local consolidated)

Breakdown of members of staff by gender

	2014	2015
Male	641	597
Female	541	498
TOTAL	**1,182**	**1,095**

(Scope: Dexia Crédit Local consolidated)

Agency staff

As at 31 December 2015 the company did not have recourse to agency staff (Scope: Dexia Crédit Local consolidated)
Some information refers to classifications specifically used in France. The presentation thereof is limited to the Dexia Crédit Local ESU scope. These data are presented in the "Total workforce as at 31 December 2015 and breakdown by gender and socio-professional category", "Breakdown of members of staff by age and socio-professional category" and "Staff movements" tables.

Total workforce as at 31 December 2015 and breakdown by gender and socio-professional category

As at 31 December 2015, Dexia Crédit Local (Dexia Crédit Local ESU scope) had a total number of 661 members of staff (638 full-time equivalents), compared to 660 members of staff in 2014. In 2015, Dexia Crédit Local recruited a total of 109 members of staff (compared to 123 in 2014); 57 on a permanent basis, 39 on a fixed-term basis and 13 on work-study contracts. In addition to these recruitments, 20 interns worked for the company as part of their studies.

(average full-time equivalent)	2014	2015
Management staff	6.0	6.0
Executives	601.0	600.5
Administrative staff members	29.8	31.8
Non-administrative staff members	-	-
TOTAL	636.8	638.3

(Scope: Dexia Crédit Local France ESU – Dexia CLF Banque)

Breakdown of members of staff by age and socio-professional category

2015	Aged less than 25	Aged 25 to 29	Aged 30 to 34	Aged 35 to 39	Aged 40 to 44	Aged 45 to 49	Aged 50 to 54	Aged 55 to 59	Aged 60 and over	Total
Management staff	-	-	-	1	1	2	1	-	1	6
Executives	9	64	125	128	101	73	50	38	24	612
Administrative staff members	16	6	2	1	4	3	7	3	1	43
Non-administrative staff members	-	-	-	-	-	-	-	-	-	-
TOTAL	25	70	127	130	106	78	58	41	26	661

(Scope Dexia Crédit Local France ESU – Dexia CLF Banque)

Staff movements

	2014	2015
Permanent contract hiring	73	57
Shifts from fixed-term to permanent contract	17	8
Fixed-term contract hiring (inc. work-study contracts)	50	52
Individual redundancies affecting employees on a permanent contract	21	10
Economic redundancies affecting employees on a permanent contract	84	5
Resignations tendered by employees on a permanent contract	27	32
Employees leaving under the terms of agreements with La Banque Postale	-	-
Redundancies affecting employees on a fixed-term contract	0	0
Resignations tendered by employees on a fixed-term contract	1	3
End of fixed-term contract (including work-study contracts)	39	37

These figures should be supplemented by the seven permanent contracts transferred to the SFIL and 14 other departures (Intra-group transfer / Retirement / Contractual breach / End of trial period / Departures and arrivals linked to expatriation)

(Scope: Dexia Crédit Local France ESU – Dexia CLF Banque)

1.2. Reminder of the structural measures set in place and developments in 2015

End 2012 to end 2014: reorganisation of the Dexia Crédit Local ESU, transfer of members of staff to SFIL and deployment of the company project

By way of a reminder, Dexia presented a plan for the reorganisation of the Dexia Crédit Local ESU – CLF Banque on 28 September 2012 in the context of the restructuring of the Dexia Group and the implementation of a new plan for French public sector financing.
This new system was characterised by the transfer of Dexia Municipal Agency (DMA) which has become the *Caisse Française de Financement Local* (CAFFIL) to a new entity, the *Société de Financement Local* (SFIL), owned by the French State, the *Caisse des Dépôts et Consignations* (CDC) and la Banque Postale (LBP).
SFIL started operating on 1 February 2013. The launch of SFIL and CAFFIL drew on the tools and skills of the Dexia Crédit Local teams. At the end of 2014, some 300 members of staff had joined SFIL.
In the spring of 2013 the change in the Group's mission and size prompted the management to start thinking about new strategic goals, the operating model and organisational simplification within Dexia.
The thought given to these matters and the work carried out by the Group Committee led to the company project which was presented to the staff representative bodies on 4 February 2014. After numerous exchanges, these bodies delivered their opinion on 31 March 2014, thus enabling operational implementation of the plan.

The change brought about by this company project has also been accompanied by the definition of new values (cohesion, adaptability and professionalism) and associated conduct.

2015: towards a simplification and greater integration of the operating model

In the framework of the orderly resolution plan and in order to ensure operational continuity, the Group began studying the opportunity to outsource all or some of the Middle and Back Office functions linked to market operations and their technical infrastructures. After thoroughly studying the proposals of various service providers, in September 2015, Dexia decided to further analyse Société Générale's proposals and entered an exclusive phase of due diligence.
Implementation of this project is subject to the approval of the regulators and Dexia Crédit Local representative bodies. Dexia Crédit Local is paying particular attention to the future of its staff members affected by this work and in extending the information already provided to staff representative bodies, Dexia Crédit Local has undertaken an information/consultation process with those bodies, maintaining constructive dialogue. This project will involve a long implementation process that will mobilise the Funding and Markets, Finance and IT support lines in particular until 2017.

1.3. Remuneration and company benefits

Remuneration policy

Under Group procedures, Dexia's Appointments and Remuneration Committees are responsible for preparing all the matters relating to remuneration policy. Their proposals are then submitted to Dexia's Board of Directors, which approves the appropriate measures to be taken. The remuneration policy thus validated is then submitted to the Dexia Crédit Local Board of Directors for approval.
Dexia defines its remuneration policy in observance of the commitments entered with the Belgian, French and Luxembourg states and with the European Commission in the framework of the Group's orderly resolution plan. In particular Dexia applies the remuneration principles derived in the context of the G20, the national bodies, the CRD IV and the Group sees to it that it makes the best use of public funds as regards remuneration.
The policy applies to both fixed (non-performance-related) remuneration and any variable (performance-related) remuneration, the general principles of which apply to all members of staff. These principles include aligning remuneration policies and practices in order to create a balance between fixed and variable remuneration that does not encourage excessive risk-taking and establishing methods for evaluating the relationship between performance and variable remuneration.

In order to comply with rules and recommendations on good governance and sound remuneration practices and to avoid in any way incentivising excessive risk-taking, the Dexia Group has sought to reduce the variable component of remuneration for those of its members of staff who are contractually entitled to variable remuneration. The variable component of remuneration may not exceed 0.3 times an employee's annual fixed remuneration.
At the same time, in 2015, the members of staff in question benefited from additional non-variable remuneration (known as a "salary supplement") so as to increase their non-performance-related remuneration. This recurring supplement is subject to a continued employment requirement under which members of staff 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 remuneration (see page 38 of this registration document).
The remuneration 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 remuneration – change – breakdown by gender and by socio-professional category

The data presented in the table below pertain to members of staff in service for two consecutive years on a permanent contract. Members of staff who have changed category are compared in the category to which they belong in the second year.

In 2015, the annual amount of the distributed gross wage bill totalled EUR 50.42 million, compared to EUR 64.06 million in 2014 (Scope: Dexia Crédit Local ESU – Dexia CLF Banque).

Employer's contributions

In 2015, the annual amount of the employer's contributions totalled EUR 29.49 million, compared to EUR 34.82 million in 2014 (Scope: Dexia Crédit Local ESU– Dexia CLF Banque).

Profit sharing

Discretionary profit-sharing

In accordance with additional clause no. 1 of 15 June 2015 to the profit-sharing agreement of 5 June 2014, the basis of assessment for calculation of the discretionary profit sharing in 2015 is based, for this financial year, on the Dexia Group's

	2014			2015		
(in EUR)	Male	Female	Total	Male	Female	Total
Management staff	330,000	212,200	271,100	330,000	218,000	274,000
Executives	68,821	58,134	63,630	69,376	57,685	63,584
Administrative members of staff	38,087	39,374	39,171	38,837	40,126	39,942
Non-administrative members of staff	-	-	-	-	-	-
AVERAGE	**71,326**	**58,724**	**65,048**	**71,833**	**58,251**	**64,923**

(Scope: Dexia Crédit Local France ESU – Dexia CLF Banque

Excess Capital calculated in terms of "Common Equity Tier 1". The formula also takes account of booster coefficients linked to the achievement of four strategic objectives (completion within the deadlines of three major IT projects for Dexia Crédit Local Paris, loans desensitised by Dexia Crédit Local Paris, Dexia Group funding plan and cost management within the Dexia Crédit Local Paris and CLF Banque entities).
Members of staff 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 member of staff is proportional to his or her actual hours worked.
In calculating hours worked, part-time members of staff are treated separately from full-time members of staff.
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 Inter-company 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):

- 2013: the amount allocated totalled EUR 1,375,700 (paid in 2014)
- 2014: the amount allocated totalled EUR 1,061,500 paid in 2015)
- 2015: the amount set aside totalled EUR 1,250,000 (to be paid in 2016)

French compulsory profit sharing (participation)

In accordance with the agreement of 25 June 2013, entered into for an undetermined 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 legal 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 remuneration, 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 Inter-company 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.
In light of Dexia Crédit Local Group's situation, no French compulsory profit-sharing was paid in 2013, 2014 and 2015.

Employee share ownership plan

Members of staff of Dexia Crédit Local were eligible to participate in the employee share ownership plans (ESOP) established for the entire Dexia Group until 2008. 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 members of staff as part of the Group employee share ownership plans.

Remuneration paid to executive officers and persons whose professional activities have a material impact on the company's risk profile

The Dexia Group's remuneration 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 members of staff whose total remuneration exceeds EUR 350,000 a year.
The remuneration 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 Appointments and Remuneration 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 remuneration (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

Home working

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

Part-time members of staff

On 31 December 2015, within the ESU scope and out of a workforce of 65 part-time members of staff (72 in 2014), 47 worked four-fifths time and were primarily absent on Wednesdays. Out of the 65 part-time members of staff, 16 worked on a part-time parental leave basis.

Overtime

Dexia Crédit Local makes little use of overtime. Across the ESU, a total of 1,790 overtime hours were paid in 2015 (compared with 5,311 hours in 2014), equating to a gross amount of EUR 56,962 (compared with EUR 167,519 in 2014), worked by 147 members of staff.

Absenteeism

Across the ESU, an absentee rate of 5.3% was recorded in 2015 (number of days' absence divided by theoretical total number of working days). The absenteeism rate takes into account sick leave and maternity and paternity leave.

1.5. Labour relations

Professional relations and staff representation

The group recognises, promotes and respects freedom of association and the right to collective bargaining. Any member of staff may establish or join a trade union organisation of his or her choice. The Group also recognises and respects, in accordance with the applicable laws and regulations, the right of its members of staff to be represented by their trade union(s) as established through collective bargaining on labour relations.

Agreements signed within Dexia Crédit Local

The following agreements were concluded in 2015:

Agreements on the establishment of the single database and periodic reporting to the works council

The Job Security Act of 14 June 2013 introduced a new system for the sharing of information on the company's economic and social situation with the staff representatives through the establishment of a new tool: the economic and social database. In this context, management and trade union organisations have continued the exchanges they had initiated in 2014, with a view to setting up this system and adapting the periodic reporting to the works council with regard to the company.
These negotiations led to two agreements being signed during 2015:
• The agreement on the single database on 12 January 2015.
• The agreement on periodic reporting to the works council in the framework of the single database on 3 March 2015.

Agreement on professional equality between men and women

Seeing as the agreement on the professional equality between men and women in the economic and social unit Dexia Crédit Local – Dexia CLF Banque signed on 13 April 2012 for a term of three years was due to expire in 2015, management and social partners wanted to renew their commitments by signing a new agreement on 15 June 2015.

Agreement on discretionary profit sharing

An additional clause to the agreement of 5 June 2014 was signed on 15 June 2015 in order to adapt the discretionary profit-sharing calculation formula, whilst maintaining its random character.

Negotiations initiated in 2015

In June 2015, management entered into negotiations with the social partners on a draft agreement on human resource and skills planning.
In November 2015 three negotiations were initiated:
• A draft endorsement concerning the allocation of days not taken on the Dexia intercompany group retirement savings plan.
• A draft methodology agreement organising the procedure for informing and consulting with the works council in the framework of the project relating to the externalisation of some financial market operations.
• A draft endorsement to the human resource management agreement concluded in November 2014.

1.6. Health and safety

Health and safety policy

Working conditions within the Dexia Group must be such that members of staff 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.
Members of staff 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.
No health and security agreement is in force at Dexia Crédit Local in 2015.
In 2015, the Dexia Crédit Local CHSCT met four times in regular meetings and six times in extraordinary meetings.
Wishing to continue the psycho-social risks prevention policy initiated several years ago, management renewed the following psycho-social risk support and prevention mechanisms in 2015:
• Presence of an occupational psychologist,
• Presence of a social worker,
• Yoga classes,
• The system devoted to supporting members of staff leaving the company pursuant to the human resource management agreement of 6 November 2014 carried out by the firm BPI.
Management also wanted to maintain the training courses on psycho-social risk set up the previous year, in particular:
• Preventing office-related illnesses,
• Improving sleep and daily performance,
• Stress and sleep: understanding the interactions,
• Managerial practices to promote well-being and performance,
• Recognising and providing support to members of staff in difficulty.

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: 149
• Frequency rate (1): 6.13
• Severity rate (2): 0.15
• Number of occupational diseases: 0
(Scope: Dexia Crédit Local France ESU - Dexia CLF Banque)

1.7. Training and skills development

It is important to Dexia to provide all its members of staff an environment in which each person's skills and knowledge can be developed with a view to contributing to the organisation and to the employability of the individual in question. A range of development opportunities and training courses is accessible to all members of staff, who remain players in their professional career plan. This skill management is carried out in close cooperation between the Human Resources department and the heads of support lines. Dexia thus intends to perpetuate each employee's expertise in line with changes and developments in his career, by way of a guarantee of his performance and employability.
Training forms an integral part of this development policy. Dexia's Human Resources department has expressed its intention to take action based on five major training lines:
• Accompanying the evolution of job opportunities and/or mobility;
• Enhancing of managerial and collaborative skills;
• Detecting and preventing psycho-social risks;

(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.

- Implementing regulatory mechanisms agreements and major business processes;
- Accompanying senior staff with the aim of keeping them in work.

These training lines were embodied in a catalogue of 101 different training courses and sessions in 2015, which were offered to the members of staff and organised in our offices. Bearing in mind the number of enrolments, some of these courses were the subject of several sessions, to which can be added specific courses followed by members of staff individually, on an external basis, at training institutions. Dexia's catalogue of training courses is available in the tool "Mon Eval" which also enables each member of staff and manager to monitor the training activities and training requests in real time. In 2015 the number of hours of training (all courses and sessions counted together, i.e. eligible and non-eligible, catalogue and external courses) amounted to more than 14,500 for Dexia Crédit Local.

Development of talent

Thanks to the contribution made by its staff that Dexia is able to meet its commitments to its shareholders and guarantors. This contribution is monitored and assessed by the managers on the occasion of individual interviews with their members of staff. These interviews are henceforth formalised and recorded in the "Taleo Performance" tool, together with the definition of the targets for each member of staff; targets associated with the job description and behavioural targets linked to the Dexia values. This results in a strengthening of the individual monitoring of each member of staff.

Support to talent

Moreover, in the context of the French reform of vocational training, each member of staff is invited on a biannual basis by his HR business partner for a professional interview. The purpose of this individual interview is to go over with the member of staff, in complete confidentiality, the prospects for his professional development, by taking stock of his professional career path, the development possibilities open to him and the associated training resources. It also affords the chance for different aspects of working life to be tackled: job content, supervision, remuneration, balance between private life and work, and professional career plan.

1.8. Equal treatment

Agreement on professional gender equality

This agreement aims at intensifying the company's policy in this field. This intention is reflected in the adoption of specific measures in the following areas:

- An agreement entered into on 15 June 2015 for a period of three years reflects the company's commitment to improving its professional gender equality policy, in place for the past few years. This intention reflected in the adoption of specific actions in the areas of communication, recruitment, professional development, management of careers, job moves and promotions, work/life balance and remuneration;
- 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 2015 the workforce of the Dexia Crédit Local ESU included 12 members of staff 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 a member of staff'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.

2. Environmental data

Key information: energy consumption and staff 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 staff business travel. The bank pursues a proactive policy of reducing waste and responsibly using consumables.

2.1. Waste management and responsible management of consumables

Dexia Crédit Local's French and foreign subsidiaries have all put in place systems to sort, collect and recycle paper and internal waste (toner, electrical waste, obsolete equipment, etc.). All printers are configured by default to print double-sided in black and white, and all offices have selective recycling bins.
As part of its policy of responsible purchasing and reducing paper consumption, Dexia Crédit Local has implemented a range of actions concerning the types of paper used, such as decreasing the weight of paper and using only recycled, bleach-free virgin, PEFC-certified paper.
The company's United States branch sorts its waste both within its offices and at basement level to facilitate effective waste collection.
Dexia Kommunalbank Deutschland and its members of staff are ranging themselves behind the environmental protection approach. In this respect, Dexia Kommunalbank Deutschland uses recycled paper and has commissioned a waste management company presenting an environmental protection charter.

2.2. Sustainable use of resources

Energy consumption

In order to limit its carbon footprint, Dexia constantly seeks to improve the energy efficiency of its premises. The bank is continuing with actions already initiated in this area by carrying out energy audits on various buildings and maintaining the proportion of its electricity consumption accounted for by green electricity.

Energy consumption 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 and Dexia Crédit Local New York Branch.

2015	Energy consumption (MWh)	Greenhouse gas emissions (tCO_2e)
Electricity	9,964	1,627
Heating	1,512	503
Gas	362	65
Fuel	356	89
Cooling	1,499	30
TOTAL	**13,694**	**2,313**

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 24,396 m^3 in 2015.

2.3. Contribution to the fight against global warming

For several years, Dexia has been working to reduce its greenhouse gas emissions associated with staff business travel, 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 2015, 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.

Commuting

In France, Dexia Crédit Local is demonstrating its commitment in the area of staff travel by paying 60% of the cost of public transport passes for members of staff 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 members of staff 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.

Optimising business travel

In order to reduce distances travelled, members of staff 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, as well as in the Group's other entities.

3. Social commitments in favour of sustainable development

3.1. Territorial, economic and social impact of the activity

In the context of the company's transformation plan and the first employment protection plan, Dexia Crédit Local has fulfilled its obligation of revitalisation towards the region where its registered office is established (Les Hauts-de-Seine). A system was started up in August 2011 aimed at contributing to job protection or job creation in the *département* of Les Hauts-de-Seine over a period of three years. Bearing in mind the fact that Dexia Crédit Local is historically rooted in the field of local financing and in consideration of its commitment to sustainable development, this system targeted some twenty SMEs playing a role in such areas as transport, services to population groups, and energy savings. The revitalisation activity carried out by Dexia Crédit Local is done through the financing of external participants, such as consultancy firms, which bring in their expertise to the supported companies. In this way, in the period between 2011 and 2014 the revitalisation system was used to support 20 SMEs which have created 115 jobs.
In the framework of the Dexia Crédit Local ESU – CLF Banque revitalisation project implemented in 2013, Dexia Crédit Local signed a new revitalisation agreement on 12 February 2015 spread over three years for an amount of EUR 345,000 and aimed at creating 121 jobs across the local labour pool.

Greenhouse gas emissions by type of transport

2015	Km travelled by aeroplane	Greenhouse gas emissions (tCo_2e)	Km travelled by train	Greenhouse gas emissions (tCo_2e)	Total greenhouse gas emissions (tCo_2e)
Continental	873,474	138	361,450	5	143
Intercontinental	1,106,275	483			483
TOTAL	**1,979,749**	**621**	**361,450**	**5**	**626**

NB: Due to a change of service provider and of booking of the journeys within Dexia Crédit Local during the year, the data for Dexia Crédit Local are not exhaustive. The calculation of the emissions is based on the data supplied by the service provider (CWT) or on the emission factors from the GHG Protocol when the information is not available from the service provider.

Moreover, within the context of its orderly resolution plan, Dexia Crédit Local has started up a process of desensitisation of the sensitive structured loans granted to the local authorities and to public-sector players. The progress that has been made in this process is detailed in the "Risk Management" chapter of this registration document.

3.2. Dialogue with the stakeholders

Dexia Crédit Local communicates on a regular basis with the banking supervisors, the different parties actively involved in the Group's resolution, and with the local authorities (see the chapters "Highlights", "Risk Management" and "Report of the Chairman of the Board of Directors").

3.3. Partnership and sponsorship activities

Dexia Crédit Local's commitment to society has been reflected in policies and actions to benefit local stakeholders in the different countries in which the company has a direct or indirect presence.

"Caps of hope", a collection in support of people with disabilities

In 2012, Dexia Crédit Local decided to organise a solidarity-driven collection of bottle caps in the Dexia Tower at La Défense. This collection is intended for associations that finance equipment for sports adapted to disabled persons, such as for instance "Les Clayes Handisport", an association that strives to bring these people closer to clubs for able-bodied sportsmen so as to encourage their integration.
The items collected are bottle caps in hard plastic (polyethylene (PE) or polypropylene (PP)) that come from foodstuffs or household products. Over 2015, 12 120-litre bags were collected. The campaign is being continued in 2016.

Corporate tutoring programme

A programme aimed at supporting talented but underprivileged students was set up within Dexia. This initiative offers these students the opportunity to meet voluntary mentors from the company and helps them to prepare their professional future during tutorial sessions.
A first class of students has already been able to benefit from this mechanism. If the assessment proves to be positive, this programme organised in cooperation with associations could be extended to Dexia Crédit Local in the future.

3.4. Consideration given to social and environmental issues in the purchasing policy

In France Dexia Crédit Local has been using green electricity exclusively to supply its main buildings with power since 1 January 2008.
In the United States Dexia Crédit Local New York uses a diesel fuel with a low sulphur content, making it less polluting, for its building's generator.
In Italy Dexia Crediop has recourse to hydroelectricity for almost all its energy requirements.

3.5. 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

- To promote open, honest and ethical behaviour and
- 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 members of staff and aim to prevent corruption of a private nature. 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 corruption of a political nature, 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 interests, 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, 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 interests

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 members of staff, in accordance with local rules and general principles on the prevention of conflicts of interests.
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 members of staff 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, remuneration, 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, ethnical origin, 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.
- Protecting the confidentiality of personal data;
- Taking all measures designed to prevent corruption practices."

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 members of staff 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 by one of the Statutory Auditors, appointed as an independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended 31 December 2015

This is a free English translation of the Statutory Auditors' 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 standards applicable in France.

To the Shareholders,
In our capacity as Statutory Auditors of Dexia Crédit Local S.A., (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048[(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2015 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the procedures and norms used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requ3rements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditors' responsibility

On the basis of our work, our responsibility is to:
– attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
– express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).
Our work involved 5 persons and was conducted between February and March during a 2 week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[(2)] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.
We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.
For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

(1) *whose scope is available at www.cofrac.fr*

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

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the « Human resources, environmental and social data » section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information relative to the movement on personnel, absenteeism, remuneration, accidents, and training, has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted about ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

– assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;

– verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[(1)]:

– at the parent entity, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;

– at the level of a representative sample of entities/divisions/sites selected by us[(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 60 % of the headcount and between 44% and 78% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part taking into consideration our knowledge of the company.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 23 March 2016

One of the Statutory Auditors

Deloitte & Associés

Charlotte VANDEPUTTE
Partner

Julien RIVALS
Partner, Sustainability Services

(1) Human Resources quantitative information: total number of members of staff and breakdown by entity, geographical area, gender and socio-professional category, total hiring by contract type, the total number of redudancies by contract type, average annual remuneration and breakdown by gender and professional category, absenteeism, total number of hours of training

Environmental quantitative information: Total energy consumption, greenhouse gas emissions associated with energy consumption, greenhouse gas emissions from business travel by train and aeroplane.

Social and societal qualitative information: structural measures set in place and developments in 2015, collective agreements signed during the year, psychosocial risks prevention policy, territorial, economic and social impact of the activity, dialogue with the parties actively involved, fair practices.

(2) For Human Resources information: UES Dexia Crédit Local France
For environmental information: UES Dexia Credit Local France and Crediop (excluding emissions associated with travel)
Societal information: Dexia Crédit Local

Terms of office and remuneration of 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 2015, as well as the remuneration paid to them during the same period. The composition of the Board of Directors 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
- Chief Executive Officer of La Fayette Management Ltd
- Director of Média-Participations SA
- 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

Chief Executive Officer and Director

Mr Karel De Boeck
3 August 1949
- Chief Executive Officer and member of the Management Board of Dexia
- Chairman of the Board of Directors of Dexia Crediop
- Chairman of the Supervisory Board of Dexia Kommunalbank Deutchland AG (from 25 June 2015 until 12 December 2015)
- Associate of White Art Centre CVBA
- Chairman of the Board of Directors of Boek.be ASBL
- Director of ASWEBO SA
- Director of Lamifil SA
- Director of Architecture Archive-Sint-Lukasarchief ASBL
- Member of the Supervisory Board of Willemen Group

Executive Vice-Presidents and Directors

Mr Claude Piret
23 October 1951
- Member of the Management Board of Dexia
- Chairman of the Board of Directors of Dexia Sabadell
- Non-executive director of Clinique Saint-Pierre ASBL
- Chairman of the Supervisory Board of Dexia Kommunalbank Deutchland AG (until 25 June 2015), Vice-Chairman (from 25 June 2015 until 12 December 2015), and again Chairman since 12 December 2015
- Vice-Chairman of the Board of Directors of Dexia Crediop

Mr Pierre Vergnes
6 May 1976
- Executive director and member of the Management Board of Dexia

- Permanent representative of Dexia, permanent office in France
- Director of Dexia Crediop (since 5 October 2015)

Directors

Mr Corso Bavagnoli (director since 6 July 2015)
21 July 1973
- Non-executive director of Dexia Crédit Local

Mr Patrick Bernasconi
16 July 1955
- Chairman of Bernasconi TP
- Chairman of the Board of Directors of SMAVIE BTP
- Permanent representative of SMAVIE BTP, director of SMABTP
- Co-manager of SCI Bernasconi Frères
- Associate manager of Casa Déco
- Permanent representative of SMAVIE BTP, Vice-Chairman of Château des Deux-Rives
- Director of SGAM BTP
- Chairman of the Supervisory Board of SMA SA (formerly SAGENA)
- Vice-Chairman of the Board of Directors of Société Auxiliaire d'Études et d'Investissements Mobiliers (INVESTIMO)
- Vice-Chairman of the Board of Directors of Société Européenne de Location d'Immeubles Commerciaux et Industriels (SELICOMI)
- Permanent representative of SMAVIE BTP, director of Société de la Tour Eiffel (SETE)
- Chairman of Holding Financière PBI Finances
- Chairman of the Board of Directors of Société Anonyme Générale d'Assurance sur la Vie (SAGEVIE)
- Chairman of the Board of Directors of IMPERIO Assurances et Capitalisation
- Chairman of Conseil Économique, Social, Environnemental (CESE)
- Permanent representative of FNTP, director of Caisse Nationale des Entrepreneurs de Travaux Publics (CNETP)
- Permanent representative of SMAVIE BTP, director of BATI Première

Mr Paul Bodart
22 January 1953
- Independent director of Dexia
- Chairman of the Board of Directors of La Compagnie des Sept Bonniers S.A.
- Member of the T2S Committee of the European Central Bank
- Chairman of the Supervisory Board of National Settlement Depository

Mr Bart Bronselaer
6 October 1967
• Independent director of Dexia
• Executive director of Brier Business Development BVBA
• Director of Baj Czernikowice SP.Z.O.O (until 19 March 2015)
• Director of Baj LUBO2 SP.Z.O.O (until 19 March 2015)
• Director of private foundation: Le Bois Clair
• Director of private foundation: GH. Piot
• Director of BAJ Buzcyna SP.Z.O.O (until 19 March 2015)
• Director of PMC-Group SP.Z.O.O (until 19 March 2015)
• Director of Katholiek Onderwijs Kessel-Lo VZW
• Director of Abbaye d'Oignies VZW
• Chairman of the Board of Directors of Right Brain Interface NV (until 27 January 2016)
• Director of Alpha 11 Inc. (United States) (since 30 April 2015)
• Director of Alpha 11 Europe (United Kingdom) (since 2 June 2015)

Mr Alexandre De Geest
5 February 1971
• Non-executive director of Dexia
• Director of the Silver Fund
• Director of SFP Finances-Trésorerie

Mrs Delphine de Sahuguet d'Amarzit (director until 6 July 2015)
9 May 1973
• Non-Executive Director of Dexia
• Director representing the French State at BPI GROUPE (SA)
• Director representing the French State at BPI GROUPE (EPIC)

Mr Thierry Francq
30 April 1964
• Non-Executive Director of Dexia

Mr Michel Tison
23 May 1967
• Non-executive director of Dexia Crédit Local

Mr Koen Van Loo
26 August 1972
• Non-executive director of Dexia
• Chief Executive Officer of the 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)
• Director of Sopima SA (Belgium)

Works Council representatives

Mrs Yannick Valérius

Mr Philippe Keravel

2. Remuneration 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 the Executive Vice-Presidents and, on the other, the company's non-executive directors as at 31 December 2015.
Karel De Boeck, Chief Executive Officer and Claude Piret, Executive Vice-President do not receive any remuneration from Dexia Crédit Local for their offices within the company. Indeed, they exclusively receive remuneration from Dexia for their positions as members of its Management Board. Readers are therefore invited to refer to the remuneration 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 remuneration awarded to the directors and officers by other entities within the Group must also be indicated in this section.

2.1. Remuneration of the Chief Executive Officer and of the Executive Vice-Presidents

Remuneration 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 Remuneration Committee, a deduction is made of any director's fees or percentage paid to a Management Board member 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 a consequence, no variable remuneration has been or will be awarded to the Chief Executive Office and to the Executive Vice-Presidents in relation to 2015.
Moreover, in accordance with the undertakings made by Dexia within the framework of the 24 January 2013 guarantee agreement concluded with the Belgian, French and Luxembourg States and for so long as guaranteed bonds are outstanding or liable to be issued, and unless agreed with the States, Dexia shall not award any stock options, warrants or free shares or pay any indemnities and benefits indexed to performance, or deferred remuneration to the following: 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.

Remuneration for the year 2015

Remuneration may comprise basic remuneration and a function premium paid quarterly.
The basic remuneration 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 TABLE OF THE BASIC REMUNERATION AND OTHER BENEFITS FOR THE CHIEF EXECUTIVE OFFICER IN 2015		
(in EUR)	Basic remuneration	Other benefits
Karel De Boeck	600,000	

SUMMARY TABLE OF THE BASIC REMUNERATION AND OTHER BENEFITS FOR EXECUTIVE VICE-PRESIDENTS IN 2015[(1)]		
(in EUR)	Basic remuneration	Other benefits
Executive Vice-Presidents	895,075	96,000

(1) Messrs Claude Piret and Pierre Vergnes.

Discretionary pensions

The supplementary pension schemes from which members of the Management Board benefit under a contract with Dexia 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 remuneration.

Annual premiums of EUR 217,741.93 were paid in 2015 for the Management Board members, including EUR 120,967.74 for the Chief Executive Officer.

Supplementary cover for death, permanent invalidity and medical costs

Collective annual premiums of EUR 151,131 were paid in 2015 for members of the Management Board for supplementary cover for death, permanent invalidity and the costs of medical treatment, including EUR 91,347 for the Chief Executive Officer, broken down as follows:

DISCRETIONARY PLANS	(in EUR)
Death, orphan capital	69,027
Invalidity	21,510
Hospitalisation	810

Other benefits of the Chief Executive Officer and the Executive Vice-Presidents

SUMMARY TABLE OF BENEFITS AWARDED TO THE CHIEF EXECUTIVE OFFICER	(in EUR)
Representation fees	6,324
Car[(1)]	0

(1) In 2015 Mr Karel De Boeck did not wish to exercise his right to a company car being used for private purposes.

SUMMARY TABLE OF BENEFITS AWARDED TO THE EXECUTIVE VICE-PRESIDENT[(1)]	(in EUR)
Other benefits[(2)]	17,462

(1) Holders of a mandate in force on 31 December 2015.

(2) This amount includes annual lump-sum indemnities for representation fees and the tax advantage associated with the provision of a company car also being used for private purposes.

Option plan

During 2015, no options were exercised or awarded to the Chief Executive Officer and the Executive Vice-Presidents.

Conditions relating to departure

Provisions of the Dexia remuneration policy relating to severance payments

Under Dexia's remuneration policy, payments associated with early cessation of the work relationship of an executive are designed so that they do not reward failure.

If an agreement in relation to the grant of severance payments is concluded with an executive, the total payments made to the latter (including non-competition payments, remuneration paid during periods of notice and compensation in lieu of notice) will not exceed 12 months of remuneration.

In specific circumstances as the law provides, the Appointments and Remuneration Committee may, with its substantiated opinion, propose to the Board of Directors that there be severance pay above 12 months but not exceeding 18 months of remuneration.

A severance payment exceeding 18 months of remuneration can only be agreed exceptionally with the approval of the first shareholders' meeting thereafter.

Moreover, the agreement providing for severance pay to be awarded will contain a performance condition in the sense that the contractual severance payment will be reduced in the case where the assessment of the executive's performance over the two years preceding the termination of the agreement reveals a significant deterioration in those performances. This is intended to avoid severance pay rewarding a failure.

These principles will be applied without prejudice to existing contractual provisions in accordance with legal provisions and with collective bargaining agreements.

Dexia remuneration policy will be reviewed regularly in order particularly to take account of the evolution of applicable laws and regulations.

Provisions relating to severance pay contained in management agreements

Mr Karel De Boeck is entitled, if his contract is terminated by Dexia on grounds other than of serious misconduct, to a single inclusive benefit payment representing three months of remuneration. If Mr Karel De Boeck terminates his contract under the same conditions, he shall notify Dexia taking into account a notice period of 3 months.

The party that, during Mr. Claude Piret's term of office, terminates the agreement concluded between Mr. Claude Piret and Dexia, other than for serious breach by the other party, shall notify the other party taking into account a notice period of 1 month.

Provisions relating to severance pay in employment contracts

The termination of Mr Claude Piret's employment contract (the execution of which is suspended for the term of his mandate with the Management Board) is governed by Belgian legislation relating to employment contracts. His employment contract stipulates moreover that he will be entitled, notwithstanding any mandatory legal provisions, if his contract is terminated by Dexia before he reaches the age of 65, to a benefit payment equal to the fixed and variable remuneration and other benefits corresponding to a 24 month period.

If his employment contract is terminated on a ground other than serious act or omission, Mr Pierre Vergnes may claim prior notice (or a termination indemnity) equivalent to 7 months of fixed remuneration[(1)] including the notice and/or indemnity for notice legally due, as the case may be. The right to this indemnity for notice and/or notice is subject to certain conditions including the proper execution of the contract until the date of termination.

(1) As agreed on the entry into force of his mandate as Executive Vice-President.

2.2. Directors’ remuneration

(in EUR)	Attendance fees paid in 2014	Attendance fees paid in 2015
Robert de Metz	0 (1)	0 (1)
Karel De Boeck	0	0
Claude Piret	0	0
Pierre Vergnes	NA	0
Corso Bavagnoli (since 6 July 2015)		5,000 (2)
Patrick Bernasconi	8,573	15,240
Paul Bodart	10,500 (3)(4)	18,200 (3)(5)
Bart Bronselaer	10,500 (3)(6)	18,200 (3)(7)
Delphine d’Amarzit (until 6 July 2015)	15,000 (8)	15,000 (9)
Alexandre De Geest	10,500 (3)(11)	18,200 (3)(11)
Thierry Francq	15,000 (12)	22,000 (13)
Michel Tison	3,150 (3)(14)	25,900 (3)
Koen Van Loo	10,500 (3)(15)	18,200 (3)(16)
Marleen Willekens	5,250 (3)(17)	0

(1) Dexia paid Mr Robert de Metz a gross total of EUR 250,000 of fixed annual remuneration in 2014 and in 2015 for his position as Chairman of the Board of Directors.
(2) The attendance fees awarded to Mr Corso Bavagnoli for his position as a director of Dexia Crédit Local 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.
(3) Net amounts, after 30% withholding tax paid to the French Treasury (Articles 119 ii - 2 and 187 of the French General Tax Code).
(4) Dexia also paid Mr Paul Bodart a total of EUR 46,000 of gross remuneration in 2014 for his position as a director and member of the Audit Committee and of the Appointment and Remuneration Committee of Dexia.
(5) Dexia paid Mr Paul Bodart a total of EUR 32,000 of gross remuneration in 2015 for his position as a director and member of specialist committees of Dexia.
(6) Dexia also paid Mr Bart Bronselaer a total of EUR 46,000 of gross remuneration in 2014 for his position as a director and member of the Audit Committee and of the Appointment and Remuneration Committee of Dexia.
(7) Dexia also paid Mr Bart Bronselaer a total of EUR 27,000 of gross remuneration in 2015 for his position as a director and member of specialist committees of Dexia.
(8) The remuneration 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.
(9) The remuneration relating to the directorship of Dexia, performed by Mrs Delphine d’Amarzit in 2015, representing a gross total of EUR 3,000, 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 2015 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.
(10) Dexia also paid Mr Alexandre De Geest a total of EUR 30,000 of gross remuneration in 2014 for his position as a director of Dexia.
(11) Dexia also paid Mr Alexandre De Geest a total of EUR 17,000 of gross remuneration in 2015 for his position as a director of Dexia.
(12) The remuneration 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.
(13) The remuneration relating to the directorship of Dexia, performed by Mr Thierry Francq in 2015, representing a gross total of EUR 21,500, 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 2015 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 Michel Tison was co-opted as a director by the Board of Directors on 7 August 2014.
(15) Dexia also paid Mr Koen Van Loo a total of EUR 48,000 of gross remuneration in 2014 for his positions as a director and member of the Audit Committee, of the Appointment and Remuneration Committee and of the Strategy Committee of Dexia.
(16) Dexia also paid Mr Koen Van Loo a total of EUR 25,000 of gross remuneration in 2015 for his positions as a director and member of specialist committees of Dexia.
(17) Mrs Marleen Willekens advised the Board of Directors of her resignation from her position as a director on 13 May 2014.

Information on non-regulated agreements and commitments in compliance with Article L.225-102-1 of the French 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 2015. It is established in accordance with ministerial decree of 3 November 2014 on internal audit in the financial, payment and investment services sectors, 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 Chief Executive Office, 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 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 interests 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 2016, 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 2016, the Board of Directors of Dexia Crédit Local was composed as follows:
- Robert de Metz, Chairman of the Board of Directors;
- Karel De Boeck, Chief Executive Officer;
- Claude Piret, Executive Vice-President;
- Pierre Vergnes, Executive Vice-President;
- Corso Bavagnoli, director;
- Patrick Bernasconi, disinterested director;
- Paul Bodart, director;
- Bart Bronselaer, director;
- Alexandre De Geest, director;
- Thierry Francq, director;
- Michel Tison, disinterested director;
- Koen Van Loo, director.

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 Appointments and Remuneration 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 at 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.

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 interests 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; these rules are 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 code 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 2015, it met 8 times. The attendance rate was 88%.

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 2015, in addition to issues related to company management and within its authority, the Board of Directors notably addressed the evolution of the governance of the company, the liquidity and capital situations as well as the prudential risk assessment, the monitoring of the revised resolution plan and asset sales.

In 2015, the Board of Directors convened an ordinary shareholders' meeting on 12 March 2015 which, notably, modified the articles of association and the remuneration package of non-executive directors.

All information regarding remuneration and benefits paid to directors and officers of the company is provided in the chapter "Terms of office and remuneration of directors and officers" 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 and Article L.823-19 of the French Commercial Code, the Board of Directors must put in place the following specialist committees:

- Risk Committee;
- Audit Committee;
- Remuneration Committee and;
- Appointments Committee.

Due to the specific situation of the Dexia Group and 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.

After each committee meeting, a report on the work of the specialist committee concerned is presented to the Board of Directors. Minutes of the meetings of specialist committees are drawn up and sent to the Chairman of the Board of Directors in order for them to be included in the file for the next meeting of the Board of Directors, after their approval by all the members of the committee.

1.2.1. The Audit Committee

The Audit Committee implemented at the Dexia Board of Directors level and with authority for Dexia Crédit Local met six times in 2015.
The Audit Committee is made up of non-executive directors, among whom at least one independent director, including the committee chairman, in accordance with Belgian law.

The composition of the committee is as follows:
- Paul Bodart, independent director and chairman of the committee;
- Bart Bronselaer, independent director;
- Thierry Francq.

The Audit Committee is responsible for monitoring the accounts, and the financial information process. It examines the Dexia Group's draft annual, half-year and quarterly statutory and consolidated financial statements, which must then be presented, approved and published by the Board of

Directors. It examines all matters relating to those accounts and to the financial statements and in particular, from the documents submitted to it, the conditions for their preparation, the choice of accounting principles, the impairments, the observance of prudential standards, the relevance and permanence of the accounting principles and methods applied and the adequacy of the consolidation scope adopted. The Audit Committee also ensures the adequacy of the external audit for the Group's requirements. In addition, the Audit Committee monitors the efficiency of the internal audit and risk management systems.

1.2.2. The Risk Committee

The Risk Committee implemented at the Dexia Board of Directors level and with authority for Dexia Crédit Local met five times in 2015.

The Risk Committee is made up of non-executive directors, among whom at least one independent director, including the committee chairman. It must have sufficient skills in the fields of activity of the Dexia Group enabling it to understand the Group's risk strategy and level of tolerance.

The composition of the committee is as follows:
- Bart Bronselaer, independent director and chairman of the committee;
- Corso Bavagnoli;
- Alexandre De Geest.

The Risk Committee is responsible for monitoring aspects of strategy and level of tolerance with regard to current and future risks. It assists the Board of Directors when the latter supervises the implementation of such strategy by the Management Board. The Risk Committee examines the (operational) implementation of procedures regarding risk control and internal audit. It ensures integrity and adequacy in relation to risk management, including procedures and organisational structures.

The Risk Committee also deals with any observations and recommendations from the supervisory authorities in matters falling within its competence.

The Audit and Risk Committees meet whenever necessary to deal with common subjects together, on convocation by the Chairman of the Board of Directors and the Chairman of the Audit Committee and the Risk Committee if need be.

1.2.3. The Remuneration Committee

The Remuneration Committee implemented at the Dexia Board of Directors level and with authority for Dexia Crédit Local met six times in 2015.

The Remuneration Committee is made up of at least three non-executive directors, including the Chairman of the Board of Directors and a majority of independent directors. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The members of the Appointments Committee are invited to attend meetings of the Remuneration Committee.
The Remuneration Committee must have the necessary expertise enabling it to make pertinent and independent judgments on remuneration policies and practices.

The composition of the committee is as follows:
- Robert de Metz, independent director and chairman of the committee;
- Paul Bodart, independent director;
- Alexandre De Geest.

The Remuneration Committee:
- Prepares decisions of the Board of Directors on the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, the Executive Vice-Presidents and the members of the Management Board;
- Passes an opinion on the company's remuneration policy and any amendments made to it;
- Prepares decisions on remuneration and, in particular, those which might have repercussions on risk and risk management. It also prepares and supervises decisions relating to the remuneration of people in charge of independent control functions.

1.2.4 The Appointments Committee

The Appointments Committee implemented at the Dexia Board of Directors level and with authority for Dexia Crédit Local met six times in 2015.

The Appointments Committee is made up of at least three non-executive directors, including the Chairman of the Board of Directors and at least one independent director. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The members of the Remuneration Committee are invited to attend meetings of the Appointments Committee.

The Appointments Committee must have the necessary expertise in appointments policy, appropriately assessing the skills and fields of expertise of people it appoints within the Dexia Group.

The composition of the committee is as follows:
- Robert de Metz, independent director and chairman of the committee;
- Thierry Francq;
- Koen Van Loo.

The Appointments Committee prepares decisions of the Board of Directors concerning:
- Proposals for the appointment or renewal of directors by the Board of Directors to the shareholders' meeting, and proposals to co-opt directors;

On the renewal of a director's mandate, the Appointments Committee assesses the director's participation in the operation of the Board of Directors and reports with a recommendation. For any new appointment, before considering the approval of the candidature, it ensures that the Board of Directors has, in accordance with internal procedures, received sufficient information on the candidate enabling it to assess whether that candidature meets the general profile of directors and the required skills;
- Determination of independence criteria enabling a director to be considered "independent";
- The qualification of an existing or new member of the Board of Directors as an independent director.

In general, the Appointments Committee ensures that decision-taking within the Board of Directors is not performed by one or more people in a manner prejudicial to the company.

Within its remit, the Appointments Committee deals with recommendations, circulars and other international, French and Belgian regulations on remuneration and corporate governance.

1.2.5. The Strategy Committee

After examining the opportunity of maintaining this committee, on 19 November 2015, the Board of Directors decided to do away with the Strategy Committee.

2. Internal control

2.1. Organisation of the internal control function

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

a. Role of the internal control function

Like all credit institutions, the Dexia Crédit Local Group[1] is subject to the oversight of the French 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 by the laws and regulations of the various countries in which Dexia Crédit Local conducts business.

The Dexia Group's internal control charter defines the fundamental principles governing the internal control function. Approved by the Dexia Board of Directors on 19 November 2015, this charter applies to all Group entities.

The control function contributes to:

• The effectiveness of the risk management process: the aim of the internal control function is to guarantee that the bank's activities are conducted with a degree of control over risks compatible with the level of risks accepted by the Board of Directors;

• Compliance with laws and regulations: internal control contributes to guaranteeing that Dexia and its subsidiaries fulfil their legal and regulatory obligations;

• The effectiveness and security of operational processes: internal control contributes to the proper functioning of operational processes and the effectiveness of operations, the integrity of information and compliance with decisions taken;

• The accuracy of accounting and financial information: internal control contributes to giving an assurance of the pertinence, accuracy, regularity, exhaustiveness and transparency of the production of accounting and financial information.

b. General architecture of the function

The general architecture of the internal control function of the Dexia Group is based on organisation at three levels:

• **The first level of control** is performed by each 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 performed by specialist functions, independent from the activities controlled or members of staff who are independent from the activities controlled;

• **The third level of control** is performed by the Dexia Group Audit function, the task of which is, through periodic checks, to ensure that there is efficient and effective performance of both of the levels of control defined above, within the holding company and all of its subsidiaries and branches.

c. The main internal control participants

The participants concerned by internal control are as follows:

• **Staff members and their direct superiors** are responsible for defining and implementing first level controls, as an integral part of their activity, in accordance with regulations. The heads of each activity line are responsible for defining and updating a body of procedures adapted to the complexity and risks associated with their activity.

• **Permanent control** has the role of challenging key first level controls, implementing second level controls and collecting the results of key second level controls implemented by other specialist functions (for instance: Accounting Control, Validation, Credit Model Control).

The organisation of the Permanent control function is discussed in details in Section 2.1.5 below.

• **Compliance** ensures that all the regulations specific to the activities of credit institutions are applied on a permanent basis and do not, through their absence on non-application, result in the company running risks, either of administrative, disciplinary, financial or even reputational penalty.

The organisation of the Compliance function is discussed in details in Section 2.1.6 below.

• **Internal Audit** considers all the objectives of the organisation, analyses the risks liable to compromise the achievement of those objectives and periodically assesses the robustness of the controls put in place to manage such risks. The organisation of the Internal Audit function is discussed in details in Section 2.1.7 below.

d. The independence of internal control functions

Internal control functions are strictly independent of the functions they control and daily activity management:

• The General Auditor and the Head of Compliance and Permanent Control report on the results of their control activities directly to the Management Board and to the Board of Directors;

• The General Auditor and the Head of Compliance and Permanent Control have direct access to the Chairman of the Board of Directors, to the Chairman of the Audit Committee and to the Chairman of the Risk Committee;

• A specialist committee assists the Board of Directors with regard to the remuneration of the General Auditor and the Head of Compliance and Permanent Control. Their remuneration is determined independently of the remuneration of the functions controlled;

• The Board of Directors is kept informed of appointments of the General Auditor and the Head of Compliance and Permanent Control. The Board of Directors must give his consent in the case where the Management Board decides to replace them.

e. Operational principles

Internal control activities are guided by the following principles:

(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.

• Risk-based approach: internal control within Dexia Crédit Local adopts a risk-based approach. The internal control functions determine their control programmes and their activities on the basis of a prior risk assessment.
• Coordination: for the purposes of coordination and information sharing, the internal control functions have established a transversal Internal Control Committee in which Internal Audit, the Compliance and Permanent Control department and the Risk department are represented. Despite their distinct role, the control functions work in a coordinated manner in order to avoid redundancies of tasks and the duplication of action plans.
• Common methodological references and tools: the control functions share common references and nomenclatures (for instance a common risk reference) and common methodological tools, in order to facilitate the production of reports to the bank's governance bodies.

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 2015, 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. The Risk activity line

The role of the Risk activity line is to implement the strategy on monitoring and managing risk and to put independent and integrated risk measures in place. The activity line seeks to identify and manage the risk to which Dexia Crédit Local is exposed. If necessary it proactively alerts the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of impairments deemed necessary to cover the risks to which Dexia Crédit Local is exposed.

In 2014, within the framework of the business plan, Dexia Credit Local developed the organisation and governance of the Risk activity line, to adapt it to its resolution management mandate.

a. Role of the Risk Committee, the Management Board and the Transaction Committee

The Risk Committee, created within the Dexia Board of Directors and with authority for Dexia Crédit Local, results from the split, in March 2015, of the Audit Committee into an Audit Committee and a Risk Committee. It is responsible for monitoring aspects relating to risk strategy and level of tolerance of both current and future risk, as defined by the Board of Directors. It assists the Board of Directors in its supervision of the implementation of that strategy.

The Management Board is responsible for implementation of the various policies and directives framing Group strategy, particularly with regard to risk. To facilitate 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 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 Dexia Crédit Local's risks under the supervision of those three committees.

The Assets activity line is responsible for managing Dexia Crédit Local assets over the period of the orderly resolution, whilst preserving and improving their value.

b. Role of 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 Risk 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 operation of the activity line based on risk categories is detailed in point 2.3 below.

2.1.4. Control of subsidiaries and branches

The Dexia Crédit Local 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) 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, 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 Dexia Crédit Local Management Board, 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 mechanism outside Compliance relies firstly on the realisation of controls conceived, realised and formalised under the primary and direct responsibility of the operating units concerned and their superiors (first level permanent control). In other units, it relies on agents exclusively dedicated to control tasks, independently of operating units (second level permanent control).
Since April 2014, the mechanism for guiding permanent control has relied on a strengthened team under the responsibility of the head of Compliance and Permanent Control. A unit dedicated to Accounting Control was recreated within the Finance department. This unit integrates the results of its works in the consolidated permanent control report, which is presented quarterly by the Compliance and Permanent Control department to the Management Board and, half-yearly, to the Risk Committee.

Permanent Control relies on a control plan the elements of which cover the main processes of the operational and dedicated units at head office, subsidiaries and branches. First level controls to be integrated in this plan are proposed by decentralised correspondents within the operational or dedicated units at head office, subsidiaries and branches. They are reviewed by the Compliance and Permanent Control department which may, if necessary, play a prescription role. The Compliance and Permanent Control department also identifies second level controls which it is responsible for realising.

The review of the control plan is performed in coherence with the results of the Risk Control Self Assessments and the events collected by the Operational Risk department, as well as with process mapping (realised by the Organisation department) of critical processes pointed out by the Management Board, reports of the internal audit, statutory auditors and the supervisors. After review, the plan is approved by the Management Board.

The Compliance and Permanent Control department guarantees, at a consolidated level for all subsidiaries and branches, the proper implementation of the permanent control plan, ensuring in a second reading the proper implementation of controls and by making a critical analysis of the results with regard to risks identified. The Compliance and Permanent Control department may ask for any substantiation of malfunctions observed.

The permanent control mechanism is coordinated with other internal control actions and uses a tool and risk references and processes common to the entire Dexia Group. The Compliance and Permanent Control department assists the dedicated committee of units in charge of validating valuation models and the observance of internal rating systems. An internal control committee at Management Board level enables a consolidated view to be provided with the works of Internal Audit, the Compliance department and the Operational Risk and IT Systems Security department.

2.1.6. Compliance

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

The Compliance function is an integral part of the internal audit mechanism of credit institutions and investment companies. The Compliance department of Dexia Crédit Local ensures the coherence and effectiveness of managing non-compliance risks. The Compliance function is organised as a support line, from the Dexia Group holding company to the subsidiaries and branches of Dexia Crédit Local.
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 and 2015.

The Compliance fields are as follows:
- The fight against money laundering and the financing of terrorism including the prevention of tax fraud;
- The control of information relating to the tax situation of clients and counterparties to respond to existing regulations;
- Market abuse and personal transactions;
- Integrity of markets in financial instruments;
- Integrity vis-à-vis clients;
- Data protection and professional secrecy;
- Prevention of conflicts of interests vis-à-vis clients and counterparties;
- External mandates;
- Independence of the statutory auditors;
- Observing the principles stated by the remuneration policy and meeting legal requirements with regard to the expertise and professional honour of members of the Management Board, directors, heads of independent audit functions and executives;

- Internal warning system at Dexia and Dexia Crédit Local;
- Other fields indicated by the Management Boards and Boards of Directors, considering the level of associated risk. In this regard the Compliance department of the Group and of Dexia Crédit Local guides the permanent control mechanism of the establishments concerned, including their subsidiaries and branches.

Within the framework of the fields of competence listed above, the Compliance function performs the following tasks:
- It analyses legal and regulatory developments in order to anticipate and assess possible consequences on Dexia Crédit Local's activities. For the fields covered by the compliance function, it ensures the correct interpretation of national and international legislation and regulations, and ensures that these provisions are included in the policies, procedures and other documents of the institution;
- It identifies, analyses and measures non-compliance and reputation risks which might arise from activities and financial products and the impacts in terms of evolution of the Group's scope;
- It provides assistance to activity lines in the development and implementation of compliance procedures and other documents. For example, it helps with the drafting of compliance manuals, internal codes of conduct and practical guides. It assists and advises in order to ensure the implementation of procedures complying with the regulations and to ensure observance of those external or internal norms;
- It develops and provides compliance training programmes, adapted to the needs of activity lines, promoting an appropriate compliance culture and awareness and understanding of standards, procedures and lines of conduct to be applied;
- To the extent that it is required by local regulations, it communicates with the financial regulators or any other competent authority about any suspect incident or transaction;
- It regularly presents its activities and reports on the status of any major shortcomings to the Management Boards and Internal Audit Coordination Committees.

Organisation and positioning

Since 1 January 2016, the Chief Compliance Officer of the Dexia Group has reported to the Chief Executive Officer. An escalation right enables him to include an item on the agenda of the Management Board if circumstances so demand and to report any significant incidents directly to the Chairman of the Board of Directors of Dexia or to the Audit Committee members.

The Compliance function within Dexia evolved over the year 2015. In addition to the attachment of the Permanent Control function to the Compliance department in 2014, in 2015 the Compliance Charter integrated the contributions of the Directive CRD IV regarding provisions relating to the Chief Compliance Officer and enables the fields of competence of the compliance officers of entities to be enlarged if the regulation so requires.

An Internal Control Committee was established in 2014, with members from the Compliance and Permanent Control. The role of this committee is:

- To have a consolidated view of risks and controls (operational risk, audit, permanent control and compliance);
- To make recommendations concerning malfunctions of all incidents associated with operational risk.

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 the restructuring of the Group and on the other hand to strengthen the protection of personal data (particularly for the treatment of data violations) and the protection of clients. Depending on its role, the Compliance department guides or participates in the ensuring compliance with new regulations.

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 in the compliance fields were organised in all entities, including training on the code of professional ethics, in order to recall the key compliance principles, as well as on prevention, with 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 the FATCA regulations on the one hand, and on the other, the EMIR regulations and Title VII of the Dodd Frank Act (Volcker Rules).

Concrete actions were gradually put in place to improve supervision of the network of subsidiaries and branches. In particular, updates of compliance policies were deployed in the subsidiaries and branches and such deployment was reviewed in compliance committees meeting with various compliance officers.

2.1.7. Periodic control

The Dexia Group's Internal Audit support line consists of Internal Audit and Inspection.

a. Internal audit

Role

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

It considers all the objectives of the organisation, analyses the risks associated with those objectives and periodically assesses the robustness of the controls in place to manage those risks. 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, and proposes actions to increase the effectiveness of controls.

Moreover, Internal audit assists the Boards of Directors of the Group and its entities in their supervisory role through its participation on the Audit Committees.

In line with international standards, a Dexia Group Audit Charter sets out the fundamental principles governing the internal audit function within the Group and describing its objectives, role and responsibilities, as well as how it operates. This charter was updated in June 2014 to take account of the 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).*

Main guidelines

The strategy, the level of requirements and the rules of operation for internal audit within the Dexia Group are set by the Dexia Management Board, within the framework approved by the Board of Directors, through its Audit Committee. This framework takes account of the requirements, legislation and local regulations and instructions from the prudential control authorities.

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

- Each internal audit department reports directly to the highest level of authority within the entity.
- The absence of involvement in the organisation and operational management of Group entities: the Management Boards of Group entities may exceptionally call on internal audit for opinions, advice or assistance. The rules relating to those duties are defined in title 9 of the Audit Charter.
- Unconditional and immediate access to information: within the framework of its tasks, the internal audit function has access to all the information, documents, premises, systems and persons within the entity for which it is responsible, including all management reports and the minutes of and information packages prepared for any advisory and decision-making bodies. The Dexia Group Internal audit department has access to all the information in all Group entities. Any breach of these principles is liable to be reported to the Management Board and, if relevant, the Audit Committee;
- The provision of the means necessary to perform its task: Internal audit receives from the Group's Management Board the means necessary to perform its task so as to respond constantly to changes in the Group's structures and environment.

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

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

Scope for intervention

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

Other than exceptions associated in particular with requests from the supervisory authorities, the audit scope does not however cover the activities of companies in which the Dexia Group only holds a minority interest. However, the 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 of the function

Principles

The Dexia Group internal audit function operates as an integrated support line composed of the Audit department of Dexia/Dexia Crédit Local and the Audit departments of 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 guarantees the appropriate cover of risks throughout Dexia as a whole. He monitors the supervisory bodies of the entities and their subsidiaries/branches, as well as all the tasks performed by the local bank supervisory authorities. The General Auditor periodically reports to the Management Board 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 General Auditor attends meetings of the Management Board of his entity (i) when the Management Board in question asks him to, (ii) when he presents an audit report or (iii) on his request when he wishes to raise a particular point within the framework of his attributions and responsibilities. He receives the agenda and files prepared for these meetings, as well as the minutes.

Each General Auditor has direct access to the Chairman of the Board of Directors, to members of the Audit Committee and the satutory auditors of his entity. The General Auditor of any 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 of an Audit function
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 concluded with the parent company.

Management of the Audit support line
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 statutory auditors

Internal audit maintains regular dialogue with the banking supervisory authorities and external auditors (statutory 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 are aimed at sharing observations made by both parties on internal control matters and ensuring the complementary nature of the work carried out.

General overview of activity over the year 2015

In 2015, the tasks of Internal audit related to all the Group's major support lines: Assets ("leasing activities"), Funding and Markets ("Operations with the Banque de France"), Risk Management ("Operational Risk", "Credit Models", "Watch-List, Forbearance and Non-Performing Exposures"), Finance ("General Accounting"), General Secretariat ("Litigation Management"), IT Operations and Systems ("IT Production", "IT Systems Security"). The activities of the Communication department were also audited in 2015. Internal audit is also interested in the conduct and guidance of major projects. Application of the Group's remuneration policy was also reviewed by Audit.

Head office audit services were provided to local audit teams at Dexia New York, Dexia Crediop, Dexia Kommunalbank Deutschland and Dexia Israel, particularly in performing tasks relating to liquidity management ("Cash & Liquidity Management"). The rate of realisation of the 2015 audit plan is satisfactory for the Dexia/Dexia Crédit Local scope, as for the various subsidiaries and branches of Dexia Crédit Local.

Contacts with the Dexia Group's various supervisors remained intense over the year 2015, particularly through regular information meetings, in which Group Internal Audit was involved.

b. The Inspection unit

Role

The role of Inspection 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

Inspection 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 activity over the year 2015

In accordance with the principles set out in the Inspection Charter, the tasks performed by Inspection in 2015 related to awareness, prevention and detection of fraud, enquiries in relation to suspicions of fraud and, in support of the Legal department, data extraction related to questions from legal authority.

The unit's work was in particular aligned to subjects related to defending against cyber-crime, considering the multiplication and diversification of outside fraud attempts on Dexia staff: staff awareness and information, identification of fraud attempts and assistance to staff who have suffered such fraud attempts. Inspection also worked on assessing anti-fraud mechanisms (physical security and the management of movable assets) under an audit mission format.

2.1.8. The Dexia Group

The executive management body of the 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 is composed as follows:
- Karel De Boeck, Chief Executive Officer;
- Pierre Vergnes, Chief Financial Officer;
- Claude Piret, Head of “Assets”.

Supporting the Management Board, an Executive Committee was created to guarantee the operational direction of the Group. The Executive Committee was composed, in addition to the members of the Management Board:
- of the Head of the “General Secretariat, Legal and Compliance” department;
- of the Head of “Funding and Markets”;
- of the Chief Risk Officer.

As from 1 January 2016, the composition of the Management Boards of Dexia and of Dexia Crédit Local is identical. The Dexia Executive Committee was merged with the Dexia Management Board. As a consequence, the Management Boards of the two entities, chaired by Karel De Boeck, Chief Executive Officer, are composed as follows:

- The “Assets” activity line, under the responsibility of Claude Piret;
- The “Funding and Markets” activity line, under the responsibility of Benoît Debroise;
- The “Finance” activity line, under the responsibility of Pierre Vergnes;
- The “Risks” activity line, under the responsibility of Johan Bohets.

The Compliance, Permanent Control, Corporate Affairs and Legal functions report directly to the Chief Executive Officer.

2.2. Preparation and proposing of accounting and financial information

2.2.1. The financial statements

The Finance support line has the following five departments, reporting to the Chief Financial Officer: Finance Strategy, Product Control, IT Support, Financial Control and Financial Communication and Business Management.

The Financial Control department brings together the Accounting department and the Consolidation and Management Control department.

The Accounting department sees to the production of basic accounting data and the statutory financial statements of Dexia, Dexia Crédit Local, and those of the subsidiaries which do not have their own Accounting departments.

The Accounting department also has a role of analysing and controlling the accounting data of branches, as part of the process of preparing the statutory accounts. In collaboration with the Consolidation and Management Control department, in particular it checks that the information provided is consistent and complies with Group rules.

More generally, the Accounting department has various means of information to perform its task of monitoring the accounting function in the broad sense. It is associated with committees which may be of interest in its task or receives the minutes. Through regular contact with its local correspondents, it ensures the proper dissemination of Group principles and proper interpretation of instructions given. It participates in the development of IT systems, so as to ensure that its specific requirements are taken into account.

a. Dexia Crédit Local statutory financial statements

For the preparation of the statutory financial statements, data is largely automatically posted to Dexia Crédit Local's accounting system by the upstream management systems used to manage transactions with customers and financial market counterparties as well as general operating expenses. When a transaction is recorded in any of these management systems, automated account mappings generate accounting entries automatically. These entries feed into the financial statements using a single accounting system that incorporates two sets of standards (French GAAP and EU IFRS [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 activity line, notably through the analysis of bank reconciliations and technical suspense accounts. Each month, all transactions recorded in the general ledger system are reconciled with those in the management systems, and tests of symmetry are performed on micro-hedged transactions. In order to verify the comparability of interest expense and income from one period to another, these items are measured against average outstanding amounts to calculate more easily comparable average rates. Finally, these departments also draft reports summarising the work performed and identifying any points requiring special attention or procedural improvements to be made in subsequent closings.

Additional checks are also performed by other units of the Accounting department during monthly, quarterly and annual closings. The work done by the local accounting teams is reviewed periodically to ensure that all controls included in a standardised list have been correctly performed. The summary report issued by these accounting teams is also reviewed. The financial statements are reconciled with the management data at least once a quarter, and analytical tests are performed to verify the comparability of periods. Explanations of the main changes must be provided. During the past year, much of staff time was devoted to analysing these reconciliations. The automation of this work has made it possible to focus on the analytical phases, enabling the level of analysis to be maintained and the main changes explained.

The accounting entries generated during this process are subsequently compiled and aggregated using an automated, standardised process, to create the statutory financial statements of Dexia Crédit Local prepared under French GAAP and the company's contribution to the consolidated financial statements prepared under EU IFRS. The same is true of all subsidiaries whose accounting is performed at the Head Office. The Accounting department uses these financial statements, supplemented in some cases by data provided by the management systems, to establish the tables for the notes that form an integral part of the annual financial statements. The Accounting department then performs cross-checks between the summary reports and the notes to the financial statements. Throughout the entire process, reviews and tests of reasonableness and of compliance with the established procedures are conducted in accordance with the reporting authorities that have been established.

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

b. Dexia Crédit Local consolidated financial statements

In order to prepare their contribution to the Dexia Crédit Local consolidated financial statements, the consolidated entities reprocess their statutory financial statements established in line with local standards in order for them to comply with the accounting principles of the Dexia Crédit Local Group (IFRS accounting standards as adopted in the European Union). These principles are compiled in a consolidation manual sent to each Group entity. They are completed, on each accounting date, by operational instruction notes provided to the entities by the head office Consolidation department. These instruction notes present the improvements to be made to processes with a view to observations made over previous periods and detail the developments to be taken into account (systems, new data to be provided and so on) over the period.

The financial statements sent to the Group by the various entities are then consolidated and are subject to certain adjustments. The principal adjustments made by the Consolidation service relate to the elimination of reciprocal accounts and intragroup transactions (such as acquisitions/asset disposals and dividends). They also deal with the treatment of companies held by different Group entities.

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

Some of the notes and appendices to the consolidated financial statements are not drawn up directly by the Financial Control department, but come from the following departments, such as Financial Strategy, the Risk department, the General Secretary or Human Resources.

The planning of the provision of this information and the final responsibility for the content of the consolidated financial statements are assumed by the Finance support line.

c. Publication of the Dexia Crédit Local financial statements

The 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 Autorité des marchés financiers (AMF). 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 electronic format 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 half-yearly 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.

2.2.2. Management information

The financial statements (balance sheet, off-balance-sheet, income statement, cash-flow tables and appendices) are not the only detailed elements of analysis which the Dexia Group sends to its shareholders, its investors and the public. They are completed by financial indicators, breakdowns and results analyses, outlooks and risk assessments, which are integrated in the annual report or submitted when presentations are made to financial analysts and investors.

Some of these elements are supplied directly by operational departments or by the risk control department. Their accuracy is guaranteed by the internal control system of the departments concerned.

The majority of financial indicators and in particular those necessitating a crossing or aggregation of data from different origins, the breakdown of figures available globally, or a reprocessing of account data in relation to management parameters, are provided by the Consolidation and Management Control department.

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

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

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

The information aggregation process is performed in parallel with the consolidation process guided by the accounting functions. At each stage of the establishment of consolidated data, consistency controls are performed, based on the reconciliation of analytical and accounting information. This reconciliation is a vital element of internal control, to ensure the reliability of one and the others completed by a systematic analytical review of the principal 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, 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 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 quarterly within the accounts coordination committee.

Along with the Risk Committee, the Management Board and the Transaction Committee, the following three committees meet on a quarterly basis:

- The ***Watch-list* 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 internal rules, in compliance with the regulatory framework;
- The **Rating Committee** ensures that internal rating processes are aligned with the established principles and that those processes are consistent across the Group's various entities.

2.3.2. Market risk monitoring

Market risk represents Dexia Crédit Local's exposure to changes in market parameters, such as interest and exchange rates. Interest rate risk consists of structural interest rate risk and specific interest rate risk associated with a given credit counterparty. The latter arises from fluctuations in the credit spread on specific counterparties within a rating class. The foreign exchange risk represents the potential decrease in the value of assets arising from fluctuations in exchange rates against the euro, which is the reference currency in which the Dexia Crédit Local Group prepares its financial statements.

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 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 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.

Asset and liability management is supervised by the Dexia Crédit Local 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, and centralises and coordinates the decision-taking process concerning liquidity matters. It is periodically informed of Dexia Crédit Local'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 Dexia Crédit Local's subsidiaries and branches, local committees manage specific balance sheet risks within the framework defined by Dexia Crédit Local'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 financial or non-financial impacts arising from a shortcoming or failure in internal processes, personnel or systems, or external factors. This definition includes IT, legal and compliance risks.
The Management Board regularly monitors the evolution of the risk profile of Dexia Crédit Local's various activities and delegates the operational management of risk monitoring to the **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.

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 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.

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 Legal department 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 interests 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 2015 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 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 controls exist and have been implemented;
- Ensures that all recommendations made by regulatory authorities and the Dexia Crédit Local rules of conduct are taken into account;
- Is notified of the long-term audit plan and the audit plan for the coming year, and of any changes that may be made during the year;
- Ensures the adequacy of the resources at the disposal of the Internal Audit department;
- Is informed of the work performed by the Internal Audit and Bank Inspection departments through internal control reports, audit plan progress reports and recommendation monitoring reports;
- Is consulted on all audit-related regulations in effect within Dexia Crédit Local;
- Reviews the situation as regards compliance, and is consulted on the rules relating to the integrity and professional ethics policy in force, particularly in terms of protecting the image of the bank and the Group;
- Is informed of permanent control work (excluding compliance);
- Makes recommendations concerning the statutory auditors proposed for appointment at shareholders' meetings.

The Audit Committee reports on its work and observations to the Board of Directors.

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

3. External control

3.1. Statutory auditors

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

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

Under Article 21 of the company's articles of association, the shareholders' meeting appoints two principal statutory auditors and two substitute statutory auditors meeting the conditions provided by the law and the regulations.

The auditors are appointed for six financial years, their office expiring after the shareholders' meeting dealing with the financial statements for the sixth financial year.

The auditors have the functions and powers granted to them by the law. Their remuneration is set in accordance with the applicable regulatory provisions.

The mandates of the principal statutory auditors and the substitute statutory auditors were renewed at the shareholders' meeting held on 13 May 2014 for a term of six financial years to expire at the end of the shareholders' meeting dealing with the financial statements for the financial year which closes on 31 December 2019:
- Principal statutory auditors: Mazars and Deloitte & Associés;
- Substitute statutory auditors: Mr Charles de Boisriou and BEAS.

3.2. Remuneration of statutory auditors

This table gives a summary of the remuneration paid to the statutory auditors for their services in 2015 for Dexia Crédit Local.

	31/12/2015			
(in EUR thousands)	Mazars	%	Deloitte	%
Audit services				
• Statutory audit, certification, examination of parent company and consolidated financial statements	1,944	93	1,777	92
Sub-total	1,944	93	1,777	92
Other services	144	7	145	8
TOTAL	**2,088**	**100**	**1,922**	**100**

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

Financial year ended 31 December 2015

To the shareholders,

In our capacity as Statutory Auditors of DEXIA CREDIT LOCAL and in accordance with article L. 225-235 of the French Commercial Code, we hereby present our report dealing with the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code for the financial year ending December 31, 2015.

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.

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, 29 March 2016

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 2015

To the shareholders,
In our capacity as Statutory Auditors of your company, we hereby report to you on regulated agreements and commitments.
It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.
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

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

29 July 2015 amendment to the first EUR 150 million subordinated loan agreement signed on 5 December 2014 between Dexia Crédit Local (hereafter "DCL") to Dexia Sabadell

Persons concerned:
Mr. Claude Piret, director of both DCL and Dexia Sabadell

Nature and purpose:
As of 5 December 2014, DCL granted a EUR 150 million deeply subordinated loan to Dexia Sabadell.

The objective was to strengthen Dexia Sabadell's own funds, to comply with its legal requirements.

The aforementioned amendment cancels the automatic extension option of the loan, which was to be activated if the minimum level of own funds imposed by Spanish legislation was not met as of 30 June 2015. The initial repayment date set as at 31 July 2015 is accordingly frozen. The other provisions of the initial loan agreement remain unchanged.

Terms and conditions:
Amount: EUR 150 million
Date of signature of the amendment: 29 July 2015
Rate: fixed rated of 3.0% + floating rate (capped at 8%) based on Dexia Sabadell net profits
Maturity : 31 July 2015

Grounds:
Cancelling the automatic extension option of the maturity of the loan pursuant to the initial loan agreement is in the social interest of DCL, especially in terms of liquidity.

DCL recognised interest income of EUR 2.6 million in 2015 in respect of this loan agreement.

Agreements and commitments previously approved by shareholders' meeting

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:

Agreement allowing DCL to use subsidiaries' receivables as collateral

Persons concerned:
Mr. Alain Clot, former director of DCL, Dexia Crediop and Dexia Sabadell, his term of office with DCL having terminated on 31 December 2013.
In order to reduce DCL's financing needs, it was decided to mobilise the assets of DCL and its subsidiaries that are not currently utilised, in secured funding arrangements, as collateral for financing or issues guaranteed by the States. DCL mobilised the subsidiaries' assets under market conditions throughout 2015:

As at 31 December 2015, the assets concerned totalled EUR 2.7 billion and comprised:

- EUR 2 billion of Dexia Sabadell receivables ;
- EUR 709 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.

State guarantee agreement

Persons concerned:
Mr. Robert de Metz, director of both DCL and Dexia S.A. (hereafter "DSA"),
Mr. Karel De Boeck, director of both DCL and DSA,
Mr. Claude Piret, director of DCL and management board member of DSA,
Mr. Koenraad Van Loo, director of both DCL and DSA,
Mr. Philippe Rucheton, former director of both DCL and DSA, his term of office with DCL having terminated on 31 December 2013.

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 2015, the cost of the guarantee for DCL amounted to EUR 34 million.

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

Guarantee agreement between DCL and Dexia Crediop

Persons concerned:
Mr. Alain Clot, former director of both DCL and Dexia Crediop, his term of office with DCL having terminated on 31 December 2013.

As part of the support for its subsidiary Dexia Crediop, DCL 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, DCL'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 2015.

Agreement for the sale of the Société de Financement Local (hereafter "SFIL") shares

Persons concerned:
Messrs. Philippe Rucheton and Alain Clot, former directors of both DCL and Dexia Municipal Agency (hereafter "DMA"), their terms of office with DCL having both terminated on 31 December 2013.

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 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 2015.

DCL sold these shares for EUR 1 on 28 January 2013.

Agreement for the management of disputes relating to disputed loans

Persons concerned:
Messrs. Philippe Rucheton and Alain Clot, former directors of both DCL and DMA, their terms of office with DCL having both terminated on 31 December 2013.

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 2015.

EUR 100 million subordinated loan agreement

Persons concerned:
Mr. Claude Piret, director of both DCL and Dexia Sabadell.
As of 30 May 2014, DCL and Dexia Sabadell signed a EUR 100 million deeply subordinated loan contract, maturing June 2022. The remuneration is set on a fixed rate of 3.6% + floating rate (capped at 7.4%), based on Dexia Sabadell net profits.

This agreement was authorised by your Board of Directors on 13 May 2014.

DCL recognised interest income of EUR 3.6 million in 2015 in respect of this loan agreement.

Second EUR 150 million subordinated loan agreement granted on 5 December 2014

Persons concerned:
Mr. Claude Piret, director of both DCL and Dexia Sabadell.

As of 5 December 2014, DCL and Dexia Sabadell signed a EUR 150 million deeply subordinated loan contract, maturing June 2022. The remuneration is set on a fixed rate of 3% + floating rate (capped at 8%), based on Dexia Sabadell net profits.

This agreement was authorised by your Board of Directors on 13 November 2014.

DCL recognised interest income of EUR 4.6 million in 2015 in respect of this loan agreement.

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

Persons concerned:
Mr. Jean-Luc Dehaene, former director of DCL, DSA, BIL and DBB, his term of office with DCL having terminated on 29 June 2012,
Mr. Pierre Mariani, former director of DCL, DSA, BIL and DBB, his term of office with DCL having terminated on 2 August2012,
Mr. Pascal Poupelle, former director of DCL and Crediop, his term of office with DCL having terminated on 31 December 2010,
Mrs. Francine Swiggers, former director of DCL, DSA and DBB, her term of office with DCL having terminated on 10 November 2012.

The Dexia Group Master Netting Agreement (hereafter "DGMNA") was signed on 2 November 2009 between DSA, BIL, Belfius, DCL 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").

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.

BIL and Belfius are no longer parties of the DGMNA since respectively 29 January 2014 and 2 November 2015.

This agreement was approved by the shareholders' meeting of 19 May 2015, based on the Statutory Auditors' special report of 31 March 2015.

This agreement had no impact in 2015.

Courbevoie and Neuilly-sur-Seine, 29 March 2016

The Statutory Auditors

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

Proposals for resolutions to be adopted at the combined shareholders' meeting on 17 May 2016

In the capacity as ordinary shareholders' meeting

First resolution: approval of the annual financial statements

After having had the Board of Directors' report, the report by the chairman of the Board of Directors and the Auditors' report read out, the ordinary shareholders' meeting approves the annual financial statements as at 31 December 2015 as these have been presented to it, with all the operations reflected in these financial statements or mentioned in the aforesaid reports, and showing a positive result of EUR 60,179,506.36.

The ordinary shareholders' meeting approves the overall amount of the non-deductible expenses and charges of the profits subject to corporation tax (Article 39 of the General Tax Code), amounting to EUR 48,524.72, which has not led to additional corporation tax bearing in mind the tax loss for the 2015 financial year.

Second resolution: approval of the consolidated financial statements

After having had the Board of Directors' report, the report by the chairman of the Board of Directors and the Auditors' report read out, the ordinary shareholders' meeting approves the consolidated financial statements as at 31 December 2015 as these have been presented to it, with all the operations reflected in these financial statements or mentioned in the aforesaid reports, and showing a net income group share of EUR 327,232,823.

Third resolution: approval of the regulated agreements and commitments

After having had the Auditors' special report on regulated agreements and commitments referred to by Article L.225-38 of the French Commercial Code read out, the ordinary shareholders' meeting approves the regulated agreements and commitments mentioned therein under the conditions laid down by Article L.225-40 of the same Code.

Fourth resolution: final discharge granted to the company's authorised representatives

As a result of approval of the foregoing resolutions, the ordinary shareholders' meeting grants full and unreserved discharge to the company's authorised representatives in respect of fulfilment of their mandate in and pertaining to the financial year closed on 31 December 2015.

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

As a result of approval of the foregoing resolutions, the ordinary shareholders' meeting grants full and unreserved discharge to the Chief Executive Officer and to the Executive Vice-Presidents in respect of fulfilment of their mandate in and pertaining to the financial year closed on 31 December 2015.

Sixth resolution: appropriation of the profit

The ordinary shareholders' meeting decides to allocate the positive result of the financial year amounting to EUR 60,179,506.36 in its entirety to the retained earnings account. Further to this allocation, the retained earnings account will show a negative balance of EUR -817,652,203.59.

In accordance with Article 243b of the General Tax Code, the shareholders' meeting recalls that no dividend has been paid out during the three previous financial years.

Seventh resolution: auditing of the financial statements

In accordance with the provisions of Article L.822-14 of the French Commercial Code, the ordinary shareholders' meeting formally records that the annual and consolidated financial statements for the financial year closed on 31 December 2015 have been audited by the Auditors:

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

Eighth resolution: opinion on the remuneration awarded to the Chief Executive Officer and the Executive Vice-Presidents

The shareholders' meeting, consulted in application of the AFEP-MEDEF code, issues a favourable opinion on the elements of pay payable or awarded to Karel De Boeck, on account of his director's term of office and his position as Chief Executive Officer, to Claude Piret, on account of his director's term of office and his position as Executive Vice-President, and to Pierre Vergnes, on account of his director's term of office and his position as Executive Vice-President, that appear in the annual report serving as a registration document, in the chapter entitled "Terms of office and remuneration of directors and officers", submitted by the Board of Directors in respect of the financial year closed on 31 December 2015.

Ninth resolution: opinion on the overall wage bill

In application of Article L.511-73 of the Monetary and Financial Code, the ordinary shareholders' meeting issues a favourable opinion on the overall wage bill covering amounts paid to the persons mentioned in Article L.511-17 of the aforesaid Code during the financial year closed on 31 December 2015 and which amounts to EUR 12,670,490 (fixed pay and any bonuses).

This wage bill thus covers salaries paid in 2015 to the company's managers and other members of staff of the company and its (international) subsidiaries considered, in accordance with the pay policy applicable to the entire Dexia Group, as having a significant impact on the Group's risk profile on account of their position and/or the level of their pay.

This wage bill includes the salary of the Chief Executive Officer and the Executive Vice-President granted exclusively by Dexia in consideration of their mandate within the parent company.

Tenth resolution: ratification of the temporary appointment of a director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-24 of the French Commercial Code, to ratify the temporary appointment of Mr Corso BAVAGNOLI, born on 21 July 1973, of French nationality and resident at 12 Rue du Commandeur, 75014 Paris (France), which was decided on during the Board of Directors' meeting of 6 July 2015, as a replacement for Ms Delphine D'AMARZIT, who has resigned, for the remaining term of the latter's term of office, i.e. until the shareholders' meeting called to rule on the financial statements of the financial year closed on 31 December 2019.

Eleventh resolution: appointment of a director

The shareholders' meeting decides to appoint Mr Johan BOHETS, born on 13 September 1971, of Belgian nationality and resident at Drève Pittoresque 52, 1640 Rhode-Saint-Genèse (Belgium), for a term of office of four (4) years coming to an end at the end of the shareholders' meeting called to rule on the financial statements of the financial year closed on 31 December 2019.

Twelfth resolution: appointment of a director

The shareholders' meeting decides to appoint Mr Wouter DEVRIENDT, born on 10 April 1967, of Belgian nationality and resident at Hoogvorstweg 10, 3080 Tervuren (Belgium), as a replacement for Mr Karel De Boeck, who has resigned, for a term of office of four (4) years coming to an end at the end of the shareholders' meeting called to rule on the financial statements of the financial year closed on 31 December 2019.

Thirteenth resolution: appointment of a director

The shareholders' meeting decides to appoint Mrs Lucie MUNIESA, born on 22 February 1975, of French nationality and resident at 11 Rue du Commandant Jean Duhail, 94120 Fontenay-sous-Bois (France), as a director of the company for a term of office of four (4) years coming to an end at the end of the shareholders' meeting called to rule on the financial statements of the financial year closed on 31 December 2019.

Fourteenth resolution: appointment of a director

The shareholders' meeting decides to appoint Mrs Françoise LOMBARD, born on 6 April 1981, of French nationality and resident at 7 Rue Beaunier, 75014 Paris (France), as a director of the company for a term of office of four (4) years coming to an end at the end of the shareholders' meeting called to rule on the financial statements of the financial year closed on 31 December 2019.

Fifteenth resolution: powers

The shareholders' meeting grants all powers to the bearer of an original, a copy or an extract of these minutes for the fulfilment of any formalities relating to the lodging and publication of documents for which provision is made in the law.

In the capacity as extraordinary shareholders' meeting

First resolution: delegation of power with a view to a capital increase reserved for the employees

After having had the Board of Directors' report and the auditors' report read out and having noted that the shares held by the staff in the company and in companies affiliated to it represent less than 3% of the issued capital, the extraordinary shareholders' meeting decides, in order to meet the legal obligations stemming from paragraph 2 of Article L.225-129-6 of the French Commercial Code, to delegate its power to the Board of Directors for a period of 26 months, for the purposes of:

- increasing the issued capital in cash to the benefit of the company's members of staff by a maximum nominal amount of EUR 100,000 through the issue at par of new shares in the company giving their holders the same rights as the old shares, under the conditions referred to in Article L. 225-138 of the French Commercial Code and Articles L. 3332-18 to L. 3332-24 of the Labour Regulations;
- and consequently granting all powers to the Board of Directors to establish the terms and conditions of the operations to be carried out pursuant to this authorisation, to determine the subscription price of the new shares in accordance with the provisions of Article L. 3332-20 of the Labour Regulations, to record the final completion of the increase in issued capital, to amend the articles of association accordingly, and to take all necessary measures and actions and fulfil all necessary formalities.

In accordance with the legal provisions in force, the other terms and conditions governing the operation will be the subject of an additional report by the Board of Directors and the Auditors.

Twelfth resolution: proposal to withdraw the shareholders' pre-emption right

After taking cognisance of the Board of Directors' report and the auditors' report, and as a consequence of the previous resolution, the extraordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-138 of the French Commercial Code, to withdraw the shareholders' pre-emption right for subscription to the shares to be issued in the context of the envisaged capital increase, and to reserve subscription to these shares for the employees of the company and of companies affiliated to it, within the meaning of Article L.225-180 of the French Commercial Code.

Thirteenth resolution: powers

The shareholders' meeting grants all powers to the bearer of an original, a copy or an extract of these minutes for the fulfilment of any formalities relating to the lodging and publication of documents for which provision is made in the law.

Consolidated Financial Statements as at 31 December 2015

Consolidated balance sheet

Management report
Corporate governance and internal control
Consolidated financial statements
Financial statements
General information

ASSETS (in EUR million)		Note	31/12/2014	31/12/2015
I.	Cash and central banks	2.0	3,103	4,835
II.	Financial assets at fair value through profit or loss	2.1 & 4.1	24,214	20,175
III.	Hedging derivatives	4.1	8,374	6,672
IV.	Financial assets available for sale	2.2	26,526	22,137
V.	Interbank loans and advances	2.3	8,209	7,433
VI.	Customer loans and advances	2.4	134,886	127,484
VII.	Fair value revaluation of portfolio hedges		1,910	1,696
VIII.	Financial assets held to maturity	2.5	255	199
IX.	Current tax assets	2.6	29	39
X.	Deferred tax assets	2.6	41	35
XI.	Accruals and other assets	2.7	38,250	38,339
XII.	Non current assets held for sale	4.6	13	12
XV.	Tangible fixed assets	2.8	330	292
XVI.	Intangible assets	2.9	23	26
TOTAL ASSETS			**246,163**	**229,374**

The notes on pages 86 to 159 are an integral part of these consolidated financial statements.

LIABILITIES (in EUR million)		Note	31/12/2014	31/12/2015
I.	Central banks	3.0	33,845	15,932
II.	Financial liabilities at fair value through profit or loss	3.1 & 4.1	25,731	22,778
III.	Hedging derivatives	4.1	33,832	29,978
IV.	Interbank borrowings and deposits	3.2	45,392	49,569
V.	Customer borrowings and deposits	3.3	7,958	9,399
VI.	Debt securities	3.4	89,518	91,532
VII.	Fair value revaluation of portfolio hedges		227	170
VIII.	Current tax liabilities	3.5	2	2
IX.	Deferred tax liabilities	3.5	63	88
X.	Accruals and other liabilities	3.6	7,150	6,108
XIII.	Provisions	3.7	257	229
XIV.	Subordinated debt	3.8	498	492
	Total liabilities		**244,473**	**226,277**
XV.	**Equity**	3.9	**1,690**	**3,097**
XVI.	Equity, Group share		1,329	2,724
XVII.	Capital stock and related reserves		2,215	2,215
XVIII.	Consolidated reserves		5,512	5,075
XIX.	Gains and losses directly recognised in equity		(5,920)	(4,893)
XX.	Net result of the period		(478)	327
XXI.	Minority interests		361	373
TOTAL LIABILITIES AND EQUITY			**246,163**	**229,374**

The notes on pages 86 to 159 are an integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR million)		Note	31/12/2014	31/12/2015
I.	Interest income	5.1	11,667	10,881
II.	Interest expense	5.1	(11,287)	(10,494)
III.	Commission income	5.2	19	20
IV.	Commission expense	5.2	(31)	(16)
V.	Net gains (losses) on financial instruments at fair value though profit or loss	5.3	(343)	523
VI.	Net gains (losses) on financial assets available for sale	5.4	59	67
VII.	Other income	5.5	24	45
VIII.	Other expenses	5.6	(142)	(44)
IX.	**NET BANKING INCOME**		**(34)**	**982**
X.	Operating expenses	5.7	(343)	(429)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.8	(26)	(22)
XII.	**GROSS OPERATING INCOME**		**(403)**	**531**
XIII.	Cost of risk	5.9	(63)	(175)
XIV.	**OPERATING INCOME**		**(466)**	**356**
XVI.	Net gains (losses) on other assets	5.10	(1)	14
XVIII.	**NET RESULT BEFORE TAX**		**(467)**	**370**
XIX.	Income tax	5.11	(18)	(37)
XXI.	**NET INCOME**		**(485)**	**333**
XXII.	Minority interests		(7)	6
XXIII.	**NET INCOME, GROUP SHARE**		**(478)**	**327**
	Earnings per share, Group share (in EUR)	5.12		
	Basic		-2.14	1.46
	Diluted		-2.14	1.46

The notes on pages 86 to 159 are an integral part of these consolidated financial statements.

Management report

Corporate governance and internal control

Consolidated financial statements

Financial statements

General information

Consolidated statement of comprehensive income

(in EUR million)	31/12/2014			31/12/2015		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
NET INCOME			**(485)**			**333**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	88		88	100		100
Revaluation of financial assets available for sale or reclassified in loans and advances	82	(14)	68	730	(10)	720
Revaluation of hedging derivatives	(511)	(1)	(512)	224		224
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)	(7)	7		7
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(347)**	**(16)**	**(363)**	**1,061**	**(10)**	**1,051**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(848)**			**1,384**
of which, Group share			(801)			1,356
of which, Minority interests			(47)			28

The notes on pages 86 to 159 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	Related reserves	Treasury shares	Total		Change in fair value of financial assets available for sale or reclassified as loans and receivables, net of taxes	Change in fair value of cash flow hedges, net of taxes
AS AT 31 DECEMBER 2013	**1,286**	**1,991**	**0**	**3,277**	**5,354**	**(4,656)**	**(930)**
Movements during the period							
Changes in capital[1]	(1,062)			(1,062)	1,062		
Appropriation of net income 2013					(904)		
Subtotal of shareholders' related movements	**(1,062)**	**0**	**0**	**(1,062)**	**158**		
Translation adjustments[2]							
Changes in fair value of financial assets available for sale, through equity[2]						(66)	
Changes in fair value of derivatives through equity[2]							(507)
Changes in fair value of financial assets available for sale or reclassified in loans and advances, through profit or loss[2]						179	
Changes in fair value of derivatives through profit or loss[2]							(10)
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)**
Movements during the period							
Appropriation of net income 2014					(478)		
Subtotal of shareholders' related movements					**(478)**		
Translation adjustments							
Changes in fair value of financial assets available for sale, through equity						533	
Changes in fair value of derivatives through equity							252
Changes in fair value of financial assets available for sale or reclassified in loans and advances, through profit or loss						175	
Changes in fair value of derivatives through profit or loss							(29)
Changes in actuarial gains and losses on defined benefit plans							
Subtotal of changes in gains and losses directly recognized in equity						**708**	**223**
Net income for the period							
Other variations[3]					41		
AS AT 31 DECEMBER 2015	**224**	**1,991**	**0**	**2,215**	**5,075**	**(3,835)**	**(1,224)**

(1) 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.
(2) The figures 2014 have been restated.
(3) The positioning of cancellation of the results on internal transfers has been reviewed. For the amount still to be amortised as at 31 december 2014, mainly related to the cancellation of internal results between companies partially owned by third parties and fully owned companies, it generated a variation of EUR + 36 million in the Group's reserves, EUR - 2 million in Translation adjustments and EUR - 9 million in Minority interests. The net residual amount in reserves of EUR + 25 million comes from the impact of the modification on deferred taxes. Furthermore, internal transfers of 2015 between companies partially owned by third parties and fully owned companies generate an amount of EUR + 6 million in Group share and EUR - 6 million in Minority interests.

The notes on page 86 to 159 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	
(3)	**(8)**	**(5,597)**	**(904)**	**2,130**	**406**	**2**	**408**	**2,538**
				0				0
			904	0				0
			904	**0**				**0**
	87	87		87		1	1	88
		(66)		(66)		(44)	(44)	(110)
		(507)		(507)		6	6	(501)
		179		179		(1)	(1)	178
		(10)		(10)				(10)
(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**
			478	0				0
			478	**0**				**0**
	93	93		93		7	7	100
		533		533		13	13	546
		252		252				252
		175		175				175
		(29)		(29)				(29)
5		5		5		1	1	6
5	**93**	**1,029**		**1,029**		**21**	**21**	**1,050**
			327	327	6		6	333
	(2)	(2)		39	(15)		(15)	24
(4)	**170**	**(4,893)**	**327**	**2,724**	**390**	**(17)**	**373**	**3,097**

Consolidated cash flow statement

(in EUR million)	31/12/2014	31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(485)	333
Adjustments for:		
- Depreciation, amortization and other impairment	27	22
- Impairment losses (reversal impairment losses) on bonds, equities, loans and other assets	(261)	196
- Net (gains) or losses on investments	3	(32)
- Net increases (net decreases) in provisions	152	(111)
- Unrealised (gains) or losses	292	(489)
- Deferred taxes	8	41
Changes in operating assets and liabilities	2,673	(58)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**2,409**	**(98)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(14)	(23)
Sale of fixed assets	1	50
Acquisitions of unconsolidated equity shares	(1)	(4)
Sales of unconsolidated equity shares	20	37
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**6**	**60**
CASH FLOW FROM FINANCING ACTIVITIES		
Reimbursement of subordinated debts	(134)	(9)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(134)**	**(9)**
NET CASH PROVIDED	**2,281**	**(47)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**2,509**	**5,052**
Cash flow from operating activities	2,409	(98)
Cash flow from investing activities	6	60
Cash flow from financing activities	(134)	(9)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	262	321
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,052**	**5,326**
ADDITIONAL INFORMATION		
Income tax paid	(46)	(9)
Dividends received	2	2
Interest received	11,963	11,113
Interest paid	(11,803)	(11,097)

The notes on pages 86 to 159 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)	31/12/2014	31/12/2015
Cash and central banks (note 2.0)	3,103	4,835
Interbank loans and advances (note 2.3)	1,949	491
TOTAL	**5,052**	**5,326**

b. Of which restricted cash

(in EUR million)	31/12/2014	31/12/2015
Mandatory reserves[1]	629	184
TOTAL	**629**	**184**

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

The notes on pages 86 to 159 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 items included in the statement of income 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 17 March 2016.

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 2015, 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 as at 31 December 2015 were prepared in accordance with the accounting rules applicable to a going concern. The assumptions detailed hereafter were the basis of the business plan underlying the Dexia Group resolution plan and were already explained in previous accounting closures.

- The business plan was constructed from market data observable at the end of September 2012; the underlying macroeconomic assumptions are reviewed as part of the semi-annual reviews of the entire plan.

In particular, the updates made in 2015 take into account an updated funding plan based on the most recent market conditions. They also incorporate regulatory developments to date, such as the final version of the CRD IV Directive and the implementation of the IFRS 9 accounting standard from 2018, based on assumptions known to date.

An updated business plan on the basis of data available as at 30 June 2015 and validated by the Board of Directors of Dexia on 19 November 2015 leads to adjustments of the plan originally validated, but these do not raise any issues regarding the trajectory of the Group's resolution over the long term.

- The business plan assumes the preservation of the banking licences of various entities as well as the rating of Dexia Crédit Local.
- It relies on a robust funding capacity, which is dependent on investor appetite for the debt guaranteed by Belgium, France and Luxembourg and Dexia Crédit Local's ability to raise secured funding.

In this respect, the funding structure benefited in 2015 from an increase in market funding volume at a lower cost than anticipated in the business plan and for longer maturities. Dexia Crédit Local also exited the special and exceptional funding mechanisms introduced in 2012 and reduced its reliance on central bank funding. Finally, it focused on providing liquidity reserves with the aim of protecting itself against short-term liquidity risk primarily related to an increase in the amount of cash collateral[(1)] posted to its derivatives counterparties.

However, over the duration of the Group's resolution, uncertainties remain regarding the implementation of the business plan.

- It is in particular exposed to the evolution of accounting and prudential rules.
- The financial characteristics of Dexia and Dexia Crédit Local since their entry in resolution do not allow them to ensure

(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.

compliance with certain regulatory ratios. The business plan is also sensitive to the evolution of the macroeconomic environment. Thus, a 10 basis point decrease in interest rates over the entire yield curve would result in an immediate increase of approximately EUR 1 billion in the liquidity requirement, related to the increase in cash collateral. Similarly, more conservative assumptions as to an improvement of ratings and/or a tightening of credit spreads would negatively impact the income statement as well as the available liquidity reserves and would increase the level of regulatory capital required.

• Finally, if market demand for government-guaranteed debt would decline, Dexia Crédit Local may need to turn to more costly funding sources which would directly impact the profitability assumed in the original business plan. The coming years will remain a risk in the context of greater exchange rate volatility and very low interest rates.

The most recent update of the business plan shows a surplus liquidity position throughout the life of the plan. Dexia and Dexia Crédit Local's liquidity surplus was impacted in 2015 by the volatile cash collateral needs and high levels of amortisations and funding redemptions.

At the beginning of 2016, Dexia and Dexia Crédit Local's liquidity need increased due higher cash collateral to be posted to market counterparties. Collateral posting reached a maximum of EUR 36 billion in February 2016, up EUR 5 billion from the end of 2015. However, this increased liquidity need has been offset by a dynamic funding activity since the beginning of the year. This is illustrated by the renewal of the short-term government-guaranteed and secured funding under favourable conditions and the issuance of EUR 6.1 billion of long-term government-guaranteed funding as at half March 2016.

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.

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 structured entities (IFRS 10) (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 note 1.3. "Significant items included in the statement of income", in 2015, in order to be in line with market practices, Dexia Crédit Local incorporated a Funding Valuation Adjustment (FVA) in the fair value of non-collateralised derivative instruments. This additional valuation component reflects the costs of funding related to non-collateralised derivatives. This change in the estimate of the fair value of non-collateralised derivatives was recognised as an expense in Dexia Crédit Local's financial statements as at 31 December 2015 (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss").

1.1.2. CHANGES IN ACCOUNTING POLICIES SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT DEXIA CRÉDIT LOCAL GROUP

1.1.2.1. IASB texts and IFRIC interpretations endorsed by the European Commission and applied as from 1 January 2015

• IFRIC 21 "Levies". This interpretation clarifies the accounting for levies imposed by public authorities which are within the scope of IAS 37 "Provisions, Contingent Liabilities and

Contingent Assets" (excluding income taxes covered by IAS 12 "Income Taxes", fines and other penalties). It addresses, amongst others, the issue of trigger event for levy recognition and so aims to clarify :
- the date on which a liability to pay a levy shall be recognised;
- and whether a levy liability can be accrued progressively over the financial year.

The main taxes impacted by the application of IFRIC 21 at Dexia Crédit Local are the bank tax for systemic risk and the ACPR supervisory tax. These taxes are no longer recognised progressively over the financial year and their total annual amounts are recognised as an expense in the 1st quarter of the financial year. The same treatment is applied regarding the annual contribution to the Single Resolution Fund (SRF) effective as from 2015. Furthermore, in the 1st quarter of 2015, Dexia Crédit Local recognised a provision covering its total voluntary multiannual contribution to the support funds to local authorities and hospitals in France. The impacts resulting from the application of IFRIC 21 are disclosed in the note 1.3. "Significant items included in the statement of income". IFRIC 21 does not have a material impact on Dexia Crédit Local's annual financial statements. The impact of retrospective application of IFRIC 21 on the financial statements as at 31 December 2014 is not material and therefore the prior year annual financial statements have not been restated.

• Annual Improvements 2011-2013 cycle, which are a collection of minor amendments to some IFRS standards. These amendments have no impact on Dexia Crédit Local.

1.1.2.2. IASB texts and IFRIC interpretations endorsed by the European Commission during the current year but not yet applicable as from 1 January 2015

• Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions". This amendment is effective as from 1 January 2016 and Dexia Crédit Local does not expect this amendment to have a material impact on its financial statements, due to limited impact of defined benefit plans at Group's level.

• Annual Improvements 2010-2012 and 2012-2014 cycles, 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 IAS 16 and IAS 41 "Agriculture: Bearer Plants". These amendments are effective as from 1 January 2016 and will have no impact on the financial statements of Dexia Crédit Local.

• Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations". 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". These amendments are effective as from 1 January 2016 and will have no impact on the financial statements of Dexia Crédit Local.

• Amendment to IAS 1 "Disclosure Initiative". 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.

• Amendment to IAS 27 "Equity Method in Separate Financial Statements". This amendment is effective as from 1 January 2016 and will not impact the financial statements of Dexia Crédit Local.

1.1.2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

• Amendment to IFRS 15 "Effective Date of IFRS 15" (issued by IASB in September 2015). This amendment defers the mandatory effective date of the new standard IFRS 15 by one year, from 1 January 2017 to 1 January 2018. IFRS 15 "Revenue from Contracts with Customers" establishes the principles for accounting for revenue arising from contracts with customers. The impact of this standard on Dexia Crédit Local's financial statements is currently being assessed.

• Amendment "Effective Date of Amendments to IFRS 10 and IAS 28" (issued by IASB in December 2015). This amendment defers indefinitely the effective date of the 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 2014. These amendments will have no impact on the financial statements of Dexia Crédit Local.

1.1.2.4. New standard IFRS 9 "Financial Instruments"

• 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. Changes introduced by IFRS 9 include:
- on the asset side, an 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; loans and debt securities which are not considered as "basic" as defined by the standard will be measured at fair value through profit or loss, whereas "basic" loans and debt securities will be measured at amortised cost or at fair value through other comprehensive income based on the business model for managing these assets.
- on the liability side, recognition in other comprehensive income of changes in the fair value attributable to own credit risk on financial liabilities designated as at fair value through profit or loss;
- a single impairment model. IFRS 9 replaces the incurred credit loss model for the impairment with a forward-looking model based on expected credit losses.
- a substantially-reformed approach to hedge accounting. While awaiting the future standard on macro hedging, IFRS 9 permits to keep applying the current hedge accounting requirements (IAS 39) for all hedge relationships or only for macro-hedge relationships.

Disclosed information is also enhanced.
IFRS 9 has not yet been adopted by the European Union as at 31 December 2015. It is mandatorily effective for periods beginning on or after 1 January 2018 and the impact on Dexia Crédit Local's financial statements is currently being assessed.
Being aware that IFRS 9 is a major issue for banking institutions, Dexia Crédit Local launched its IFRS 9 project In the first quarter of 2015. The initial diagnostic and impact assessment studies of the application of the standard have been performed :
- on the first phase of the standard, Dexia Crédit Local reviews the characteristics and the classification and measurement method of all its financial assets;
- on the second phase of the standard, Dexia Crédit Local has initiated work to develop a new impairment model;
- on the third phase, the pros and cons of application of the new approach related to hedge accounting are currently being assessed. At this stage, no decision has been taken on whether or not to maintain the requirements in IAS 39 for Dexia Crédit Local's hedge relationships.
Dexia Crédit Local also reviews new disclosure requirements.
As permitted by IFRS 9, Dexia Crédit Local intends to early apply the treatment related to changes in the fair value attributable to own credit risk on financial liabilities designated as at fair value through profit or loss as soon as the standard is adopted by the European Commission.

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. When the proportion of the equity held regarding non-controlling interests (minority interests) changes, the carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is 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. "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 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 re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest earned is recognised in net interest income, and dividends received under "Net gains (losses) on financial instruments at fair value through profit or loss".

1.1.6.3.2. Liabilities held for trading

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

1.1.6.3.3. Loans and securities designated at fair value through profit or loss (FVO)

In some cases and if appropriately documented, Dexia Crédit Local can designate a financial asset, a financial liability or a group of financial instruments as "at fair value through profit or loss" where:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- an instrument contains a non-closely related embedded derivative:
  - that significantly modifies the cash flows that otherwise would be required by the contract; or
  - for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

Unrealised gains and losses on these assets are recorded in the statement of income under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest is recognised in net interest income.

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 under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest is recognised in net interest 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. Accounting for early repayments and restructuring of loans

Dexia Crédit Local has determined the accounting principles applicable to the restructuring of loans in accordance with AG 62 of IAS 39 dealing with the restructuring of financial liabilities.
There are several possibilities for accounting, depending on whether the early repayment is recognised as not being an extinguishment (with refinancing) or as an extinguishment (no refinancing).

Case of early repayment with refinancing

The method of accounting for loan early repayments and early repayment indemnities differs depending on whether or not the restructuring results in terms that are substantially different from those set initially. In accordance with the principles of AG 62, Dexia Crédit Local considers that the terms are substantially different when the net present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10% different from the net present value of the remaining cash flows from the original loan. The accounting treatment of loans and early repayment indemnities depends on the results of the eligibility test. If the eligibility test is passed, i.e. the income statement difference is less than 10%, the original loan is not derecognised and the early repayment indemnity is amortised over the remaining term of the restructured loan. Otherwise, i.e. the difference exceeds 10%, the original loan is derecognised and the early repayment indemnity is recognised immediately in the income statement.

Case of early repayment without refinancing

When the loan has been extinguished, the early repayment indemnity, as well as any gains or losses arising from an unamortised premium or discount, is recognised in the income statement as income for the period, as required by IFRS.

1.1.6.7. 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.

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

1.1.7.2. Valuation techniques

Dexia Crédit Local's approach to the valuation of its financial instruments (instruments at fair value through profit or loss, assets 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

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

- the valuations of derivatives are compared with those provided by a number of counterparties and analysed quarterly during an ad hoc committee;
- transaction execution levels are used to ensure the quality of the valuation approaches;
- the valuation approaches are regularly reviewed and are subject to validation by the Department of Validation.

In order for a fair value to qualify for level 2 inclusion, observable market data should be significantly used. The market data that Dexia Crédit Local incorporates in its valuation models are either directly observable data (prices), indirectly observable data (spreads) or deducted from observable data (price or spread) for similar instruments. Fair value measurements that rely significantly on unobservable data or on own assumptions qualify for level 3 disclosure.

The fair value governance involves several committees that deal with valuation issues. The highest one, the Management Board supervises major decisions taken by lower levels committees (Market Risk Committee and Validation Advisory Committee). This governance ensures a strong control framework for valuation issues as well as the independence between the Front Office, Market Risk and Validation teams, with the aim of producing reliable valuation estimates for the risk monitoring of the trading activity as well as for a fair presentation of the financial and solvency situation of the Group. Dexia Crédit Local general principles for the valuation ensure the use of quoted and observable prices when available or valuation models that take into account all factors that market participants would consider. Models are developed by the Front Office Funding and Markets or Financial Market Risk and are validated by the Department of Validation. Depending on their availabilities, data may come from different sources as tradable or indicative quotes. They are produced by Product Control. An inventory of the products is regularly produced, with their main features, their materiality and their model status.

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 Valuation Adjustment (CVA) and has recognised the Debit Valuation 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.
Additionally, in line with market practice, Dexia Crédit Local developed a methodology to calculate as from June 2015 a Funding Valuation Adjustment (FVA) in order to take into account the funding costs associated to its uncollateralized derivative positions (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss"). As these uncollateralised derivatives are not subject to margin calls, the holder of this type of instrument benefits from savings in funding or bears the cost depending on the direction of their net balance sheet position, and on the market values of these derivatives. The FVA takes account of the implicit funding rates for this theoretical collateral and integrates the funding cost in the valuation of these derivatives.
Dexia Crédit Local will continue to improve its models in the next periods following market practice.
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

In 2015, Dexia Crédit Local improved its models in order to maximise the use of observable market data.
For the valuation of loans classified in L&R since inception the standard market approach is used based on market data considered as observable (credit spreads estimated by sector and applied to borrower's internal rating).
For the borrowing liabilities not quoted on the market, estimated credit spreads are also applied.

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.

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.
Interest income and expenses on derivatives are presented on a gross basis by instrument.

In January 2015, the IFRS Interpretations Committee received a request to clarify an issue relating to the impact of negative effective interest rates on the presentation of income and expenses in the statement of comprehensive income. It noted that interest resulting from a negative interest rate on financial asset does not meet the definition of interest revenue in IAS 18 "Revenue". Following the decision of IFRS IC and according to the view of the European Banking Authority (EBA), Dexia Crédit Local presents negative remuneration on assets together with interest expense and positive remuneration on liabilities together with interest income.

1.1.9. FEE AND COMMISSION INCOME AND EXPENSE

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 under "Net gains (losses) on financial instruments at fair value through profit or loss". Changes in the fair value of derivatives in respect of Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA) are recognised in the statement of income under "Net gains (losses) on financial instruments at fair value through profit or loss". 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 considers the main parameters as unobservable or if Risk management does not validate the model, the day one profit or loss will be amortised linearly over the

expected life of the transaction. However, if the data becomes observable subsequently, Dexia Crédit Local will recognise the remaining portion of day one profit or loss in the 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, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Current and deferred taxes are recognised under "Corporate income tax" in the income statement. 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 are those with the Directors.

1.1.25. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity of less than 3 months maturity from the date of acquisition included within cash and balances with central banks, interbank loans and advances.

1.1.26. EARNINGS PER SHARE

The "Basic earnings per share" are calculated by dividing the net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by Dexia Crédit Local and held as treasury shares.
For the "Diluted earnings per share", the weighted average number of ordinary shares in issue and the net income are adjusted to assume conversion of all dilutive potential ordinary shares, such as the convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

1.2 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 financial statements of the Group, any companies whose contribution to the consolidated financial statements is not material shall not be included in the consolidation scope.
Entities are considered as non-significant when, at consolidated level, the aggregate of their total asset, liabilities, equity and net income does not exceed 1% of the total of consolidated balance sheet and net income (respectively EUR 2.29 billion and EUR 5.74 million (average on 3 years) in 2015). As at 31 December 2015, 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 2014

There was no significant change in the consolidation scope in 2015.

c. Impact of changes in scope on the consolidated income statement

Nil.

d. Scope of the Dexia Crédit Local Group as at 31 December 2015

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.

DEXIA CRÉDIT LOCAL

- Dexia Crédit Local Dublin branch
- Dexia Crédit Local New York branch

DOMESTIC SUBSIDIARIES

- DEXIA CLF BANQUE 100%
- SARL CBX.IA 1 100%
- DEXIA FLOBAIL 100%
- SARL CBX.IA 2 100%
- DEXIA CLF RÉGIONS-BAIL 100%
- CBX.GEST 100%
- GENEBUS LEASE 100%
- DCL EVOLUTION 100%

INTERNATIONAL SUBSIDIARIES

- DEXIA KOMMUNALBANK DEUTSCHLAND (Germany) 100%
- GROUPE DEXIA CREDIOP (Italy) 70%
  - DEXIA CREDIOP IRELAND (Ireland) 100%
- DEXIA HOLDINGS Inc. (United States) 100%
  - DEXIA FP (United States) 100%
  - FSA Global Funding Ltd (United States) 100%
- DEXIA KOMMUNALKREDIT ADRIATIC 100%
- DEXIA KOMMUNALKREDIT HUNGARY 100%
- DEXIA KOMMUNALKREDIT ROMANIA 65,31%
- DEXIA Real Estate Capital Markets (United States) 100%
- DEXIA CREDITO LOCAL MEXICO SA de CV (Mexico) 100%
- DEXIA ISRAEL BANK LTD (Israel) 65,31%
- DEXIA SABADELL SA (Spain) 100%
  - DEXIA SABADELL, SA (Portugal Branch)
- DEXIA DELAWARE LLC (United States) 100%
- SUMITOMO MITSUI SPV (Japan) 100%
- Dexia Management Services Ltd (United Kingdom) 100%
- Wise 2006 - 1 PLC (Ireland) 100%
- Dexia Luxembourg (Dexia LdG Banque) (Luxembourg) 100%

A. Fully consolidated entities

		31 December 2014				31 December 2015			
Name	Country	Method	Control rate	Interest rate	Ref	Method	Control rate	Interest rate	Ref
PARENT COMPANY									
Dexia Crédit Local SA	France								
DCL Dublin Branch	Ireland	FC	100	100		FC	100	100	
DCL New York Branch	USA	FC	100	100		FC	100	100	
SUBSIDIARIES									
CBX.IA 1	France	FC	100	100		FC	100	100	
CBX.IA 2 (2)	France	FC	100	100		FC	100	100	
Crediop per le Obbligazioni Bancarie Garantite S.r.l. (3)	Italy	FC	90	63					S1
Dexia CAD funding LLC	USA	FC	100	100					S1
Dexia CLF Banque	France	FC	100	100		FC	100	100	
Dexia CLF Régions Bail	France	FC	100	100		FC	100	100	
Dexia Crediop	Italy	FC	70	70		FC	70	70	
Dexia Crediop Ireland (3)	Ireland	FC	100	70		FC	100	70	
Dexia Delaware LLC	USA	FC	100	100		FC	100	100	
Dexia Financial Products Services LLC (5)	USA	FC	100	100		FC	100	100	
Dexia Flobail	France	FC	100	100		FC	100	100	
Dexia FP Holdings Inc (4)	USA	FC	100	100		FC	100	100	
Dexia Holdings, Inc	USA	FC	100	100		FC	100	100	
Dexia Israel Bank Ltd	Israel	FC	65.99	65.31		FC	65.99	65.31	
Dexia Kommunalbank Deutschland AG	Germany	FC	100	100		FC	100	100	
Dexia Luxembourg SA (ex Dexia LDG Banque SA)	Luxembourg	FC	100	100		FC	100	100	
Dexia Real Estate Capital Markets	USA	FC	100	100		FC	100	100	
Dexia Sabadell SA (1)	Spain	FC	79.01	100		FC	79.01	100	
FSA Asset Management LLC (5)	USA	FC	100	100		FC	100	100	
FSA Capital Management Services LLC (5)	USA	FC	100	100		FC	100	100	
FSA Capital Markets Services LLC (5)	USA	FC	100	100		FC	100	100	
FSA Global Funding LTD (4)	Cayman Islands	FC	100	100		FC	100	100	
FSA Portfolio Asset Limited (UK) (5)	UK	FC	100	100		FC	100	100	
Premier International Funding Co (6)	Cayman Islands	FC	0	0		FC	0	0	
SISL	Luxembourg	FC	100	100					S1
Sumitomo Mitsui SPV	Japan	FC	100	100		FC	100	100	
Tevere Finance S.r.l (3)	Italy	FC	100	70		FC	100	70	
WISE 2006-1 PLC	Ireland	FC	100	100		FC	100	100	

(1) The portion of the capital held in Dexia Sabadell SA is of 79.01%. Furthermore, as a result of the exercise of a put option on its shares by Banco Sabadell on 6 July 2012, not yet executed, the percentage interest in the company is now 100%.
(2) CBX.IA2 is 70.85% held by Dexia Crédit Local and 29.15% by CBX.IA 1.
(3) Companies consolidated by Dexia Crediop.
(4) Companies consolidated by Dexia Holdings Inc.
(5) Companies consolidated by Dexia FP Holdings Inc.
(6) Companies consolidated by FSA Global Funding Ltd.

Method *FC: Fully Consolidated*
Ref *Out of scope*
S1: Cessation of activity (including dissolution, liquidation)
S2: Company deconsolidated since become below the thresholds

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

		31 December 2014				31 December 2015			
Name	Country	Method	Control rate	Interest rate	Ref	Method	Control rate	Interest rate	Ref
CBX. GEST	France	not FC	100	100		not FC	100	100	
DCL Evolution	France	not FC	100	100		not FC	100	100	
Dexia Crédito Local México SA de CV Sofom Filial	Mexico	IG	100	100		not FC	100	100	S2
Dexia Kommunalkredit Adriatic	Croatia	not FC	100	100		not FC	100	100	
Dexia Kommunalkredit Bulgaria EOOD	Bulgary	not FC	100	100					S1
Dexia Kommunalkredit Hungary	Hungary	not FC	100	100		not FC	100	100	
Dexia Kommunalkredit Romania	Romania	not FC	100	100		not FC	100	100	
Dexia Management Services Limited	UK	IG	100	100		not FC	100	100	S2
European public infrastructure managers	Luxembourg	not EM	20	20		not EM	20	20	
Genebus Lease	France	not FC	100	100		not FC	100	100	
Impax New Energy Investor	Luxembourg	not EM	24.99	24.99		not EM	24.99	24.99	
La Cité	France	not EM	25.50	25.50		not EM	25.50	25.50	
New Mexican Trust	Mexico					not FC	100	100	
Progetto Fontana	France	not FC	100	100		not FC	100	100	
SNC du Chapitre	France	not EM	50	50					S1
South European Infrastructure Equity Finance Ltd Partnership	Luxembourg	not EM	20.83	20.83		not EM	20.83	20.83	
SPS - Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Italy	not EM	20.40	14.28		not EM	20.40	14.28	

Ref *Out of scope*
S1 : Cessation of activity (including dissolution, liquidation)
S2 : Company deconsolidated since become below the thresholds

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

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 financial or other support resulted in the entity controlling the structured entity.

e. Significant restrictions on assets and liabilities of an entity

Following IFRS 12, Dexia Crédit Local provides the list of significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

The information regarding financial assets pledged as collateral for liabilities or contingent liabilities is presented in note 7.3.b.

The assets guaranteeing the secured debt issued by covered bonds entities and the guaranteed investment contracts are presented in note 7.3.b.

Certain assets held by Dexia Crédit Local and benefiting from a credit risk hedge in the form of a guarantee or even a CDS are subject to some legal restrictions, commonly called "Representation to Hold clauses"[1]

Some restrictions concern structured entities. They take the form of segregation of assets in order to satisfy the obligations of the issuer to the noteholders as well as requirement of agreement from the insurer or the guarantor.

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.

(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.

Regulated entities are required to comply with regulatory requirements applicable to them.
Furthermore, some regulators limit the ability of a subsidiary or branch under their supervision, to finance the parent company above a certain threshold.

f. Interest in unconsolidated structured entities

There are 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 securitization vehicle (FCC) of loans to customer. These vehicles are financed through issuance of notes.

Interests in unconsolidated structured entities (in EUR million)	Securitisation Special Purpose Entities	Other activities	Total
Derivatives	238		238
Debt securities	233	476	709
TOTAL	**471**	**476**	**947**
Total assets of unconsolidated structured entities	**750**	**386**	**1,136**

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 2015.

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	31/12/2014	31/12/2015
Percentage of ownership held by minority interests	30 %	30 %
Principle place of business	Italy	Italy
Accumulated minority interests (in EUR million)	292	293
Profit or loss allocated to minority interests (in EUR million)	(12)	1
Dividend paid to minority interests	0	0
Assets (in EUR million)	37,695	25,181
Liabilities (in EUR million)	36,678	24,203
Equity (in EUR million)	1,017	978
Net banking income (in EUR million)	19	74
Profit or loss (in EUR million)	(39)	5
Total comprehensive income (in EUR million)	(178)	55

1.3. Significant items included in the statement of income

WEIGHT OF NEW CONTRIBUTIONS AND LEVIES PAID TO PUBLIC AUTHORITIES

Dexia Crédit Local's results for 2015 were impacted by EUR -130 million of various levies and contributions, accounted for in *Operating expenses*.
The Group recorded its first such annual contribution of EUR -50 million to the Single Resolution Fund (SRF) introduced by the European authorities within the framework of the Single Supervisory Mechanism. The Group also recognized EUR -14 million due for the annual levy for systemic risk. These charges, due each year, are of a recurring nature.
Furthermore, the Group provisioned the full amount of its multi-year contribution to the local authority and hospital sector support funds introduced in France, for EUR -28 million.
In addition, Dexia Crédit Local booked, via its subsidiary Dexia Crediop, an exceptional contribution of EUR -31 million for Italian banks.
All of these levies and contributions were booked pursuant to the principles of the IFRIC 21 "Levies", applied by Dexia Crédit Local since 1 January 2015.

ACCOUNTING VOLATILITY ELEMENTS

The favourable evolution of the valuation of collateralised derivatives on the basis of an OIS curve and of the counterparty risk on derivatives (Credit Valuation Adjustment and Debit Valuation Adjustment) had a positive impact of EUR +516 million in *Net gains and losses on financial instruments at fair value through profit or loss* while the impact was negative in 2014 (EUR -425 million).
The evolution of own credit risk (OCR) generated a profit of EUR 64 million in this item.
Furthermore, in accordance with the provisions of the IFRS 13 accounting standard and in line with market practice, the Dexia Crédit Local Group developed a methodology for the calculation, from June 2015, of a *Funding Valuation Adjustment (FVA)* aimed measuring the funding costs associated with non-collateralised derivatives. The impact of the FVA on the 2015 consolidated financial statements amounted to EUR -106 million, also recognised in *Net gains and losses on financial instruments at fair value through profit or loss.*

OTHER ELEMENTS

The *Net gains (losses) on financial assets available for sale*, at EUR 67 million, included realized results on the sale of financial assets for an amount of EUR +132 million and also an amount of EUR - 52 million for the recognition of the exercise price of the put option to purchase Banco Sabadell's stake in Dexia Sabadell, following the decision of the Court of Arbitration in Madrid.
The *Cost of risk*, amounted to EUR -175 million, it mainly included impairments for the Group's exposure to Heta Asset Resolution AG for an amount of EUR -197 million, corresponding to 44% of its notional exposure to Heta Asset

Resolution AG and taking into account the total amount of the interest rate derivatives associated to these assets, provisioning on project finance in Spain and exposures to the local public sector in Greece, as well as an increase of the impairments on Kommunalkredit Austria AG. These allocations were partially offset by reversals of collective provisions.

The *Net gains (losses) on other assets*, at EUR 14 million mainly benefited from the gain realised on the sale of the Dexia Crediop's office building.

1.4. Post-balance-sheet events

In February 2016, after a market research, it has been decided to sale the Dexia Tower in La Défense.

On 21 January 2016, the Province of Carinthia presented to the market an offer to repurchase the senior bonds issued by Heta Asset Resolution AG at 75% of par and subordinated bonds at 30% of par. The pool of creditors, including Dexia Kommunalbank Deutschland AG (DKD), and other groups of creditors, jointly representing more than one third of the exposures affected by the offer and thus representing a blocking minority, undertook contractually to accept no transaction involving a recovery of debts below par. As a consequence, they did not accept the repurchase offer made by the Province of Carinthia as well as the additional offer made by the Austrian government, shortly before the expiry of the tender period, as it was still not satisfactory to the creditors' pool.

Management report
Corporate governance and internal control
Consolidated financial statements
Financial statements
General information

2. Notes on the assets

(some amounts may not add up due to roundings off)

2.0. Cash and central banks (Item I - Assets)

(in EUR million)	31/12/2014	31/12/2015
Mandatory reserve deposits with central banks	629	184
Other central banks deposits	2,474	4,651
TOTAL	**3,103**	**4,835**
of which included in cash and cash equivalents	*3,103*	*4,835*

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)	31/12/2014	31/12/2015
Loans and securities	1,814	1,375
Derivatives (see note 4.1.b)	22,400	18,800
TOTAL	**24,214**	**20,175**

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

	31/12/2014			31/12/2015		
(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	0	0
Other	1,787	21	1,808	1,375	0	1,375
TOTAL	**1,787**	**27**	**1,814**	**1,375**	**0**	**1,375**

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

	31/12/2014			31/12/2015		
(in EUR million)	Held for trading	Designated at fair value	Total	Held for trading	Designated at fair value	Total
Bonds issued by public bodies	0	0	0	0	0	0
Other bonds and fixed-income instruments	1,787	27	1,814	1,375	0	1,375
TOTAL	**1,787**	**27**	**1,814**	**1,375**	**0**	**1,375**

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 2.12.

2.2. Financial assets available for sale (Item IV - Assets)

a. Analysis by counterparty

(in EUR million)	31/12/2014	31/12/2015
Public sector	14,288	13,368
Banks	7,613	5,158
Other	4,494	3,413
Performing assets	**26,395**	**21,939**
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	72	212
Impaired equities and other variable-income instruments	143	133
Impaired assets	**215**	**345**
TOTAL ASSETS BEFORE IMPAIRMENT	**26,610**	**22,285**
Specific impairment	(84)	(148)
TOTAL ASSETS AFTER IMPAIRMENT	**26,526**	**22,137**

b. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Bonds issued by public bodies	11,549	10,840
Other bonds and fixed-income instruments	14,761	11,145
Equities and other variable-income instruments	300	299
TOTAL ASSETS BEFORE IMPAIRMENT	**26,610**	**22,285**
Specific impairment	(84)	(148)
TOTAL ASSETS AFTER IMPAIRMENT	**26,526**	**22,137**

c. Transfers between portfolios
Nil.

d. Convertible bonds included in the available for sale portfolio (positions higher than EUR 50 million)
Nil.

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 2.11.

h. Reclassification of financial assets (IAS 39 amended) : see note 2.12.

2.3. Interbank loans and advances (Item V - Assets)

a. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Nostri accounts	572	503
Reverse repurchase agreements *(reverse repos)*	1,573	2,618
Other interbank loans and advances	3,062	1,662
Debt instruments	3,016	2,672
Performing assets	**8,223**	**7,456**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**8,223**	**7,456**
Collective impairment	(14)	(24)
TOTAL ASSETS AFTER IMPAIRMENT	**8,209**	**7,433**
of which included in cash and cash equivalents	*1,949*	*491*

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 2.11.

e. Reclassification of financial assets (IAS 39 amended) : see note 2.12.

2.4. Customer loans and advances (Item VI - Assets)

a. Analysis by counterparty

(in EUR million)	31/12/2014	31/12/2015
Public sector	88,815	80,589
Other	45,703	46,426
Performing assets	**134,518**	**127,015**
Impaired loans and advances	881	1,072
Impaired debt instruments	277	246
Impaired assets	**1,158**	**1,318**
TOTAL ASSETS BEFORE IMPAIRMENT	**135,676**	**128,333**
Specific impairment	(306)	(456)
Collective impairment	(484)	(394)
TOTAL ASSETS AFTER IMPAIRMENT	**134,886**	**127,484**
of which included in finance leases	*1,533*	*1,455*

b. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Loans and advances	80,862	73,773
Debt instruments	53,656	53,242
Performing assets	**134,518**	**127,015**
Impaired loans and advances	881	1,072
Impaired debt instruments	277	246
Impaired assets	**1,158**	**1,318**
TOTAL ASSETS BEFORE IMPAIRMENT	**135,676**	**128,333**
Specific impairment	(306)	(456)
Collective impairment	(484)	(394)
TOTAL ASSETS AFTER IMPAIRMENT	**134,886**	**127,484**
of which included in finance leases	*1,533*	*1,455*

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 2.11.

f. Reclassification of financial assets (IAS 39 amended) : see note 2.12.

2.5. Financial assets held to maturity (Item VIII - Assets)

a. Analysis by counterparty

(in EUR million)	31/12/2014	31/12/2015
Public sector	226	174
Other	29	26
Performing assets	**255**	**199**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**255**	**199**
Specific impairment	0	0
Collective impairment	0	0
TOTAL ASSETS AFTER IMPAIRMENT	**255**	**199**

b. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Bonds issued by public bodies	209	158
Other bonds and fixed-income instruments	46	41
TOTAL	**255**	**199**

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 2.11.

2.6. Tax assets (Items IX and X - Assets)

(in EUR million)	31/12/2014	31/12/2015
Current tax assets	29	39
Deferred tax assets (see note 4.2)	41	35

2.7. Accruals and other assets (Items XI - Assets)

(in EUR million)	31/12/2014	31/12/2015
Other assets	1,217	1,448
Cash collateral	37,033	36,891
TOTAL	**38,250**	**38,339**

Other assets

Analysis by nature (in EUR million)	31/12/2014	31/12/2015
Accrued income	7	6
Deferred expense	25	5
Other accounts receivable	1,179	1,419
Other taxes	6	17
Performing assets	**1,217**	**1,448**
Impaired assets	**2**	**2**
TOTAL ASSETS BEFORE IMPAIRMENT	**1,219**	**1,450**
Specific impairment	(2)	(2)
TOTAL ASSETS AFTER IMPAIRMENT	**1,217**	**1,448**

2.8. Tangible fixed assets (Items XV - Assets)

a. Net book value

(in EUR million)	Land and buildings Own use Owner	Office furniture and other equipment Own use Owner	Total
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**

(in EUR million)	Land and buildings Own use Owner	Office furniture and other equipment Own use Owner	Total
Acquisition cost as at 1 Jan. 2015	**396**	**70**	**466**
- Acquisitions	1	1	2
- Disposals	(49)	(23)	(72)
- Change in consolidation scope (out)	0	0	(1)
- Translation adjustments	1	3	3
Acquisition cost as at 31 Dec. 2015 (A)	**348**	**51**	**398**
Accumulated depreciation and impairment as at 1 Jan. 2015	**(77)**	**(59)**	**(136)**
- Depreciation booked	(7)	(3)	(10)
- Disposals	19	23	42
- Translation adjustments	0	(2)	(2)
Accumulated depreciation and impairment as at 31 Dec. 2015 (B)	**(66)**	**(41)**	**(106)**
Net book value as at 31 Dec. 2015 (A)+(B) (1)	**282**	**10**	**292**

(1) The book value of Land and buildings includes the carrying amount of the Dexia Tower in La Défense for an amount of EUR 276 million. After a market research, it was decided to sell the building in February 2016. As this was a subsequent event to closing, this asset is not classified as Non current assets held for sale.

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 (Items XVI - Assets)

(in EUR million)	2014 Internally developed software	2014 Other intangible assets[1]	2014 Total	2015 Internally developed software	2015 Other intangible assets[1]	2015 Total
Acquisition cost as at 1st January	**157**	**120**	**276**	**158**	**129**	**287**
- Acquisitions	3	7	10	18	3	21
- Disposals	(2)	0	(2)	(85)	(28)	(113)
- Translation adjustments	0	2	2	0	2	2
Acquisition cost as at 31 December (A)	**158**	**129**	**287**	**91**	**106**	**198**
Accumulated depreciation and impairment as at 1st January	**(138)**	**(110)**	**(248)**	**(146)**	**(118)**	**(264)**
- Booked	(10)	(6)	(16)	(6)	(6)	(12)
- Disposals	2	0	2	78	29	107
- Translation adjustments	0	(2)	(2)	0	(2)	(2)
Accumulated depreciation and impairment as at 31 December (B)	**(146)**	**(118)**	**(264)**	**(74)**	**(97)**	**(171)**
Net book value as at 31 December (A)+(B)	**12**	**11**	**23**	**17**	**9**	**26**

(1) Other intangible assets include primarily purchased software.

2.10. Leases

a. Group as lessor

Finance leases

Gross investment in finance leases (in EUR million)	**31/12/2014**	**31/12/2015**
Less than 1 year	107	111
1 year to 5 years	397	375
Over 5 years	1,027	968
Subtotal (A)	**1,531**	**1,454**
Unearned future finance income on finance leases (B)	0	0
Net investment in finance leases (A)-(B)	**1,531**	**1,454**

Additional information (in EUR million)	**31/12/2014**	**31/12/2015**
Estimated fair value of finance leases	1,531	1,453

Operating leases

Future net minimum lease receivables under operating leases (in EUR million)	**31/12/2014**	**31/12/2015**
Less than 1 year	3	5
1 year to 5 years	7	2
Over 5 years	1	1
TOTAL	**11**	**7**

b. Group as lessee

Finance leases

Nil.

Operating leases

Future net minimum lease payments under non-cancellable operating leases (in EUR million)	31/12/2014	31/12/2015
Less than 1 year	7	7
1 year to 5 years	24	19
TOTAL	**31**	**26**
Future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date (in EUR million)	1	1

Lease and sublease payments recognized as expenses during the year (in EUR million)	31/12/2014	31/12/2015
Minimum lease payments	3	4
Contingent lease payments	0	1
Sublease payments	0	(1)
TOTAL	**3**	**4**

2.11. Quality of financial assets

(in EUR million)	31/12/2014	31/12/2015
Analysis of performing financial assets		
Interbank loans and advances	8,223	7,456
Customer loans and advances	134,518	127,015
Financial assets held to maturity	255	199
Financial assets available-for-sale	26,395	21,939
Fixed revenue instruments	*26,238*	*21,773*
Variable revenue instruments	*157*	*166*
Other accounts receivable (note 2.7)	1,179	1,419
TOTAL PERFORMING FINANCIAL ASSETS	**170,570**	**158,029**
Collective impairment	(498)	(417)
NET TOTAL PERFORMING FINANCIAL ASSETS	**170,072**	**157,612**

	Gross amount		Specific Impairment		Net amount	
(in EUR million)	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015
Analysis of impaired financial assets						
Customer loans and advances	1,158	1,318	(306)	(456)	852	862
Financial assets available-for-sale	215	345	(84)	(148)	131	198
Fixed revenue instruments	*72*	*212*	*(43)*	*(98)*	*29*	*114*
Variable revenue instruments	*143*	*133*	*(41)*	*(50)*	*102*	*83*
Other accounts receivable (note 2.7)	2	2	(2)	(2)	0	0
TOTAL IMPAIRED FINANCIAL ASSETS	**1,375**	**1,666**	**(392)**	**(606)**	**983**	**1,060**
Analysis of performing and impaired financial assets						
Interbank loans and advances	8,223	7,456	0	0	8,223	7,456
Customer loans and advances	135,676	128,334	(306)	(456)	135,370	127,877
Financial assets held to maturity	255	199	0	0	255	199
Financial assets available-for-sale	26,610	22,285	(84)	(148)	26,526	22,137
Fixed revenue instruments	*26,310*	*21,985*	*(43)*	*(98)*	*26,267*	*21,887*
Variable revenue instruments	*300*	*299*	*(41)*	*(50)*	*259*	*249*
Other accounts receivable (note 2.7)	1,181	1,421	(2)	(2)	1,179	1,419
TOTAL PERFORMING AND IMPAIRED FINANCIAL ASSETS	**171,945**	**159,695**	**(392)**	**(606)**	**171,553**	**159,088**
Collective impairment					(498)	(417)
NET TOTAL	**171,945**	**159,695**	**(392)**	**(606)**	**171,055**	**158,671**

2.12. Reclassification of financial assets (IAS 39 amended)

On 1st 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". On 1st October 2014, Dexia Crédit Local also reclassified bonds from "Financial assets available for sale" to "Loans and advances".

	31/12/2014							
(in EUR million)	Carrying amount of reclassified assets, at 1 October 2008	Carrying amount of reclassified assets, at 1 October 2014	Carrying amount of reclassified assets at 31 December 2014	Fair value of reclassified assets at 31 December 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

	31/12/2015						
(in EUR million)	Carrying amount of reclassified assets, at the reclassification date	Carrying amount of reclassified assets at 31 December 2015	Fair value of reclassified assets at 31 December 2015	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	1,589	1,488	(101)		4	
From "Financial assets available for sale" to "Loans and advances"	50,120	44,917	41,783		(3,134)		176

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 net income".

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 2015 as well as in 2014, 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 provisions.

In 2015, a EUR 21 million income was recorded as collective impairment (a charge of EUR -6 million in 2014).

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 evolved insignificantly between 2014 and 2015.
The difference between the carrying amount of a reclassified asset and its fair value reflects the evolution of credit and liquidity spreads on the markets.

c. Impact of reclassifications on the interest margin

For assets transferred from "Financial assets available for sale" to "Loans and advances", the amortisation of the premium/discount on the asset is offset by the amortisation of the fair value reserve frozen at the time of reclassification, without any resulting impact on net interest income.
The impact on the interest margin due to reclassification of "Financial assets available for sale" to "Loans and advances" amounts to EUR 4 million in 2015 (EUR 2 million in 2014).

2.13. Transfer of financial assets

The Dexia Crédit Local enters into transactions as repurchase agreements, securities lending agreements or total return swaps, in which the Group transfers financial assets, mainly loans and advances or debt securities, but retains substantially all of the risks and rewards. Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

	31/12/2014		31/12/2015	
(in EUR million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Loans and advances not derecognised due to following transactions:				
Repurchase agreements	22,828	19,904	22,451	20,293
TOTAL	**22,828**	**19,904**	**22,451**	**20,293**
Financial assets available for sale not derecognised due to following transactions:				
Repurchase agreements	10,181	9,490	12,497	12,123
TOTAL	**10,181**	**9,490**	**12,497**	**12,123**
Financial assets held for trading not derecognised due to following transactions:				
Repurchase agreements	83	83	17	16
TOTAL	**83**	**83**	**17**	**16**
TOTAL	**33,092**	**29,477**	**34,965**	**32,432**

3. Notes on the liabilities

(some amounts may not add up due to roundings off)

3.0. Central banks (Item I - Liabilities)

(in EUR million)	31/12/2014	31/12/2015
Central banks[1]	33,845	15,932
TOTAL	**33,845**	**15,932**

(1) Given the scarcity of interbank liquidity, the Group used in 2014 the refinancing facilities offered by central banks. The use of these facilities was smaller in 2015.

3.1. Financial liabilities at fair value through profit or loss (Item II - Liabilities)

(in EUR million)	31/12/2014	31/12/2015
Liabilities designated at fair value	2,222	1,986
Derivatives (see note 4.1)	23,509	20,792
TOTAL	**25,731**	**22,778**

a. Analysis by nature of liabilities held for trading

Nil.

b. Analysis by nature of liabilities designated at fair value

(in EUR million)	31/12/2014	31/12/2015
Non subordinated liabillities	2,222	1,986
TOTAL	**2,222**	**1,986**

c. Analysis by maturity and interest rate:

see note 7.4. and 7.6.

d. Analysis of fair value: see note 7.1. and 7.2.h for the own credit risk.

The “Fair Value Option” (FVO), for financial liabilities is mainly used in the following situations:

1) by Dexia Financial Products Inc and FSA Global Funding Ltd for liabilities where the hedge accounting requirements are not met or there is a risk that they will not be met, the FVO is used as an alternative in order to reduce volatility in profit or loss.

The following types of liabilities are subject to the FVO classification:

a) Fixed rate liabilities that are highly customised funding contracts tailored to the specific needs of the investor (GIC activities).

The own credit spread is the minimum between Dexia's DVA spread and Assured Guaranty's spread.

b) FSA Global Funding fixed rate liabilities.

The own credit spread is Dexia's DVA spread.

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)	31/12/2014	31/12/2015
Demand deposits	40	8
Repurchase agreements	29,811	34,736
Other debts	15,541	14,825
TOTAL	**45,392**	**49,569**

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)	31/12/2014	31/12/2015
Demand deposits	1,617	1,533
Term deposits	4,829	5,834
Total customer deposits	**6,446**	**7,367**
Repurchase agreements	1	435
Other borrowings	1,511	1,596
Total customer borrowings	**1,512**	**2,032**
TOTAL	**7,958**	**9,399**

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)	31/12/2014	31/12/2015
Certificates of deposit	19,495	14,907
Non-convertible bonds[1]	70,023	76,625
TOTAL [2] [3]	**89,518**	**91,532**

(1) As at 31 December 2015, the amount of covered bonds was EUR 19.3 billion (EUR 21.2 billion in 2014).
(2) As at 31 December 2015, the total amount issued with the State guarantee was EUR 61.2 billion (EUR 73 billion in 2014), of which EUR 300 million (19 billion in 2014) 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 Dexia 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 (Item VIII and IX - Liabilities)

(in EUR million)	31/12/2014	31/12/2015
Current tax liabilities	2	2
Deferred tax liabilities (see note 4.2.)	63	88

3.6. Accruals and other liabilities (Item X - Liabilities)

(in EUR million)	31/12/2014	31/12/2015
Other liabilities	1,294	1,296
Cash collateral	5,856	4,812
TOTAL	**7,150**	**6,108**

Other liabilities

(in EUR million)	31/12/2014	31/12/2015
Accrued costs	39	37
Deferred income	33	46
Grants	76	70
Other assistance received	1	2
Salaries and social charges (payable)	12	10
Other taxes	20	17
Other accounts payable and other liabilities	1,113	1,114
TOTAL	**1,294**	**1,296**

3.7. Provisions (Item XIII - Liabilities)

a. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Litigation claims(1)	212	202
Restructuring	7	7
Defined benefit plans	15	9
Other long-term employee benefits	2	2
Provision for off-balance sheet credit commitments	7	6
Onerous contracts	4	3
Other provisions	10	0
TOTAL	**257**	**229**

(1) This item includes a provision related to desensitisation of structured credits in France.

b. Movements

(in EUR million)	Litigation claims	Restruc-turing	Pensions and other employee benefits	Provision for off-balance sheet credit commit-ments	Onerous contracts	Other provisions	Total
AS AT 01/01/2014	**124**	**28**	**9**	**7**	**3**	**2**	**173**
Additions	154	3	6	1	0	9	173
Unused amounts reversed	(66)	(24)	(4)	(1)	0	(1)	(96)
Actuarial gains and losses	0	0	6	0	0	0	6
Translation adjustment	0	0	0	0	1	0	1
AS AT 31/12/2014	**212**	**7**	**17**	**7**	**4**	**10**	**257**

(in EUR million)	Litigation claims [1]	Restruc-turing	Pensions and other employee benefits	Provision for off-balance sheet credit commit-ments	Onerous contracts	Other provisions	Total
AS AT 01/01/2015	**212**	**7**	**17**	**7**	**4**	**10**	**257**
Additions	36	3	2	0	0	0	41
Unused amounts reversed	(47)	(8)	(1)	(1)	0	(1)	(57)
Amounts utilized during the year	0	(3)	(1)	0	(1)	0	(5)
Actuarial gains and losses	0	0	(7)	0	0	0	(7)
Change in consolidation scope (out)	0	(1)	0	0	0	(1)	(2)
Other transfers	0	8	0	0	0	(8)	0
Translation adjustment	1	0	0	0	0	0	1
AS AT 31/12/2015	**202**	**7**	**11**	**6**	**3**	**0**	**229**

(1) We refer to the section Litigation in the chapter Risk management of this Management report.

c. Provisions for pension 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, 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 amount of actuarial liabilities less the fair value of assets for retirement and other employee benefits is EUR 11 million as at 31 December 2015 and EUR 17 million as at 31 December 2014.

3.8. Subordinated debt (Item XIV - Liabilities)

a. Analysis by nature

Convertible subordinated debt
Nil.

Non-convertible subordinated debt

(in EUR million)	31/12/2014	31/12/2015
Perpetual subordinated notes	0	0
Other subordinated notes	498	492
TOTAL	**498**	**492**

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) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Interest rate (%)
EUR	12/02/19	106.4	a) Possible reimbursement for each date of payment on interest from 12/02/2014 after agreement of the ACPR b) Repayment at par after all creditors, but before loans and securities c) None	TF 4.375 From 12/02/14 Euribor 3M+72bps
EUR	9/07/17	252.1	a) Possible reimbursement for each date of payment on interest from 09/07/2012 after agreement of the ACPR b) Repayment at par after all creditors, but before loans and securities c) None	EURIBOR 3M + 0.15 From 09/07/2012, EURIBOR 3M + 0.65
EUR	29/10/18	19.7	a) Possible reimbursement for each date of payment on interest from 02/07/2013 after agreement of the ACPR b) Repayment at par after all creditors, but before loans and securities c) None	EURIBOR 3M + 0.15 From 02/07/2013, EURIBOR 3M + 0.5
EUR	1/06/17	11.0	a) No early redemption b) No specific conditions c) None	5.080
EUR	1/06/17	11.4	a) No early redemption b) No specific conditions c) None	4.875
EUR	1/06/18	15.7	a) No early redemption b) No specific conditions c) None	5.570
EUR	1/06/18	11.3	a) No early redemption b) No specific conditions c) None	5.625
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 Bank nor 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) None	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.	

<table>
<tr><th>Currency</th><th>Due</th><th>Amount in million</th><th>a) Circumstances for early redemption
b) Conditions for subordination
c) Conditions for convertibility</th><th>Interest rate (%)</th></tr>
<tr><td rowspan="3">GBP</td><td rowspan="3">15/10/58</td><td rowspan="3">11.5</td><td>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.</td><td rowspan="3">Up to 15/01/2022:
LIBOR + 0.3
From 15/01/2022
to redemption date:
LIBOR + 0.58</td></tr>
<tr><td>b) After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes.</td></tr>
<tr><td>c) None</td></tr>
<tr><td rowspan="3">GBP</td><td rowspan="3">15/10/58</td><td rowspan="3">5.5</td><td>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.</td><td rowspan="3">Up to 15/01/2022:
LIBOR + 0.39
From 15/01/2022
to redemption date:
LIBOR + 0.76</td></tr>
<tr><td>b) After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes.</td></tr>
<tr><td>c) None</td></tr>
</table>

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 Crédit 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 2 March 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

No other movements were registered in 2014.

In 2015, other movements in equity amounted to EUR +24 million and are due to the review of the positioning of cancellation of the results on internal transfers.

4. Other Notes on the balance sheet

(some amounts may not add up due to roundings off)

4.1. Derivatives

a. Analysis by nature

	31/12/2014		31/12/2015	
(in EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.1 and 3.1)	**22,400**	**23,509**	**18,800**	**20,792**
Derivatives designated as fair value hedges	7,270	29,734	5,774	26,364
Derivatives designated as cash flow hedges	190	1,298	229	1,128
Derivatives designated as portfolio hedges	914	2,800	669	2,486
Hedging derivatives	**8,374**	**33,832**	**6,672**	**29,978**
TOTAL DERIVATIVES	**30,774**	**57,341**	**25,472**	**50,770**

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

	31/12/2014				31/12/2015			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	**240,923**	**240,300**	**20,070**	**22,483**	**207,904**	**207,443**	**16,972**	**19,760**
OTC options	1,019	798	324	21	736	481	28	19
OTC other	235,844	235,439	19,746	22,462	203,918	203,791	16,944	19,734
Organized market other	4,060	4,063	0	0	3,250	3,171	0	7
Equity derivatives	**4**	**4**	**0**	**0**	**0**	**0**	**0**	**0**
OTC other	4	4	0	0	0	0	0	0
Foreign exchange derivatives	**27,968**	**27,402**	**1,696**	**844**	**17,462**	**17,351**	**1,130**	**865**
OTC options	290	216	150	0	0	0	0	0
OTC other	27,678	27,186	1,546	844	17,462	17,351	1,130	865
Credit derivatives	**5,385**	**1,550**	**634**	**182**	**4,999**	**1,537**	**699**	**166**
Credit default swap	5,385	1,550	634	182	4,999	1,537	699	166
TOTAL	**274,280**	**269,256**	**22,400**	**23,509**	**230,366**	**226,331**	**18,800**	**20,792**

c. Detail of derivatives designated as fair value hedges

	31/12/2014				31/12/2015			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	**97,754**	**97,677**	**6,398**	**26,322**	**97,233**	**97,187**	**5,499**	**25,227**
OTC options	169	112	0	53	65	17	0	6
OTC other	97,585	97,565	6,398	26,269	97,168	97,170	5,499	25,221
Equity derivatives (1)	**482**	**391**	**73**	**0**	**201**	**110**	**67**	**0**
OTC options	91	0	62	0	91	0	62	0
OTC other	391	391	12	0	110	110	5	0
Foreign exchange derivatives	**9,015**	**8,805**	**799**	**3,412**	**8,996**	**9,007**	**207**	**1,137**
OTC other	9,015	8,805	799	3,412	8,996	9,007	207	1,137
TOTAL	**107,251**	**106,873**	**7,270**	**29,734**	**106,430**	**106,304**	**5,773**	**26,364**

(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

	31/12/2014				31/12/2015			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	**5,591**	**5,591**	**189**	**788**	**3,141**	**3,141**	**162**	**661**
OTC other	5,591	5,591	189	788	3,141	3,141	162	661
Foreign exchange derivatives	**1,112**	**1,254**	**1**	**510**	**1,123**	**1,283**	**66**	**468**
OTC other	1,112	1,254	1	510	1,123	1,283	66	468
TOTAL	**6,703**	**6,845**	**190**	**1,298**	**4,264**	**4,424**	**229**	**1,128**

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

Nil.

f. Detail of derivatives designated as portfolio hedges

	31/12/2014				31/12/2015			
	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	24,855	24,855	914	2,800	30,196	30,196	669	2,486
TOTAL	**24,855**	**24,855**	**914**	**2,800**	**30,196**	**30,196**	**669**	**2,486**

4.2. Deferred taxes

a. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Deferred tax assets	3,029	2,686
Unrecognised deferred tax assets	(2,988)	(2,651)
Recognised deferred tax assets (see note 2.6) (1)	**41**	**35**
Deferred tax liabilities (voir note 3.5) (1)	**(63)**	**(88)**
TOTAL	**(22)**	**(52)**

(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)	2014	2015
AS AT 1 JANUARY	**2**	**(22)**
Charge/credit recognised in the income statement : “Income tax”	(8)	(41)
Movements directly recognized in shareholders’ equity	(14)	(13)
Translation adjustment	(3)	(3)
Other movements(1)	1	26
AS AT 31 DECEMBER	**(22)**	**(52)**

(1) In 2015, the review of the positioning of cancellation of the results on internal transfers generated a variation of EUR 25 million.

c. Deferred taxes

(in EUR million)	31/12/2014	31/12/2015
Deferred tax assets	3,029	2,686
Deferred tax liabilities	(63)	(88)
DEFERRED TAXES	**2,966**	**2,598**

Deferred taxes coming from assets (in EUR million)	2014 Total	2014 of which, change through profit or loss	2015 Total	2015 of which, change through profit or loss
Loans (and loan loss provisions)	(1,414)	(1,007)	(1,382)	108
Securities	(1,394)	(664)	(1,298)	192
Derivatives	(1,131)	1,134	(1,537)	(185)
Tangible fixed assets and intangible assets	(10)	0	(10)	1
Accruals and other assets	(2)	(7)	6	2
TOTAL	**(3,951)**	**(544)**	**(4,221)**	**118**

Deferred taxes coming from liabilities (in EUR million)	2014 Total	2014 of which, change through profit or loss	2015 Total	2015 of which, change through profit or loss
Derivatives	3,525	(253)	3,590	114
Borrowings, deposits and debt securities	1,747	637	1,472	(275)
Provisions	66	(9)	210	143
Pensions	4	0	5	2
Non-deductible provisions	22	45	0	(22)
Accruals and other liabilities	(64)	(13)	(109)	(22)
TOTAL	**5,300**	**407**	**5,169**	**(61)**

Deferred taxes coming from other elements (in EUR million)	2014 Total	2014 of which, change through profit or loss	2015 Total	2015 of which, change through profit or loss
Tax losses carried forward	1,632	147	1,657	(6)
Entity with special tax status	(15)	13	(6)	9
TOTAL	**1,617**	**160**	**1,651**	**2**
TOTAL DEFERRED TAXES	**2,966**		**2,598**	

d. Expiry date of unrecognised deferred tax assetss

(in EUR million)	31/12/2014		
Nature	**Between 1 to 5 years**	**Unlimited maturity**	**Total**
Temporary difference	0	(1,424)	(1,424)
Tax losses carried forward	(1,444)	(120)	(1,564)
TOTAL	**(1,444)**	**(1,544)**	**(2,988)**

(in EUR million)	31/12/2015		
Nature	**Between 1 to 5 years**	**Unlimited maturity**	**Total**
Temporary difference	0	(1,070)	(1,070)
Tax losses carried forward	(1,535)	(45)	(1,581)
TOTAL	**(1,535)**	**(1,115)**	**(2,651)**

4.3. Offsetting financial assets and financial liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting.

The column "Gross amounts set off on the balance sheet" discloses the amounts offset in accordance with the IAS 32 criteria described in note "Accounting principles and rules governing the consolidated financial statements". Amounts set off are related to Dexia 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 SA/NV, Banque Internationale à Luxembourg S.A. (formerly known as Dexia Banque Internationale à Luxembourg S.A.), Belfius Bank SA/NV (formerly known as Dexia Bank Belgium SA/NV), Dexia Crédit Local S.A. and Dexia Crediop SpA. The DGMNA permits netting or "Set-Off" amounts owed under transactions governed by different agreements, including one or more ISDA Master agreements or other trading agreements ("Principal Agreements") between the parties to the DGMNA. The DGMNA essentially aims at allowing netting in the event of a default on behalf of one of the parties, and therefore permits netting only when the transactions under the Principal Agreements are accelerated, terminated, liquidated or canceled (a so-called "Close Out" situation).

When a party is in default under the DGMNA, each other non defaulting Party may elect to Close Out all of the transactions under each Principal Agreement to which such non defaulting Party is a party.

Banque Internationale à Luxembourg and Belfius Banque SA/NV have no longer been part of the DGMNA respectively since 29 January 2014 and 16 November 2015.

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

	31/12/2014						
	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	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**

b. 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	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**

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

(in EUR million)	31/12/2015 Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
Derivatives	23,997	(12)	23,985	(14,510)	(2,850)	0	6,626
Reverse repurchase and similar agreements	2,337	0	2,337	0	(22)	(2,315)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**26,334**	**(12)**	**26,322**	**(14,510)**	**(2,872)**	**(2,315)**	**6,626**

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

(in EUR million)	31/12/2015 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	50,619	(12)	50,607	(14,510)	(33,095)	(609)	2,394
Repurchase and similar agreements	34,024	0	34,024	0	(1,041)	(32,579)	404
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**84,643**	**(12)**	**84,631**	**(14,510)**	**(34,136)**	**(33,188)**	**2,798**

4.4. Related-party transactions

a. Related-party transactions

	Parent company (Dexia)	
(in EUR million)	2014	2015
Borrowings	790	790
Interest expense on borrowings	(5)	(2)

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 Credit 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. Remuneration of key management personnel (*)

(in EUR million)	2014	2015
Short-term benefits (1)	3	3
Termination contract benefits	0	0.3

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

Details per person are reported in the chapter Terms of office and remuneration of directors and officers of this Management report.

c. Transactions with 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" (as ratified by the law of June 17, 2013 "*portant des dispositions fiscales et financières et des dispositions relatives au développement durable*"), the French amending finance law n° 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. As at 31 December 2015, there was no ELA credit granted by Banque de France to DCL.

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.
As of 28 August 2015, guaranteed obligations pursuant to the 2011 Guarantee Agreement were entirely repaid, such that there is no outstanding guaranteed obligation pursuant to this guarantee as at 31 December 2015.

2013 guarantee agreement
On 24 January 2013, the French, Belgian and Luxembourg States and Dexia and Dexia Crédit Local ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main issuer and main operating entity of the Group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 granting a State guarantee for certain loans of Dexia and Dexia Crédit Local SA" (as ratified by the law of 17 June 2013 "*portant des dispositions fiscales et financières et des dispositions relatives au développement durable*"), the French Enabling Law, as amended by the amending finance law n° 2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.

Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.
This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.
The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); and
(iii) 3.0% for the Luxembourg State (corresponding to a maximum amount of EUR 2.55 billion).

Pursuant to the Guarantee Issuance Agreement, the following guarantee fee is due to the States:
(i) an upfront commission equal to 0.50% of the EUR 85 billion limit, less the upfront commission already paid in connection with the 2011 Temporary Guarantee i.e. a balance of EUR 150 million.
(ii) a monthly fee, calculated at a rate per annum of 0.05% on the amount outstanding under the guaranteed obligations, both on the preexisting guaranteed amounts outstanding under the 2011 Temporary Guarantee and the new guaranteed amounts outstanding under guarantees issued in accordance with the Guarantees Issuance Agreement (it being understood that such monthly fee shall, with respect to the portion of the outstanding amount of the guaranteed obligations that would be held by BDF Gestion SA or by the Banque de France, the National Bank of Belgium, be calculated in accordance with the 2011 Temporary Guarantee Agreement (as long as the ECB accepts the all-in fee principle).
The outstanding amount of the guaranteed debt pursuant to the 2013 guarantee agreement is disclosed on a daily basis on the website of the National Bank of Belgium (http://www.nbb.be/DOC/DQ/warandia/index.htm).
As at 31 December 2015, the total outstanding amount of obligations guaranteed by the States pursuant to the

2013 Guarantee Agreement was EUR 61 billion. In 2015, Dexia Crédit Local paid a total monthly remuneration of EUR 34 million to the States for these guarantees.

2008 Guarantee Agreement

As of 28 May 2014, guaranteed obligations pursuant to the 2008 Guarantee Agreement, as amended by the three States (as described in previous annual reports of Dexia), were entirely repaid, such that there is no outstanding guarantee obligation pursuant to this guarantee.

Guarantee for the financial products portfolio

Dexia entered into an agreement for the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured) on 14 November 2008. The sale was completed on 1 July 2009. The Financial Products activity of FSA, managed by FSA Asset Management (FSAM), was carved out of the transaction and remains under Dexia's ownership.
In that context, the Belgian and French States agreed to provide a guarantee on the Financial Products assets portfolio. This guarantee was approved by the European Commission on 13 March 2009.
The terms of this guarantee are set out in two agreements, the First Demand Guarantee Agreement relating to the "financial products" portfolio of FSA Asset Management LLC and the Guarantee Reimbursement Agreement, entered into by the Belgian and French States and Dexia. The main relevant terms of these agreements have been described in the 2011 Annual Report page 165.

Pursuant to these agreements, the Belgian and French States each agreed to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to a put agreement which gave FSAM the right to "put" to Dexia and/or DCL certain assets (the Put Portfolio Assets) included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.

With the consent of the Belgian and French States, FSAM sold to DCL during 2011 all the remaining Put Portfolio Assets. DCL subsequently sold substantially all of the Put Portfolio Assets to third parties. As at 31 December 2011, there were no longer any Put Portfolio Assets held by FSAM that can be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) require the States to make a payment to FSAM. Dexia also no longer owes the States any guarantee fee with respect thereto. The guarantee by the Belgian and French States on the Put Portfolio Assets, however, technically remains outstanding. The States are thus still entitled to recover from Dexia any amounts paid pursuant to their guarantee. 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, will expire on 10 May 2016. The States and Dexia decided not to reissue the warrants because the right for the States and Dexia to seek repayment of their debt in share following a guarantee call cannot be excluded but became strictly theoretical as a result of the sale of the Put Portfolio Assets. The expiry of the warrants will not affect the right of the States to exercise as the case may be, their right to remedies against Dexia in the form of a "Capital Conversion" as defined and foreseen by the Guarantee Reimbursement Agreement.
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. Share-based payments

Dexia stock option plans (number of options)	2014	2015
Outstanding at the beginning of the period	9,746,786	8,101,621
Expired during the period	(1,645,165)	(1,655,993)
Outstanding at the end of the period	**8,101,621**	**6,445,628**
Exercisable at the end of the period	**8,101,621**	**6,445,628**

2014				2015			
Range of exercice prices (EUR)	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (years)	Range of exercice prices (EUR)	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (years)
10.74 - 12.35	2,323,202	11.78	3.49	10.74 - 12.35	2,323,202	11.78	2.49
16.30 - 16.46	1,655,993	16.30	0.49		0		
16.47 - 19.21	1,756,602	16.83	1.49	16.47 - 19.21	1,756,602	16.83	0.49
19.21 - 21.02	2,365,824	21.02	1.49	19.21 - 21.02	2,365,824	21.02	1.49
TOTAL	**8,101,621**			**TOTAL**	**6,445,628**		

Since 2008 no option has been exercised, as they are out of the money.

4.6. Capital stock

	2014	2015
Number of shares authorized [(1)]	223,657,776	223,657,776
Number of shares issued and fully paid	223,657,776	223,657,776
Number of shares issued and not fully paid	0	0
Value per share [(3)]	**1**	**1**
Outstanding as at 1 Jan.	223,657,776	223,657,776
Outstanding as at 31 Dec.	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 [(2)]	NA	NA

(1) The figures 2014 have been restated.
(2) Under the stock option plans of Dexia Crédit Local, these are Dexia shares that are granted to the employees.
(3) 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 4.5 Share-based payments.

4.7. Exchange rates

The primary exchange rates are presented in the following schedule.

		31/12/2014		31/12/2015	
		Closing rate (1)	Average rate (2)	Closing rate (1)	Average rate (2)
Australian dollar	AUD	1.4838	1.4719	1.4899	1.4819
Canadian dollar	CAD	1.4052	1.4629	1.5111	1.4263
Swiss Franc	CHF	1.2028	1.2126	1.0859	1.0643
Czech Koruna	CZK	27.7120	27.5591	27.0210	27.2674
Danish Krone	DKK	7.4462	7.4547	7.4629	7.4605
British Pound Sterling	GBP	0.7778	0.8025	0.7384	0.7246
Hong-Kong dollar	HKD	9.4035	10.2480	8.4479	8.5646
Hungarian forint	HUF	316.5500	310.0546	315.9700	309.4954
Shekel	ILS	4.7095	4.7388	4.2436	4.2949
Japanese Yen	JPY	145.0350	140.5092	130.8750	133.5942
Won	KRW	1323.4450	1392.1204	1281.6800	1254.2000
Mexican Peso	MXN	17.8531	17.6480	18.8198	17.6588
Norwegian Krone	NOK	9.0510	8.3949	9.5923	8.9808
New Zealand dollar	NZD	1.5521	1.6002	1.5891	1.5959
Swedish Krona	SEK	9.4314	9.1145	9.1675	9.3332
Singapore dollar	SGD	1.6057	1.6775	1.5422	1.5224
New Turkish Lira	TRY	2.8287	2.8934	3.1710	3.0373
US Dollar	USD	1.2126	1.3213	1.0901	1.1049

(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.

4.8. Management of capital

The information regarding management of capital is provided in the chapter Information on capital and liquidity of the Management report.

5. Notes on the statement of income

(some amounts may not add up due to roundings off)

5.1. Interest income - Interest expense (Items I and II - Statement of income)

(in EUR million)	2014	2015
Interest income	**11,667**	**10,881**
a) Interest income on assets not measured at fair value	**4,951**	**4,572**
Cash and central banks	22	15
Interbank loans and advances	206	151
Customer loans and advances	3,597	3,539
Financial assets available for sale	1,045	823
Financial assets held to maturity	16	13
Impaired assets	4	4
Other	61	26
b) Interest income on assets measured at fair value	**6,716**	**6,225**
Loans and securities held for trading	34	69
Loans and securities designated at fair value	1	0
Derivatives held for trading	4,377	4,137
Hedging derivatives	2,304	2,019
c) Positive interests on financial liabilities		**85**
Positive interests on financial liabilities(2)		85
Interest expense	**(11,287)**	**(10,494)**
a) Interest expense on liabilities not measured at fair value	**(2,472)**	**(2,090)**
Interbank borrowings and deposits	(522)	(471)
Customer borrowings and deposits	(96)	(71)
Debt securities	(1,775)	(1,500)
Subordinated debt	(6)	(4)
Amounts covered by sovereign guarantees(1)	(65)	(38)
Other	(8)	(6)
b) Interest expense on liabilities measured at fair value	**(8,815)**	**(8,345)**
Liabilities designated at fair value	(106)	(89)
Derivatives held for trading	(4,599)	(4,434)
Hedging derivatives	(4,110)	(3,822)
c) Negative interests on financial assets		**(59)**
Negative interests on financial assets(2)		(59)
Net interest income	**380**	**387**

(1) This item includes fees paid to the States for the guarantees they granted to Dexia Crédit Local's debt (except the fees for setting up of the Guarantee Agreement which were booked in the category Commissions). See also note 4.4.c Related-party transactions - Transactions with the Belgian, French and Luxembourg States.

(2) In the current environment of very low or negative rates, Dexia Crédit Local decided to present separately positive interests on financial liabilities and negative interests on financial assets. The figures 2014 have not been restated as not significant.

Management report
Corporate governance and internal control
Consolidated financial statements
Financial statements
General information

5.2. Commissions (Items III and IV - Statement of income)

	2014			2015		
(in EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	10	(5)	5	10	(4)	6
Purchase and sale of securities	0	(3)	(3)	0	(3)	(2)
Payment services	0	(4)	(4)	0	(3)	(3)
Commissions paid to business providers	0	0	0	0	(1)	(1)
Services on securities other than custodial services	0	(2)	(2)	0	(2)	(2)
Custodial services	5	(1)	4	3	(1)	2
Issuance and placement of securities	2	0	2	2	0	2
Intermediation on repo and reverse repo	0	(12)	(12)	0	(1)	(1)
Other	2	(4)	(2)	4	(3)	1
TOTAL	**19**	**(31)**	**(12)**	**20**	**(16)**	**3**

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

5.3. Net gains (losses) on financial instruments at fair value through profit or loss (Item V - Statement of income)

(in EUR million)	2014	2015
Net trading income	(65)	46
Net result of hedge accounting	(292)	489
Net result of financial instruments designated at fair value through profit or loss(1)	(7)	21
Change in own credit risk(2)	7	64
Funding costs associated with non-collateralised derivatives (FVA)(3)(4)	0	(106)
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment)(3)	(64)	77
Change in fair value of derivatives attributable to own credit risk (debit value adjustment)(3)	61	(30)
Net result of foreign exchange transactions	17	(38)
TOTAL	**(343)**	**523**
(1) among which trading derivatives included in a fair value option strategy	151	(32)

(2) See also note 7.2.h. Credit risk on financial liabilities designated at fair value through profit or loss.
(3) FVA, CVA et DVA are booked in the result of trading activities.
(4) In accordance with the provisions of the IFRS 13 accounting standard and in line with market practice, the Dexia Crédit Local Group developed a methodology for the calculation, from June 2015, of a Funding Valuation Adjustment (FVA) aimed measuring the funding costs associated with non-collateralised derivatives.
All interests received and paid on assets, liabilities and derivatives are recorded in the net interest income.
Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions only include the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.
The change in net result from hedge accounting is mainly due to the use, since the closing as at 30 June 2013,of a discount curve based on the overnight rate (OIS) to calculate the market value of collateralised derivatives.

Analysis of net result of hedge accounting

(in EUR million)	2014	2015
Fair value hedges	**(289)**	**495**
Fair value changes of the hedged item attributable to the hedged risk	8,727	(1,157)
Fair value changes of the hedging derivatives	(9,016)	1,653
Cash flow hedges	**(1)**	**(3)**
Fair value changes of the hedging derivatives – ineffective portion	(1)	(3)
Portfolio hedge	**(2)**	**(3)**
Fair value changes of the hedged item	884	(214)
Fair value changes of the hedging derivatives	(886)	211
TOTAL	**(292)**	**489**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	0	0

The inefficiency is mainly caused by the volatility of the variable component of hedging derivatives.

5.4. Net gains (losses) on financial assets available for sale (Item VI - Statement of income)

(in EUR million)	2014	2015
Dividends on securities available for sale	2	2
Net gain (loss) on disposals of financial assets available for sale[(1)]	28	114
Impairment of variable-income securities available for sale	(8)	(6)
Net gain (loss) on disposals of loans and advances	6	18
Net gain (loss) on redemption of debt securities[(2)]	31	(61)
TOTAL	**59**	**67**

(1) Except for gains and losses on impaired fixed-income securities, which are included in cost of risk.
(2) Of which EUR -52 million for the recognition of the exercise price of the put option to purchase Banco Sabadell's stake in Dexia Sabadell, following the decision of the Court of Arbitration in Madrid.

5.5. Other income (Item VII - Statement of income)

(in EUR million)	2014	2015
Rental income	5	3
Litigations[(1)]	18	40
Other income	1	2
TOTAL	**24**	**45**

(1) Structured loans are regularly analysed based on the progress of cases and on their environment (court decisions, parameters for establishment of support funds, ...). This generates charges and reversals, which are disclosed respectively in note 5.5. Other income and in note 5.6. Other expenses.

5.6. Other expenses (Item VIII - Statement of income)

(in EUR million)	2014	2015
Provisions for litigations[(1)]	(136)	(40)
Operating taxes	(1)	(1)
Other expenses	(5)	(4)
TOTAL	**(142)**	**(44)**

(1) Structured loans are regularly analysed based on the progress of cases and on their environment (court decisions, parameters for establishment of support funds, ...). This generates charges and reversals, which are disclosed respectively in note 5.5. Other income and in note 5.6. Other expenses.

5.7. Operating expenses (Item X - Statement of income)

(in EUR million)	2014	2015
Payroll costs	(153)	(164)
General and administrative expenses	(190)	(265)
TOTAL	**(343)**	**(429)**

a. Payroll costs

(in EUR million)	2014	2015
Compensation and salary expense	(118)	(107)
Social security and insurance expense	(32)	(36)
Employee benefits	(12)	(11)
Restructuring costs	19	0
Other	(10)	(10)
TOTAL	**(153)**	**(164)**

b. Employee information

(Average full time equivalent)	2014 Fully consolidated	2015 Fully consolidated
Executive staff	24	20
Administrative staff	1,178	1,089
Non-administrative and other personnel	4	10
TOTAL	**1,206**	**1,119**

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**

2015							
(Average full time equivalent)	France	Italy	Spain	Other Europe	USA	Other non Europe	Total
Executive staff	6	2	1	4	3	4	20
Administrative staff	668	119	36	107	116	43	1,089
Non-administrative and other personnel	0	0	1	0	9	0	10
TOTAL	**674**	**121**	**38**	**111**	**128**	**47**	**1,119**

General and administrative expenses

(in EUR million)	2014	2015
Cost of premises	(4)	(4)
Rent expense(1)	(8)	(7)
Fees	(47)	(47)
Marketing, advertising and public relations	(5)	(1)
IT expense	(42)	(34)
Software, research and development	(11)	(5)
Maintenance and repair	(3)	(4)
Restructuring costs	0	3
Insurance (except related to pensions)	(9)	(7)
Stamp duty	(1)	0
Other taxes(2)	(25)	(132)
Other general and administrative expenses	(35)	(25)
TOTAL	**(190)**	**(265)**

(1) This amount does not include IT equipment rental expenses, which are included in the "IT expense" line.
(2) This item includes a charge of EUR -50 million representing the first contribution to the Single Resolution Fund (SRF) introduced by the European authorities within the framework of the Single Supervisory Mechanism, an amount of EUR - 31 million representing an exceptional contribution for Italian banks rescue, an amount of EUR -14 million representing the annual levy for systemic risk and an amount of EUR -28 million representing the full amount of multi-year contribution to the local authority and hospital sector support funds introduced in France.

5.8. Depreciation, amortisation and impairment of tangible fixed assets and intangible assets (Item XI - Statement of income)

Depreciation and amortisation (in EUR million)	2014	2015
Depreciation of land and buildings, office furniture and other equipment	(7)	(7)
Depreciation of other tangible fixed assets	(4)	(3)
Amortization of intangible assets	(15)	(12)
TOTAL	**(26)**	**(22)**

Impairment (in EUR million)	2014	2015
Impairment on assets held for sale	0	1
TOTAL	**0**	**1**

Losses or gains (in EUR million)	2014	2015
TOTAL	**0**	**(1)**
TOTAL	**(26)**	**(22)**

5.9. Cost of risk (Item XIII - Statement of income)

(in EUR million)	2014			2015		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	(75)	21	(54)	90	(153)	(63)
Fixed-income securities available for sale		(9)	(9)		(113)	(113)
TOTAL	**(75)**	**12**	**(63)**	**90**	**(266)**	**(175)**

Detail of collective and specific impairments

Collective impairement (in EUR million)	2014			2015		
	Additions	Recoveries	Total	Additions	Recoveries	Total
Loans and securities held to maturity	(155)	80	(75)	(82)	172	90
TOTAL	**(155)**	**80**	**(75)**	**(82)**	**172**	**90**

Specific impairment (in EUR million)	2014				
	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 AVAILABLE FOR SALE	**(9)**	**0**	**0**	**0**	**(9)**
TOTAL	**(128)**	**389**	**(249)**	**0**	**12**

Specific impairment	**2015**				
(in EUR million)	**Additions**	**Recoveries**	**Losses**	**Collections**	**Total**
Customer loans and advances	(182)	44	(11)	0	(149)
Accruals and other assets	0	0	(5)	0	(5)
Off-balance sheet commitments	0	1	0	0	1
TOTAL CREDIT	**(182)**	**45**	**(16)**	**0**	**(153)**
FIXED-INCOME SECURITIES AVAILABLE FOR SALE	**(107)**	**54**	**(60)**	**0**	**(113)**
TOTAL	**(289)**	**99**	**(76)**	**0**	**(266)**

5.10. Net gains (losses) on other assets (Item XVI - Statement of income)

(in EUR million)	**2014**	**2015**
Net gains (losses) on disposals of buildings[1]	0	15
Net gains (losses) on disposals of other fixed assets	(1)	0
TOTAL	**(1)**	**14**

(1) Capital gain on the sale of Dexia Crediop's operating building.

5.11. Income tax (Item XIX - Statement of income)

Detail of tax expense	**2014**	**2015**
(in EUR million)		
Income tax on current year	(11)	(2)
Deferred taxes on current year	(14)	(41)
TAX ON CURRENT YEAR RESULT (A)	**(25)**	**(43)**
Income tax on previous year	(16)	0
Deferred taxes on previous year	6	0
Provision for tax litigations	17	6
OTHER TAX EXPENSE (B)	**7**	**6**
TOTAL (A) + (B)	**(18)**	**(37)**

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 2015 is 11.73%.

The difference with the French rate can be explained as follows:

(in EUR million)	2014	2015
Net income before tax	**(467)**	**370**
Tax base	**(467)**	**370**
Statutory tax rate	34.43%	34.43%
Theoretical corporate income tax at the standard rate	**161**	**(127)**
Impact of differences between foreign tax rates and the standard French tax rate	29	84
Tax effect of non-deductible expenses	(143)	(164)
Tax effect of non-taxable income	135	162
Impact of items taxed at a reduced rate	(18)	(35)
Other additional taxes or tax savings(1)	(157)	(11)
Tax effect from reassessment of unrecognised deferred tax assets	(32)	48
Tax on current year	**(25)**	**(43)**
Effective tax rate	**-5.40%**	**11.73%**

(1) In 2014, this item included the impact of the difference between tax basis and accounting value related to the merger of Dexia Kommunalkredit Bank and Dexia Crédit Local.

Tax consolidation

Dexia SA établissement stable in France (DSA ES) is the head of the tax group, bringing 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 Etablissement Stable (outside the scope of Dexia Crédit Local). However an addendum to the tax consolidation's agreement between DSA ES and DCL allows the latter under certain conditions to benefit from tax savings as a result of its own losses and up to the level of tax transfers performed by its subsidiaries to DSA ES.

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 outstanding during the year, less the average number of ordinary shares purchased by the company and held as treasury stock.

	2014	2015
Net income, Group share (in EUR million)	(478)	327
Weighted average number of ordinary shares (in million)	224	224
Basic earnings per share (in EUR)	(2.14)	1.46

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 shares 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.

	2014	2015
Net income, Group share (in EUR million)	(478)	327
Weighted-average number of ordinary shares (in million)	224	224
Adjustment for stock-options (in million)	0	0
Weighted average number of ordinary shares used for the calculation of diluted earnings per share (in million)	224	224
Diluted earnings per share (in EUR)	(2.14)	1.46

6. Note on off-balance sheet items

6.1. Regular way trade

(in EUR million)	31/12/2014	31/12/2015
Assets to be delivered	95	68
Liabilities to be received	313	3,405

6.2. Guarantees

(in EUR million)	31/12/2014	31/12/2015
Guarantees given to credit institutions	556	455
Guarantees given to customers	2,061	1,746
Guarantees received from credit institutions	180	132
Guarantees received from customers	17,412	6,899
Guarantees received from the States	74,428	61,669

6.3. Loan commitments

(in EUR million)	31/12/2014	31/12/2015
Unused lines granted to credit institutions	11	11
Unused lines granted to customers	2,969	2,575
Unused lines granted from credit institutions	6,474	660
Unused lines granted from customers	820	834

6.4. Other commitments

(in EUR million)	31/12/2014	31/12/2015
Financial instruments given as collateral and other commitments given	88,873	78,085
Financial instruments received as collateral and other commitments received	12,363	14,002

7. Notes on risk exposure

(some amounts may not add up due to roundings off)

7.0. Risk exposure and hedging strategy

We refer to the chapter Risk management of this Management report.

7.1. Fair value

a. Fair value measurement and fair value hierarchy of financial instruments

We refer to note 1.1 Accounting policies and valuation methods, paragraph 1.1.7.Fair value of financial instruments.

b. Fair value

The following tables compare the fair value with the carrying amount of financial instruments not measured at fair value.

	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)

	31/12/2015		
(in EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	4,835	4,835	0
Interbank loans and advances	7,433	7,588	156
Customer loans and advances	127,484	118,917	(8,566)
Financial assets held to maturity	199	191	(8)
Central banks	15,932	15,932	0
Interbank borrowings and deposits	49,569	49,591	22
Customer borrowings and deposits	9,399	9,458	59
Debt securities	91,532	92,001	469
Subordinated debt	492	484	(8)

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

	31/12/2014				31/12/2015			
(in EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and central banks	0	3,103	0	3,103	0	4,835	0	4,835
Financial assets at fair value through profit and loss	0	19,958	4,256	24,214	0	15,102	5,073	20,175
** Loans and securities held for trading*	*0*	*0*	*1,787*	*1,787*	*0*	*0*	*1,375*	*1,375*
** Financial assets designated at fair value - bonds and other fixed-income instruments*	*0*	*0*	*27*	*27*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*19,958*	*2,442*	*22,400*	*0*	*15,102*	*3,698*	*18,800*
Hedging derivatives	0	7,138	1,236	8,374	0	5,472	1,200	6,672
Financial assets available for sale	14,133	9,647	2,747	26,527	19,004	621	2,512	22,137
** Financial assets available for sale - bonds*	*14,016*	*9,647*	*2,604*	*26,267*	*18,899*	*614*	*2,375*	*21,887*
** Financial assets available for sale - equities*	*117*	*0*	*143*	*260*	*105*	*7*	*138*	*249*
Interbank loans and advances	0	4,713	3,371	8,084	5	3,146	4,437	7,588
Customer borrowings and deposits	53	4,857	124,829	129,739	626	0	118,291	118,917
Financial assets held to maturity	21	0	251	272	21	0	171	191
TOTAL	**14,207**	**49,416**	**136,690**	**200,313**	**19,655**	**29,176**	**131,684**	**180,516**

Fair value of financial liabilities

	31/12/2014				31/12/2015			
(in EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Central banks	0	33,845	0	33,845	0	15,932	0	15,932
Financial liabilities at fair value through profit and loss	0	23,069	2,662	25,731	0	17,814	4,964	22,778
** Financial liabilities designated at fair value*	*0*	*1,417*	*805*	*2,222*	*0*	*1,491*	*495*	*1,986*
** Derivatives held for trading*	*0*	*21,652*	*1,857*	*23,509*	*0*	*16,323*	*4,470*	*20,792*
Hedging derivatives	0	24,166	9,666	33,832	0	15,602	14,376	29,978
Interbank borrowings and deposits	0	23,976	21,411	45,387	0	22,783	26,808	49,591
Customer borrowings and deposits	0	6,260	1,685	7,945	0	3,324	6,134	9,458
Debt securities	0	73,502	16,967	90,469	0	55,281	36,720	92,001
Subordinated debt	0	22	472	494	0	23	461	484
TOTAL	**0**	**184,840**	**52,863**	**237,703**	**0**	**130,758**	**89,463**	**220,222**

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.

	31/12/2014		31/12/2015	
(in EUR million)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets available for sale - bonds	504	7,107	0	5,733
Financial assets available for sale - equities	0	69	0	0
TOTAL FINANCIAL ASSETS	**504**	**7,176**	**0**	**5,733**
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**

In 2014, after performing an analysis of the European Central Bank's recommendations following the comprehensive asset quality review, Dexia Crédit Local 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.
In 2015, the transfers from level 2 to level 1 are mainly explained by the increasing liquidity in the market for Spanish covered bonds.
The amounts of transfers between levels are the amounts of fair value of financial instruments at closing date.

e. Level 3 reconciliation

	2014									
(in EUR million)	Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/ losses	Purchase	Sale	Settlement	Transfer into level 3[1]	Transfer out of level 3[1]	Other movements[2]	Closing
Loans and securities held for trading	1,774	152			(210)	(27)			98	1,787
Financial assets designated at fair value - bonds and other fixed-income instruments	27									27
Derivatives held for trading	1,419	(78)					1,068	(1)	34	2,442
Hedging derivatives	653	224					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)		(13)	(2)	1		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)				(409)	19		113	805
Derivatives held for trading	1,121	(39)					861	(86)		1,857
Hedging derivatives	1,418	830				(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 around EUR 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. On the assets side, they amount to EUR 106 million recognised in result and to EUR 257 million recognised in Unrealised or deferred gains and losses through equity. On the liabilities side, they amount to EUR 6 million recognised in result and to EUR 112 million recognised in Unrealised or deferred gains or losses through equity.

(in EUR million)	2015									
	Opening balance	Total gains/ losses in P&L	Unreal-ised or deferred gains/ losses	Purchase	Sale	Settle-ment	Transfer into level 3[1]	Transfer out of level 3	Other move-ments[2]	Closing
Loans and securities held for trading	1,787	(151)			(220)	(148)			107	1,375
Financial assets designated at fair value - bonds and other fixed-income instruments	27					(26)				0
Derivatives held for trading	2,442	(75)					1,348	(93)	75	3,698
Hedging derivatives	1,236	(162)	28				192	(100)	5	1,200
Financial assets available for sale - bonds	2,604	(168)	3	38	(175)	(325)	245	(22)	175	2,375
Financial assets available for sale - equities	143	(5)		4	(14)	(1)			12	138
TOTAL FINANCIAL ASSETS	**8,239**	**(562)**	**31**	**42**	**(409)**	**(500)**	**1,786**	**(216)**	**374**	**8,786**
Financial liabilities designated at fair value	805	(63)				(330)			83	495
Derivatives held for trading	1,857	(75)					2,756	(122)	53	4,469
Hedging derivatives	9,666	(708)	(196)				5,447	(206)	374	14,376
TOTAL FINANCIAL LIABILITIES	**12,328**	**(845)**	**(196)**	**0**	**0**	**(330)**	**8,203**	**(329)**	**510**	**19,341**

(1) Long term interest rate derivatives, denominated in foreign currencies and collateralised in euros, have been valuated based on market values considered as unobservable in 2015 because they were implied from observable or extrapolated parameters.

(2) Other movements include notably exchange differences for companies in euro and translation differences for companies in foreign currencies. On the assets side, they amount to EUR 186 million in result and to EUR 188 million recognised in Unrealised or deferred gains and losses through equity. On the liabilities side, they amount to EUR 427 million recognised in result and to EUR 83 million recognised in Unrealised or deferred gains or losses through equity.

The amounts of transfers into level 3 or out of level 3 are the amounts of fair value of financial instruments at closing date.

f. Sensitivity of level 3 valuations to alternative assumptions

Dexia Crédit Local's 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 spread 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 18 million and a negative impact of EUR -18 million for 2015, while in 2014, it was estimated between a positive impact of EUR 33 million and a negative impact of EUR -33 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 2015, the positive impact (unwinds cost of 2014) is EUR 5.5 million whereas the negative impact (unwinds cost of 2011) gives an impact of EUR -21.8 million. For 2014, the positive impact (unwinds cost of 2009) was EUR +5.1 million whereas the negative impact (unwinds cost of 2011) gave an impact of EUR -29.4 million.

The impact of the credit spreads alternative assumptions on Dexia Crédit Local's credit derivatives is estimated at EUR 15.7 million (positive scenario) versus EUR -16.4 million (negative scenario) before tax, while in 2014, it was estimated at EUR 27.4 million (positive scenario) versus EUR -29.8 million (negative scenario).

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

No DOP amounts were taken upfront.

7.2. Credit risk exposure

In the interests of consistency in its internal and external reporting, the Group has decided to harmonise the metric used to communicate its credit risk exposure and to present the latter as "Exposure at Default" (EAD) and no longer as "Maximum Credit Risk Exposure" (MCRE).
Exposure at Default (EAD) is one of the parameters used to calculate capital requirements under the Regulation (EU) No 575/2013.
It corresponds to the best estimate of credit risk exposure at default and the definition varies depending on the approach adopted in calculating capital requirements. The Dexia Crédit Local Group uses both the standard and the advanced approach to calculating its risk-weighted assets. Thus the regulatory metric has been adapted to allow the treatment of impairments to be homogenised for comparability purposes.

- For financial assets measured at amortised cost, the EAD of a credit exposure on the balance sheet corresponds to the book value, gross of impairments, taking account of accrued interest and the impact of hedge accounting;
- For financial assets measured at fair value, the EAD of a credit exposure on the balance sheet corresponds to the carrying amount before impairments;
- For derivatives, the EAD is calculated using the mark-to-market valuation method under Article 274 of the Regulation (EU) No 575/2013 and includes the replacement cost as well as the amount representing future potential exposure, obtained by the product of the notional amount and a coefficient depending on the type of derivative and its residual term;
- For off-balance-sheet commitments, the EAD represents the product of the (nominal) amounts of commitments and a Credit Conversion Factor (CCF). The Dexia Crédit Local Group applies the standard method (Article 111 of the Regulation (EU) No 575/2013) to determine credit conversion factors, except for project finance transactions (advanced approach). The maximum credit risk exposure of guarantees and loan commitments, according to the standard IFRS 7, is presented in the notes 6.2. and 6.3.

The main differences between the EAD used in this report and the former measure of maximum credit risk exposure (MCRE) are essentially related to:

- Financial assets measured at amortised cost, for which the exposure at default includes the impact of hedge accounting, which was not taken into account in the MCRE;
- Derivatives, for which the exposure at default includes an amount representing future potential exposure (regulatory "add-on") which was not taken into account in the MCRE;
- Off-balance-sheet commitments, for which the exposure at default is calculated taking account of the regulatory CCF compared to 100% of the commitment in the MCRE;
- Impairments which are not deducted from exposure at default although they were deducted in the MCRE.

In addition, as information relating to credit risk only concerns financial instruments generating credit risk exposure, the Dexia Crédit Local Group has decided to exclude from the scope of this report the other assets previously included, mainly accruals and other assets.
The figures as at 31 December 2014 have been restated to allow comparability.
Credit risk exposure amounted to EUR 181 billion as at 31 December 2015.

a. Exposure by geographical region and by category of counterpart

Exposure by geographic region

(in EUR million)	31/12/2014	31/12/2015
France	29,021	26,544
Belgium	3,691	2,143
Germany	26,021	22,308
Greece	168	149
Ireland	297	160
Italy	30,663	27,242
Luxembourg	147	58
Spain	20,027	16,833
Portugal	4,299	4,149
Hungary	1,094	946
Austria	1,577	1,575
Central and Eastern Europe	3,609	2,895
Netherlands	417	342
Scandinavian countries	1,171	1,471
Great Britain	23,195	25,804
Switzerland	604	520
Turkey	508	496
United States and Canada	31,973	31,351
South and Central America	585	552
Southeast Asia	1,005	828
Japan	6,962	7,551
Other (1)	6,573	6,994
TOTAL	**193,605**	**180,912**

(1) Includes supranational entities.

Exposure by category of counterpart

(in EUR million)	31/12/2014	31/12/2015
Central governments	29,858	29,513
Local public sector (1)	100,118	94,412
Financial institutions	30,719	24,383
Corporates	6,833	8,406
Monoline	4,210	1,837
ABS/MBS	6,111	7,799
Project finance	15,756	14,562
TOTAL	**193,605**	**180,912**

(1) As at 31 December 2015, this category includes: EUR 63 million on Greece, EUR 26 million on Hungary, EUR 11,110 million on Italy, EUR 1,825 million on Portugal and EUR 7,782 million on Spain and as at 31 December 2014, this category included: EUR 72 million on Greece, EUR 31 million on Hungary, EUR 12,801 million on Italy, EUR 1,965 million on Portugal and EUR 8,852 million on Spain.

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

(in EUR million)	31/12/2014 Credit risk exposure before financial effect of the collateral	31/12/2014 Financial effect of the collateral	31/12/2014 Credit risk exposure	31/12/2015 Credit risk exposure before financial effect of the collateral	31/12/2015 Financial effect of the collateral	31/12/2015 Credit risk exposure
Financial assets available for sale (excluding variable income securities)	26,309	0	26,309	21,985	0	21,985
Financial assets designated at fair value (excluding variable income securities)	27	0	27	0	0	0
Financial assets held for trading (excluding variable income securities)	1,787	0	1,787	1,375	0	1,375
Derivatives held for trading	10,727	3,678	7,050	8,815	2,901	5,913
Hedging derivatives	2,650	1,704	946	2,250	1,405	845
Financial assets held to maturity	255	0	255	199	0	199
Loans and advances (at amortised cost)	148,521	1,557	146,964	143,255	2,264	140,990
Loans commitments granted	2,000	0	2,000	1,715	0	1,715
Guarantee commitments granted	37,744	29,476	8,268	44,040	36,152	7,888
TOTAL	**230,019**	**36,415**	**193,605**	**223,634**	**42,722**	**180,912**

Dexia Crédit Local holds financial collaterals composed of cash collaterals and term deposits, and to a lesser extend, 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.
Credit risk exposure is presented gross of impairment. The amount of specific impairment by class of financial instruments is presented in the note 2.11. Quality of financial assets.

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 within the Ratings based Approach, based on external ratings (Fitch, Standard & Poors or Moody's) and part of its portfolio for which credit risk exposure is calculated conforming the Basel Standard Method.

(in EUR millions)	31/12/2014 AAA to AA-	31/12/2014 A+ to BBB-	31/12/2014 Non investment grade	31/12/2014 Unrated	31/12/2014 Total
Financial assets available for sale (excluding variable income securities)	4,669	17,719	3,896	0	26,285
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	1,628	4,291	776	33	6,727
Hedging derivatives	149	665	121	0	935
Financial assets held to maturity	46	208	0	0	255
Loans and advances (at amortised cost)	65,920	61,877	16,825	462	145,085
Loans commitments granted	1,234	590	111	0	1,935
Guarantee commitments granted	1,135	6,742	351	26	8,254
TOTAL	**75,062**	**93,562**	**22,144**	**522**	**191,290**

(in EUR million)	31/12/2015 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	3,780	15,028	2,965	0	21,773
Financial assets held for trading (excluding variable income securities)	46	1,292	38	0	1,375
Derivatives held for trading	959	3,822	971	28	5,780
Hedging derivatives	138	605	102	0	845
Financial assets held to maturity	26	174	0	0	199
Loans and advances (at amortised cost)	61,898	61,671	15,000	280	138,848
Loans commitments granted	939	615	112	5	1,671
Guarantee commitments granted	1,582	6,096	192	9	7,879
TOTAL	**69,368**	**89,303**	**19,379**	**321**	**178,371**

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".

	31/12/2014			
	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	501	1,158
Other financial instruments	0	0	212	2
TOTAL	**183**	**28**	**713**	**1,232**

	31/12/2015			
	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	212
Loans and advances (at amortised cost)	57	4	436	1,318
Other financial instruments	0	0	13	2
TOTAL	**57**	**4**	**449**	**1,532**

Forbearance

Regarding Dexia Crédit Local's activities, restructured loans include 3 different types of restructuring:

1. Restructuring related to commercial relationships with customers, which represented almost all restructuring until 2011;
2. Restructuring related to litigations, mainly on structured loans, with customers without any financial difficulties;
3. Restructuring related to financial difficulties of the counterparty both under normal relationships 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 and as at 31 December 2015.

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

There are no assets of this type in 2014 nor in 2015.

f. Movements on impairment on financial assets

(in EUR million)	2014 As at 1 January	Additions	Reversals	Utilisations	Other adjust-ments[(1)]	As at 31 December	Recoveries directly recognized in profit or loss	Charge-offs directly recognized 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)		11	(4)	(84)	0	0
Fixed revenue instruments	*(32)*	*(9)*			*(2)*	*(43)*	*0*	*0*
Variable revenue instruments	*(42)*	*(8)*		*11*	*(2)*	*(41)*	*0*	*0*
Accruals and other assets	(9)		8		(1)	(2)	1	(1)
Collective impairment	**(414)**	**(155)**	**79**	**0**	**(8)**	**(498)**		
Interbank loans and advances	(5)	(11)	2			(14)		
Customer loans and advances	(409)	(144)	77		(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.

(in EUR million)	2015 As at 1 January	Additions [(1)]	Reversals	Utilisations	Other adjust-ments[(2)]	As at 31 December	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific impairment	**(392)**	**(311)**	**60**	**55**	**(18)**	**(606)**	**0**	**(70)**
Customer loans and advances	(306)	(198)	60		(12)	(456)	0	(11)
Available for sale securities	(84)	(113)		55	(6)	(148)	0	(54)
Fixed revenue instruments	*(43)*	*(107)*		*54*	*(1)*	*(97)*	*0*	*(54)*
Variable revenue instruments	*(41)*	*(6)*			*(4)*	*(51)*	*0*	*0*
Accruals and other assets	(2)					(2)	0	(5)
Collective impairment	**(498)**	**(82)**	**172**	**0**	**(10)**	**(417)**		
Interbank loans and advances	(14)	(17)	10		(3)	(24)		
Customer loans and advances	(484)	(65)	162		(6)	(393)		
TOTAL	**(890)**	**(393)**	**233**	**55**	**(28)**	**(1,023)**	**0**	**(70)**

(1) The impairment on Hypo Alpe Adria Bank (HETA) is accounted for in Customer loans and advances for an amount of EUR -99 million and in Available for sale securities for an amount of EUR -98 million.
(2) Other adjustments include notably the impact of changes in exchange rates during the year.

g. Credit risk 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 2014	2,221	(21)	(125)	485
As at 31 December 2015	1,986	(79)	(204)	420

(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

Nature of the assets received as collateral if this collateral can be sold or repledged

	2014		2015	
(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	1,640	1,628	2,590	1,606
TOTAL	**1,640**	**1,628**	**2,590**	**1,606**

Collateral is obtained in connection with the repurchase agreement activities.

Financial assets pledged as collateral for liabilities or contingent liabilities

(in EUR million)	2014	2015
Carrying amount of financial assets pledged as collateral for liabilities	120,812	111,383

The amount of EUR 121 billion in 2014 and EUR 111 billion in 2015 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 AG and Dexia Luxembourg SA (previously Dexia LDG Banque SA), nor Dexia FP Holdings Inc.'s Guaranteed Investment Contracts (GICs). These assets are close to EUR 30 billion in 2015 (EUR 33 billion in 2014) .

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

	31/12/2014									
(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**	**Impair-ment**	**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)	0	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	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	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 debt	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	Undeter-mined maturity
	1,736	(59,461)	1,982	(7,693)	39,253	32,058

Balance-sheet sensitivity gap is hedged through derivatives.

a. Analysis of assets

(in EUR million)	As at 31/12/2015									
	Demand	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undeter-mined maturity**	**Accrued interest**	**Fair value adjust-ment**	**Impair-ment**	**Total**
Cash and central banks	2,855	1,980	0	0	0	0	0			4,835
Financial assets at fair value through profit or loss	0	1,020	49	26	13	0	1,062	18,006		20,175
of which Trading derivatives							*1,056*	*17,744*		*18,800*
Hedging derivatives							671	6,001		6,672
Financial assets available for sale	1	1,974	955	3,545	11,351	266	356	3,837	(148)	22,137
Interbank loans and advances	565	1,675	964	2,828	818	0	26	581	(24)	7,433
Customer loans and advances	93	27,237	28,790	10,443	41,283	0	784	19,703	(850)	127,483
Fair value revaluation of portfolio hedge								1,696		1,696
Financial assets held to maturity	0	20	42	135	0	0	2		0	199
Accruals and other assets	17	1,340	77	0	0	36,906	0	0	(2)	38,339
of which paid cash collateral						*36,890*	*0*			*36,891*
Subtotal financial assets used to calculate the gap	*3,531*	*35,246*	*30,878*	*16,977*	*53,465*	*37,172*				
Non-financial assets						405				405
TOTAL	**3,531**	**35,246**	**30,878**	**16,977**	**53,465**	**37,577**	**2,900**	**49,823**	**(1,023)**	**229,374**

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	As at 31/12/2015								
	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	15,031	900	0	0	0	1		15,932
Financial liabilities at fair value through profit and loss	0	65	0	180	1,307	0	993	20,234	22,778
of which Trading derivatives							*979*	*19,813*	*20,792*
Hedging derivatives							1,270	28,708	29,978
Interbank borrowings and deposits	109	22,598	21,950	3,092	1,740	0	63	17	49,569
Customer borrowings and deposits	2,121	2,404	3,507	848	446	0	28	45	9,399
Debt securities	0	22,375	20,082	25,572	18,189	0	697	4,617	91,532
Fair value revaluation of portfolio hedge								170	170
Subordinated debts	0	401	0	85	0	0	3	3	492
Accruals and other liabilities	11	1,150	28	36	45	4,837	0		6,108
of which cash collateral received						*4,811*	0		*4,812*
Subtotal financial liabilities used to calculate the gap	*2,241*	*64,024*	*46,468*	*29,812*	*21,728*	*4,837*			
Non-financial liabilities						319			319
TOTAL	**2,241**	**64,024**	**46,468**	**29,812**	**21,728**	**5,156**	**3,054**	**53,795**	**226,277**

c. Balance-sheet sensitivity gap as at 31/12/2015

(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
	1,291	(28,778)	(15,590)	(12,834)	31,737	32,335

Balance-sheet sensitivity gap is hedged through derivatives.

7.5 Sensitivity to interest rate risk and other market risks

We also refer to the chapter Risk management of the Management report.

a. Treasury and Financial Markets

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 of which 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 various adverse scenarios are regularly revised and updated. The results of consolidated Stress tests and the corresponding analysis are quarterly presented 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 2015, total VaR consumption stood at EUR 13.7 million, compared with EUR 13.3 million at the end of 2014, 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 %)	**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	

Value at Risk of Market Activities

(in EUR million)	2015				
VaR (10 days, 99 %)	**By risk factor**			**Overall**	
	Interest rate and currency *(Banking and Trading)*	**Spread *(Trading)***	**Other risks**		**Limit**
Average	9.6	4.6	0.2	14.4	40
Period end	10.3	3.1	0.2	13.7	
Maximum	11.6	5.5	0.3	17.0	
Minimum	6.9	3.0	0.2	12.4	

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)	2014	2015
Sensitivity	- 14.2	+ 2.2
Limit	+/- 80	+/- 80

The sensitivity of long term ALM amounted to EUR + 2.2 million as at 31 December 2015 compared with EUR -14.2 million as at 31 December 2014. It complies with the ALM strategy, which seeks to minimise the volatility in the income statement.

c. Dexia bond portfolio exposure

(EUR billion)	2014	2015
Notional exposure	72	66

Interest-rate sensitivity

The interest-rate risk of the bond portfolio is hedged (its purpose is solely the management of the credit spread); therefore it has a very limited sensitivity to change of interest rate.

Credit spread sensitivity

A major part of AFS bond portfolios was reclassified as Loans and Receivables. The AFS reserve on these securitites is insensitive to credit spread variation.
As for other bond portfolios, the credit spread sensitivity measures the sensitivity in fair value reserve of bond portfolio classified as AFS to a basis point credit-spread increase , in millions of EUR. This sensitivity is closely monitored.

(EUR million)	2014	2015
Sensitivity	(20)	(18)

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.

a. Analysis of assets

	31/12/2014									
(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**	**Impair-ment**	**Total**
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	255
Accruals and other assets	6	379	130	0	673	37,063	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**

b. Analysis of liabilities excluding shareholders' equity

	31/12/2014								
(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	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 debt	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	Undeter-mined 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.

a. Analysis of assets

(in EUR million)	31/12/2015 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	2,855	1,980	0	0	0	0	0			4,835
Financial assets at fair value through profit or loss	0	6	6	117	979	0	1,062	18,006		20,175
of which Trading derivatives							*1,056*	*17,744*		*18,800*
Hedging derivatives							671	6,001		6,672
Financial assets available for sale	1	867	1,157	3,589	12,212	266	356	3,837	(148)	22,137
Interbank loans and advances	565	47	773	3,811	1,653	0	26	581	(24)	7,433
Customer loans and advances	93	2,711	4,706	20,364	79,974	0	784	19,703	(850)	127,484
Fair value revaluation of portfolio hedge								1,696		1,696
Financial assets held to maturity	0	20	60	117	0	0	2		0	199
Accruals and other assets	17	302	77	0	1,038	36,906	0	0	(2)	38,339
of which paid cash collateral						*36,890*	*0*			*36,891*
Subtotal financial assets used to calculate the gap	*3,531*	*5,933*	*6,780*	*27,997*	*95,856*	*37,172*				
Non-financial assets						405		0	0	405
TOTAL	**3,531**	**5,933**	**6,780**	**27,997**	**95,856**	**37,577**	**2,900**	**49,823**	**(1,023)**	**229,374**

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	31/12/2015 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	15,031	900	0	0	0	1	0	15,932
Financial liabilities at fair value through profit and loss	0	0	70	118	1,364	0	993	20,234	22,778
of which Trading derivatives							*979*	*19,813*	*20,792*
Hedging derivatives							1,270	28,708	29,978
Interbank borrowings and deposits	49	5,647	34,096	7,782	1,857	59	63	17	49,569
Customer borrowings and deposits	2,020	2,286	3,567	851	602	0	28	45	9,399
Debt securities	0	13,143	21,437	31,902	19,736	0	697	4,617	91,532
Fair value revaluation of portfolio hedge								170	170
Subordinated debt	0	0	0	462	23	0	3	3	492
Accruals and other liabilities	11	913	26	36	284	4,837	0		6,108
of which received cash collateral						*4,811*	*0*		*4,812*
Subtotal financial liabilities used to calculate the gap	*2,080*	*37,021*	*60,095*	*41,151*	*23,865*	*4,896*			
Non-financial liabilities						319			319
TOTAL	**2,080**	**37,021**	**60,095**	**41,151**	**23,865**	**5,215**	**3,054**	**53,795**	**226,277**

Net liquidity gap as at 31 December 2015 (in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
	1,451	(31,088)	(53,315)	(13,154)	71,991	32,276

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

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

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

7.7. Currency risk

We also refer to Management Report, chapter Transformation risk, Measurement of foreign exchange risk.

Classification by original currency	31/12/2014						
(in EUR million)	EUR	GBP	Other EU currencies	USD	JPY	Other currencies	Total
Total assets	168,262	26,137	571	35,082	8,500	7,611	246,163
Total liabilities and shareholders' equity	173,738	18,481	81	43,915	5,561	4,387	246,163
NET BALANCE SHEET POSITION	**(5,476)**	**7,656**	**490**	**(8,833)**	**2,939**	**3,224**	**0**

Classification by original currency	31/12/2015						
(in EUR million)	EUR	GBP	Other EU currencies	USD	JPY	Other currencies	Total
Total assets	152,811	26,023	132	37,029	7,773	5,606	229,374
Total liabilities and shareholders' equity	154,631	24,514	51	40,549	5,315	4,314	229,374
NET BALANCE SHEET POSITION	**(1,820)**	**1,509**	**80**	**(3,520)**	**2,458**	**1,292**	**0**

8. Segment and geographic reporting

a. Segment reporting

Having completed its commercial entity disposal program 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

(in EUR million)	France	Germany	Spain	Ireland	Italy	United States	Israel	Other	Total
As at 31 december 2014									
NET BANKING INCOME	**(286)**	**41**	**47**	**137**	**14**	**(23)**	**30**	**6**	**(34)**
As at 31 december 2015									
NET BANKING INCOME	**267**	**14**	**61**	**413**	**70**	**127**	**33**	**(3)**	**982**

Statutory Auditors' report on the consolidated financial statements

For the year ended 31 December 2015

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, 2015, 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, 2015 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 first application of the IFRIC 21 interpretation "Levies".

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, March 29, 2016

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 31/12/2014	As at 31/12/2015
I.	Cash, central banks and postal checking accounts	*2.1*	2,548	2,229
II.	Government securities	*2.2*	3,576	3,295
III.	Interbank loans and advances	*2.3*	28,083	23,117
IV.	Customer loans and advances	*2.4*	35,119	32,723
V.	Bonds and other fixed-income securities	*2.5*	39,465	38,060
VI.	Equities and other variable-income securities	*2.6*	186	183
VII.	Long-term equity investments	*2.7*	1,176	1,303
VIII.	Intangible assets	*2.8*	18	22
IX.	Tangible fixed assets	*2.9*	5	4
X.	Unpaid capital		0	0
XI.	Uncalled capital		0	0
XII.	Treasury stock		0	0
XIII.	Other assets	*2.10*	27,223	27,539
XIV.	Accruals	*2.10*	11,224	9,880
TOTAL ASSETS			**148,623**	**138,355**

Liabilities and equity

(in EUR million)		Note	As at 31/12/2014	As at 31/12/2015
I.	Interbank borrowings and deposits	*3.1*	48,643	53,362
II.	Customer deposits	*3.2*	101	103
III.	Debt securities	*3.3*	79,219	65,784
IV.	Other liabilities	*3.4*	4,687	4,321
V.	Accruals	*3.4*	12,772	11,526
VI.	Provisions for risks and charges	*3.5*	1,682	1,798
VII.	General banking risks reserve		0	0
VIII.	Subordinated debt	*3.6*	434	435
EQUITY		*3.7*	**1,085**	**1,026**
IX.	Capital stock		224	224
X.	Additional paid-in capital		1,885	1,885
XI.	Reserves and retained earnings		(277)	(1,143)
XVII.	Net income (loss) for the year		(747)	60
TOTAL LIABILITIES AND EQUITY			**148,623**	**138,355**

Off-balance sheet items

(in EUR million)		Note	As at 31/12/2014	As at 31/12/2015
COMMITMENTS GIVEN				
I.	Financing commitments given	*4.1*	10,069	4,448
II.	Guarantee commitments given	*4.2*	39,066	37,675
III.	Other commitments given	*4.3*	46,455	36,529
COMMITMENTS RECEIVED				
IV.	Financing commitments received	*4.4*	6,476	2,131
V.	Guarantee commitments received	*4.4*	21,944	19,491
VI.	Commitments related to securities	*4.5*	66	34
VII.	Commitments related to foreign currency transactions	*4.6*	72,385	52,330
VIII.	Commitments related to forward and derivative financial instruments	*4.7*	292,483	262,960

Income statement

(in EUR million)		Note	As at 31/12/2014	As at 31/12/2015
I.	Interest income	5.1	3,087	2,896
II.	Interest expense	5.1	(2,772)	(2,445)
III.	Income from variable-income securities	5.2	2	2
IV.	Fee and commission income	5.3	2	2
V.	Fee and commission expenses	5.3	(22)	(9)
VI. A	Net gains (losses) on held-for-trading portfolio transactions	5.4	(75)	(178)
VI. B	Net gains (losses) on available-for-sale portfolio transactions	5.4	(685)	(75)
VI. C	Net gains (losses) on held-to-maturity portfolio transactions	5.4	0	120
VII.	Other banking income	5.8	1	1
VIII.	Other banking expenses	5.8	(1)	0
NET BANKING INCOME (LOSS/PROFIT)			**(463)**	**314**
IX.	General operating expenses	5.5	(259)	(296)
X.	Depreciation and amortisation		(9)	(4)
GROSS OPERATING INCOME (LOSS/PROFIT)			**(731)**	**14**
XI.	Cost of risk	5.6	(21)	(7)
OPERATING INCOME (LOSS/PROFIT) AFTER COST OF RISK			**(752)**	**7**
XII.	Net gains (losses) on non-current assets	5.7	8	52
INCOME (LOSS/PROFIT) BEFORE TAX			**(744)**	**59**
XIII.	Non-recurring items	5.9	0	0
XIV.	Corporate income tax	5.10	(3)	1
XV.	Net change in general banking risks reserve		0	0
NET INCOME (LOSS/PROFIT)			**(747)**	**60**
BASIC EARNINGS PER SHARE (EUR)			(3.34)	0.27
FULLY DILUTED EARNINGS PER SHARE (EUR)			(3.34)	0.27

Notes to the financial statements

Accounting policies and valuation methods

1.1. Significant events in 2015

• Following a significant deterioration in the prudential treatment of sovereign securities, Dexia Crédit Local identified a part of its portfolio of held-to-maturity securities as being available for sale in order to maintain the solvency ratio.
As a consequence, on 1 July 2015 the held-to-maturity sovereign securities concerned were reclassified in the category of "available-for-sale securities" for a net book value of EUR 2.3 billion.

• On 6 July 2012, in application of a contractual agreements dating from 2001, Banco de Sabadell exercised the option to sell its 40% holding in Dexia Sabadell, which had been granted to it by Dexia Crédit Local. The two parties were unable to agree on the exercise price for this option. The arbitration proceedings before the International Court of Arbitration in Madrid were settled in 2015 by the fixing of a price of EUR 52.4 million, to value minority interests. The fixing by the Arbitration Tribunal of the acquisition price for minorities at EUR 52.4 million involves booking the gross value of the Dexia Sabadell equity securities purchased and as a consequence an impairment of the same amount in the income statement, since the use value is zero, considering the prospects for the company's results.

• Within the context of closing the entity Dexia LdG Banque S.A. (renamed Dexia Luxembourg on 1 July 2015), planned for the beginning of 2016, in 2015 the Board of Directors of that subsidiary approved the reimbursement to DCL of the issue premiums and available reserves. In this regard, DCL recorded a gain of EUR 103.9 million.

• In line with market practice, the Dexia Crédit Local group developed a methodology, from June 2015, to calculate a Funding Valuation Adjustment (FVA) aiming to take account of the funding costs associated with non-collateralised derivatives. The impact on the annual financial statements for 2015 amounted to EUR -84 million.

1.2. Accounting policies and valuation methods used to present the financial statements

The statutory and consolidated financial statements of Dexia Crédit Local as at 31 December 2015 were prepared in accordance with the accounting rules applicable to a going concern. The assumptions detailed hereafter were the basis of the business plan underlying the Dexia Group resolution plan and were already explained in previous accounting closures.

• The business plan was constructed from market data observable at the end of September 2012; the underlying macroeconomic assumptions are reviewed as part of the semi-annual reviews of the entire plan.
In particular, the updates made in 2015 take into account an updated funding plan based on the most recent market conditions. They also incorporate regulatory developments to date, such as the final version of the CRD IV Directive and the implementation of the IFRS 9 accounting standard from 2018, based on assumptions known to date.
An updated business plan on the basis of data available as at 30 June 2015 and validated by the Board of Directors of Dexia on 19 November 2015 leads to adjustments of the plan originally validated, but these do not raise any issues regarding the trajectory of the Group's resolution over the long term.
• The business plan assumes the preservation of the banking licences of various entities as well as the rating of Dexia Crédit Local.
• It relies on a robust funding capacity, which is dependent on investor appetite for the debt guaranteed by Belgium, France and Luxembourg and Dexia Crédit Local's ability to raise secured funding.
In this respect, the funding structure benefited in 2015from an increase in market funding volume at a lower cost than anticipated in the business plan and for longer maturities. Dexia Crédit Local also exited the special and exceptional funding mechanisms introduced in 2012 and reduced its reliance on central bank funding. Finally, it focused on providing liquidity reserves with the aim of protecting itself against short-term liquidity risk primarily related to an increase in the amount of cash collateral(1) posted to its derivatives counterparties.

However, over the duration of the Group's resolution, uncertainties remain regarding the implementation of the business plan.
• It is in particular exposed to the evolution of accounting and prudential rules.
• The financial characteristics of Dexia and Dexia Crédit Local since their entry in resolution do not allow them to ensure compliance with certain regulatory ratios. The business plan is also sensitive to the evolution of the macroeconomic environment. Thus, a 10 basis point decrease in interest rates over the entire yield curve would result in

(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.

an immediate increase of approximately EUR 1 billion in the liquidity requirement, related to the increase in cash collateral. Similarly, more conservative assumptions as to an improvement of ratings and/or a tightening of credit spreads would negatively impact the income statement as well as the available liquidity reserves and would increase the level of regulatory capital required.

• Finally, if market demand for government-guaranteed debt would decline, Dexia Crédit Local may need to turn to more costly funding sources which would directly impact the profitability assumed in the original business plan. The coming years will remain a risk in the context of greater exchange rate volatility and very low interest rates.

The most recent update of the business plan shows a surplus liquidity position throughout the life of the plan. Dexia and Dexia Crédit Local's liquidity surplus was impacted in 2015 by the volatile cash collateral needs and high levels of amortisations and funding redemptions. At the beginning of 2016, Dexia and Dexia Crédit Local's liquidity need increased due higher cash collateral to be posted to market counterparties. Collateral posting reached a maximum of EUR 36 billion in February 2016, up EUR 5 billion from the end of 2015. However, this increased liquidity need has been offset by a dynamic funding activity since the beginning of the year. This is illustrated by the renewal of the short-term government-guaranteed and secured funding under favourable conditions and the issuance of EUR 6.1 billion of long-term government-guaranteed funding as at half March 2016.

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.

In the case where the hedging item is unwind or replaced by an other instrument with continuation of the hedged instrument, the equalization payment is spread over the remaning life of the hedged item.

Macro hedging

This category includes contracts that are intended to hedge and manage Dexia Crédit Local's overall exposure to interest rate risks on assets, liabilities and off-balance-sheet items, other than micro-hedges, contracts representing isolated open positions and contracts acquired for specialist portfolio management purposes.

Macro-hedges have the effect of reducing Dexia Crédit Local's overall exposure to interest rate risks on its business transactions.

Expenses and income on macro-hedges are recorded in the income statement on an accrual basis under "Interest expense on macro-hedges" and "Interest income on macro-hedges". The contra entry is recorded on the balance sheet in an accruals account until such time as the funds are collected or disbursed.

In the event of the unwinding of a macro-hedge, the equalisation payment is recognised as follows:

- equalisation payments on swaps unwound before 1 January 2005 are amortised when the unwinding of the position is not linked to a prior change in the overall interest rate risks to be hedged, or are taken into income symmetrically to those components that resulted in the modification of said risk.
- as from 1 January 2005, the equalisation payment is recognised through profit or loss.

Position management

Dexia Crédit Local conducts two types of position management transactions:

- specialist held-for-trading portfolio management;
- position-taking.

Specialist held-for-trading portfolio management

This activity covers transactions with local authorities and their symmetrical transactions entered into with banks. Its purpose is the specialist management of a held-for-trading portfolio comprising specific interest rate swaps and other interest rate-based derivatives.

The held-for-trading portfolio is actively managed based on sensitivity criteria, with predefined interest rate exposure limits set internally in accordance with the Arrêté of 3 November 2014 as amended. Positions are centralised and results calculated on a daily basis.

Gains and losses are recognised on a mark-to-market basis, as follows:

- total future cash flows are marked to market on a monthly basis and the resulting unrealised gain or loss is taken to the income statement;
- all payments made or received are recorded directly in the income statement.

Mark-to-market gains and losses on derivatives are calculated using the replacement cost method. This method consists of taking each individual contract and simulating a new contract, which, at the balance sheet date, closes the open position created by the original contract. The differences in cash flows between the actual and simulated contracts are then discounted.

The portfolio valuation takes into account portfolio management costs and counterparty risks.

For the purposes of this activity, 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 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 31/12/2014	As at 31/12/2015
Cash	0	0
Deposits with central banks and issuing institutions	2,548	2,229
Deposits with postal checking accounts	0	0
TOTAL	2,548	2,229

2.2. Government securities eligible for Central Bank refinancing (item II – assets)

a. Accrued interest

(in EUR million)	101

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 31/12/2015
	195	196	815	1,988	3,194

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

	Banking activity and other			Total
(in EUR million)	Held for trading	Available for sale	Held to maturity	
Cost As at 31/12/2014	**54**	**1,198**	**2,211**	**3,463**
Movements for the year:				
• acquisitions	2	13	48	63
• disposals and redemptions	0	(345)	0	(345)
• transfers	0	1 226	(1 226)	0
• translation adjustments	0	11	2	13
• other	0	0	0	0
Cost as at 31/12/2015	**56**	**2,103**	**1,035**	**3,194**
Impairment as at 31/12/2014	**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 31/12/2015	**0**	**0**	**0**	**0**
NET CARRYING AMOUNT AS AT 31/12/2015	56	2,103	1,035	3,194

Additional information concerning government securities is provided in note 2.5.

d. Transfers between portfolios

(in EUR million)	From "Held to Maturity" to "Available for sale" portfolio
Carrying amount of assets reclassified as at 1st of july 2015[1]	1,259
Carrying amount of assets reclassified as at 31 december 2015[2]	1,034
Fair value of reclassified assets as at 31 december 2015	1,509
Premium/Discount as at 1st of july 2015[1]	(94)

(1) Valued at the 31 December 2015 exchange rate
(2) this amount includes an available-for-sale marketable security sold on the 1st of july for EUR 115 millions.

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 31/12/2014	As at 31/12/2015
Unrealised gains/losses (differences between market value and carrying amount)	11	13

g. "Available for sale" and "Held to maturity" portfolios, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Unrealised gains (redemption value higher than carrying amount)	186	240
Unrealised losses (redemption value lower than carrying amount)	1,338	1,331

2.3. Interbank loans and advances (item III – assets)

a. Accrued interest

(in EUR million)	16

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	5,615	7,696	7,696	0	0	0
Term loans and advances	22,451	15,405	8,326	1,230	4,778	1,071
TOTAL	**28,066**	**23,101**	**16,022**	**1,230**	**4,778**	**1,071**

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

VALUATION OF RISK	As at 31/12/2014	As at 31/12/2015		
(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 31/12/2014	As at 31/12/2015
Subordinated interbank loans	1,183	1,221
Non-subordinated interbank loans	21,268	14,184
TOTAL	**22,451**	**15,405**

e. Analysis of subordinated non-performing loans, excluding accrued interest

VALUATION OF RISK (in EUR million)	As at 31/12/2014 Total	As at 31/12/2015 Non-performing loans under collection	Doubtful non-performing loans	Total
Gross non-performing loans	0	0	0	0
Accumulated impairment	0	0	0	0
NET NON-PERFORMING LOANS	0	0	0	0

2.4. Customer loans and advances (item IV – assets)

a. Accrued interest

(in EUR million)	241

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 31/12/2015
	1,510	1,859	6,278	22,835	0	32,482

c. Analysis by type of borrower, excluding accrued interest

(in EUR million)	As at 31/12/2014 Total	As at 31/12/2015 Public sector	Other sectors	Total
Performing loans	34,492	13,704	18,328	32,032
Restructured performing loans	0	0	0	0
Non-performing loans under collection	323	0	439	439
Doubtful non-performing loans	47	0	11	11
TOTAL	34,862	13,704	18,778	32,482

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

VALUATION OF RISK (in EUR million)	As at 31/12/2014	As at 31/12/2015
Gross non-performing loans under collection	437	601
Accumulated impairment	(114)	(162)
NET NON-PERFORMING LOANS UNDER COLLECTION	323	439
Gross doubtful non-performing loans	84	41
Accumulated impairment	(37)	(30)
NET DOUBTFUL NON-PERFORMING LOANS	47	11

e. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Subordinated customer loans	4	4
Non-subordinated customer loans	34,858	32,478
TOTAL	34,862	32,482

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

a. Accrued interest

(in EUR million)	429

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 31/12/2015
	616	1,521	3,947	31,547	**37,631**

c. Analysis by type of issuer, excluding accrued interest

Analysis by type of issuer, excluding accrued interest (in EUR million)	**As at 31/12/2014**	**As at 31/12/2015**
Public sector issuers	15,255	15,629
Other issuers	23,751	22,002
TOTAL	**39,006**	**37,631**

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

	Banking activity and other			Total
(in EUR million)	Held for trading	Available for sale	Held to maturity	
COST AS AT 31/12/2014	**3,198**	**22,871**	**13,824**	**39,893**
Movements for the year:				
• acquisitions	17	521	157	695
• disposals and redemptions	(784)	(3,437)	(727)	(4,948)
• transfers	0	838	(838)	0
• other movements	224	0	0	224
• translation adjustments	254	1,894	701	2,849
COST AS AT 31/12/2015	**2,909**	**22,687**	**13,117**	**38,713**
IMPAIRMENT AS AT 31/12/2014	**0**	**(860)**	**(27)**	**(887)**
Movements for the year:				
• charges	0	(629)	(9)	(638)
• recoveries	0	463	36	499
• transfers	0	0	0	0
• other movements	0	0	0	0
• translation adjustments	0	(56)	0	(56)
IMPAIRMENT AS AT 31/12/2015	**0**	**(1,082)**	**0**	**(1,082)**
NET CARRYING AMOUNT AS AT 31/12/2015	**2,909**	**21,605**	**13,117**	**37,631**

As at 31 December 2015, there were EUR 74.6 million in securities lent in the held-for-trading portfolio, EUR 7,514 billion in the available-for-sale portflolio and EUR 4,109 billion in the held-to-maturity portfolio.

e. Analysis by type of portfolio

(in EUR million)	As at 31/12/2014 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2015 Held for trading	Available for sale	Held to maturity	Total
Government securities	**54**	**1,221**	**2,301**	**3,576**	**56**	**2,150**	**1,089**	**3,295**
Gross carrying amount	54	1,189	3,371	4,614	56	2,176	2,053	4,285
Premiums/discounts	0	9	(1,160)	(1,151)	0	(73)	(1,018)	(1,091)
Related receivables	0	23	90	113	0	47	54	101
Impairment	0	0	0	0	0	0	0	0
Market value	54	1,430	4,063	5,547	56	2,703	2,462	5,221
Bonds and other fixed-income securities	**3,198**	**22,226**	**14,041**	**39,465**	**2,909**	**21,805**	**13,346**	**38,060**
Gross carrying amount	3,198	22,887	15,303	41,388	2,909	22,609	14,451	39,969
Premiums/discounts	0	(16)	(1,479)	(1,495)	0	78	(1,334)	(1,256)
Related receivables	0	215	244	459	0	200	229	429
Impairment	0	(860)	(27)	(887)	0	(1,082)	0	(1,082)
Market value	3,198	28,776	20,219	52,193	2,909	24,039	17,353	44,301
Equities and other variable-income securities	**0**	**186**	**0**	**186**	**0**	**183**	**0**	**183**
Gross carrying amount	0	222	0	222	0	221	0	221
Premiums/discounts	0	0	0	0	0	0	0	0
Related receivables	0	0	0	0	0	0	0	0
Impairment	0	(36)	0	(36)	0	(38)	0	(38)
Market value	0	190	0	190	0	191	0	191
Total securities portfolio	**3,252**	**23,633**	**16,342**	**43,227**	**2,965**	**24,138**	**14,435**	**41,538**
PROVISIONS FOR RISKS AND CHARGES(1)	**0**	**1 331**	**0**	**1 331**	**0**	**1 485**	**0**	**1 485**

(1) The EUR 1,485 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 31/12/2014 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2015 Held for trading	Available for sale	Held to maturity	Total
Government securities	**54**	**1,221**	**2,301**	**3,576**	**56**	**2,150**	**1,089**	**3,295**
Central governments	54	880	2,301	3,235	56	1,915	1,089	3,060
Local governments	0	140	0	140	0	37	0	37
Credit institutions	0	201	0	201	0	198	0	198
Bonds and other fixed-income securities	**3,198**	**22,226**	**14,041**	**39,465**	**2,909**	**21,805**	**13,346**	**38,060**
Central governments	0	1,137	931	2,068	0	1,944	94	2,038
Local governments	52	7,832	5,020	12,904	58	7,902	5,539	13,499
Credit institutions	462	4,152	2,408	7,022	691	2,971	2,320	5,982
Other private-sector entities	2,684	9,105	5,682	17,471	2,160	8,988	5,393	16,541
Equities and other variable-income securities	**0**	**186**	**0**	**186**	**0**	**183**	**0**	**183**
Equities and other variable-income securities	0	99	0	99	0	95	0	95
Mutual funds	0	87	0	87	0	88	0	88
Total securities portfolio	**3,252**	**23,633**	**16,342**	**43,227**	**2,965**	**24,138**	**14,435**	**41,538**

g. Analysis by listing of securities

(in EUR million)	As at 31/12/2014 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2015 Held for trading	Available for sale	Held to maturity	Total
Government securities	**54**	**1,221**	**2,301**	**3,576**	**56**	**2,150**	**1,089**	**3,295**
Listed securities[1]	54	1,217	2,301	3,572	56	2,146	1,089	3,291
Unlisted securities	0	4	0	4	0	4	0	4
Bonds and other fixed-income securities	**3,198**	**22,226**	**14,041**	**39,465**	**2,909**	**21,805**	**13,346**	**38,060**
Listed securities[1]	1,027	10,147	7,692	18,866	787	9,499	6,406	16,692
Unlisted securities	2,171	12,079	6,349	20,599	2,122	12,306	6,940	21,368
Equities and other variable-income securities	**0**	**186**	**0**	**186**	**0**	**183**	**0**	**183**
Listed securities[1]	0	99	0	99	0	100	0	100
Unlisted securities	0	87	0	87	0	83	0	83
Total securities portfolio	**3,252**	**23,633**	**16,342**	**43,227**	**2,965**	**24,138**	**14,435**	**41,538**

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

h. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015
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	39,006	37,631
TOTAL	**39,006**	**37,631**
of which: listed subordinated bonds and other listed subordinated fixed-income securities	0	0

i. Transfers between portfolios

	From Held to Maturity to Available for Sale
Carrying amount of assets reclassified as at 1 October 2014	931
Carrying amount of assets reclassified as at 31 December 2014	900
Fair value of reclassified assets as at 31 December 2014	1,234
Premium/Discount as at 1 October 2014	(55)

(1) Valued at the 31 December 2015 exchange rate

j. Held-for-trading portfolio, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Mark-to-market gains	372	277

k. Available-for-sale and held-to-maturity portfolios, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Unrealised gains (redemption value higher than carrying amount)	1,299	1,404
Unrealised losses (redemption value lower than carrying amount)	2,794	2,660

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

Valuation of risk (in EUR million)	As at 31/12/2014	As at 31/12/2015
Gross non-performing loans under collection	166	186
Accumulated impairment	(94)	(48)
NET NON-PERFORMING LOANS UNDER COLLECTION	**72**	**138**

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 31/12/2014	**0**	**222**	**222**
Movements for the year:			
• acquisitions	0	4	4
• disposals and redemptions	0	(13)	(13)
• other movements	0	0	0
• translation adjustments	0	8	8
Cost as at 31/12/2015	**0**	**221**	**221**
Impairment as at 31/12/2014	**0**	**(36)**	**(36)**
Movements for the year:			
• charges	0	(1)	(1)
• recoveries	0	0	0
• other movements	0	0	0
• translation adjustments	0	(1)	(1)
Impairment as at 31/12/2015	**0**	**(38)**	**(38)**
NET CARRYING AMOUNT AS AT 31/12/2015	**0**	**183**	**183**

b. Transfers between portfolios (excluding insurance business)

No transfers were made between portfolios in 2015.

c. Unrealised gains and losses on variable income securities

(in EUR million)	Carrying amount as at 31/12/2015	Market value as at 31/12/2015	Net unrealised capital gain as at 31/12/2015
Securities	183	191	8

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
	4,431	**14**	**4,445**
Movements for the year:			
• acquisitions [(1)]	177	0	177
• disposals and redemptions[(2)]	0	(17)	(17)
• transfers	(18)	18	0
• translation adjustments[(3)]	6	0	6
• other movements	0	0	0
Cost as at 31/12/2015	**4,596**	**15**	**4,611**
Impairment As at 31/12/2014	**(3,262)**	**(7)**	**(3,269)**
Movements for the year:			
• charges	(52)	0	(52)
• recoveries[(2)]	0	13	13
• reversals	0	0	0
• transfers	13	(13)	0
• translation adjustments[(3)]	0	0	0
• other movements	0	0	0
Impairment as at 31/12/2015	**(3,301)**	**(7)**	**(3,308)**
NET CARRYING AMOUNT AS AT 31/12/2015	**1,295**	**8**	**1,303**

(1) The movement of EUR 177 million corresponds to the capital increase of Dexia Flobail (EUR 125 million), which was fully subscribed by Dexia Credit Local, and to the acquisition of shares of Dexia Sabadell (EUR 52 million).
(2) The movements of EUR -17 million and EUR 13 million correspond to the liquidation of Société d'Investissement Suisse Luxembourgeoise.
(3) The movements of EUR 18 million and EUR 13 million correspond to the deconsolidation of Société d'Investissement Suisse Luxembourgeoise and of Dexia Management Services.

c. Listing of securities

(in EUR million)	Net carrying amount as at 31/12/2015	Market value as at 31/12/2015	Unrealised capital gain as at 31/12/2015
Listed securities	0	0	0
Unlisted securities	1,303		
TOTAL	1,303		

d. Significant investments

(in EUR million)	Gross carrying amount as at 31/12/2015	Impairment as at 31/12/2015	Net carrying amount as at 31/12/2015
Listed securities	0	0	0

Unlisted securities	Gross carrying amount as at 31/12/2015	Impairment as at 31/12/2015	Net carrying amount as at 31/12/2015	% interest in capital	Interest in capital as at 31/12/2015	Last balance sheet date
TOTAL	4,611	(3,308)	1,303			
of which						
Dexia holdings inc.	2 283	(2,283)	0	100,00%	(106)	31/12/15
Dexia Kommunalbank Deutschland	793	0	793	100,00%	732	31/12/15
Dexia Crediop	581	(581)	0	70,00%	758	31/12/15
Dexia Sabadell, s.a.	435	(435)	0	100,00%	560	31/12/15
Dexia Flobail	197	0	197	100,00%	236	31/12/15
CBX IA 2	100	0	100	70,85%	100	31/12/15
Dexia Real Estate Capital Markets	58	0	58	100,00%	58	31/12/15
Dexia Israel bank ltd	56	0	56	65,31%	136	31/12/15
CBX IA 2	41	0	41	100,00%	1	31/12/15
Dexia Luxembourg (ex Dexia LDG Banque s.a)	20	0	20	100,00%	20	31/12/15
Dexia CLF Banque	20	0	20	100,00%	34	31/12/15
Dexia CLF régions bail	8	0	8	100,00%	25	31/12/15

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 31/12/2014	0	230	230
Movements of the year:			
• increases	0	20	20
• decreases	0	(114)	(114)
• other	0	2	2
• translation adjustments	0	0	0
GROSS CARRYING AMOUNT AS AT 31/12/2015	0	138	138
Amortisation and impairment as at 31/12/2014	**0**	**(212)**	**(212)**
Movements of the year:			
• charges	0	(9)	(9)
• recoveries	0	107	107
• other	0	(2)	(2)
• translation adjustments	0	0	0
Amortisation and impairment as at 31/12/2015	**0**	**(116)**	**(116)**
NET CARRYING AMOUNT AS AT 31/12/2015	0	22	22

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 31/12/2014	0	6	39	1	46
Movements o the year:					
• increases	0	0	1	0	1
• decreases	0	0	(22)	(1)	(23)
• other	0	0	0	0	0
• translation adjustments	0	1	1	0	2
COST AS AT 31/12/2015	0	7	19	0	26
REALISED GAINS AS AT 31/12/2015	0	0	0	0	0
AMORTISATION AND IMPAIRMENT AS AT 31/12/2014	0	(5)	(36)	0	(41)
Movements for the year:					
• charges	0	0	(1)	0	(1)
• recoveries	0	0	22	0	22
• other	0	0	0	0	0
• translation adjustments	0	(1)	(1)	0	(2)
AMORTISATION AND IMPAIRMENT AS AT 31/12/2015	0	(6)	(16)	0	(22)
NET CARRYING AMOUNT AS AT 31/12/2015	0	1	3	0	4

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

Detailed analysis of other assets and accruals

(in EUR million)	As at 31/12/2014	As at 31/12/2015
OTHER ASSETS		
Premiums paid on swaptions issued	21	23
Premiums paid on options	6	6
Guarantee deposits paid(1)	26,971	27,186
Tax receivables	0	1
Deferred tax assets	4	71
Other non-current financial assets	0	0
Other	221	252
TOTAL OTHER ASSETS	27,223	27,539

(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 31/12/2014	As at 31/12/2015
ACCRUALS		
Premiums and deferred charges on borrowings	33	36
Premiums on loans and other deferred charges on loans	41	32
Premiums and deferred charges on hedging transactions	1,039	1,118
Premiums and deferred charges on trading transactions	1,155	1,404
Accrued income on hedging transactions	639	660
Accrued income on trading transactions	7,056	5,998
Unrealised translation losses	791	381
Other accrued income	470	251
TOTAL ACCRUALS	11,224	9,880

2.11. Analysis of assets by currency

Classification by original currency

(in EUR million)	As at 31/12/2015
In EUR	81,553
In other EU currencies	16,199
In all other currencies	40,603
TOTAL ASSETS	138,355

3. Notes to the liabilities and equity

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

a. Accrued interest

(in EUR million)	62

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits[1]	8,822	6,722	6,722	0	0	0
Term deposits	39,642	46,578	29,324	6,334	7,221	3,699
TOTAL	**48,464**	**53,300**	**36,046**	**6,334**	**7,221**	**3,699**

(1) Funding from central banks came to EUR 4,5 billion as at 31 December 2015 (EUR 6,9 billion the previous year)

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

a. Accrued interest

(in EUR million)	0

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2014	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	0	0	0	0	0
Term deposits	99	103	102	0	0	1
TOTAL	**100**	**103**	**102**	**0**	**0**	**1**

c. Analysis by type of issuer, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Public sector	0	0
Other sectors	100	103
TOTAL	**100**	**103**

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

a. Accrued interest

(in EUR million)	190

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2014	As at 31/12/2015	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities	70,294	55,395	11,974	17,435	18,495	7,491
Debt securities	8,733	10,199	750	2,304	6,106	1,039
TOTAL	**79,027**	**65,594**	**12,724**	**19,739**	**24,601**	**8,530**

As at 31 December 2015, Dexia Credit Local's issues are covered by the State guarantee mechanism for EUR 61 billion. 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 55 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 31/12/2014	**70,294**	**8,109**	**624**	**79,027**
Movements for the year				
• new issues	32,421	1,999	664	35,084
• redemptions	(48,532)	(2,058)	(682)	(51,272)
• translation adjustments	1,212	1,170	68	2,450
• other	0	305	0	305
AS AT 31/12/2015	**55,395**	**9,525**	**674**	**65,594**

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 31/12/2014	As at 31/12/2015
OTHER LIABILITIES		
Guarantee deposits received[1]	4,600	4,180
Premiums on options sold	5	5
Other creditors	82	136
TOTAL OTHER LIABILITIES	**4,687**	**4,321**
ACCRUALS		
Deferred income on loans	61	50
Discounts recognised on purchase of receivables	0	1
Deferred income on hedging transactions	1,835	1,690
Deferred income on trading transactions	1,278	1,204
Deferred gains on hedging contracts	30	33
Accrued charges on hedging transactions	1,277	1,167
Accrued charges on trading transactions	7,241	6,168
Unrealised translation gains	178	208
Other deferred income	8	25
Other accrued charges	54	72
Other accrued liabilities	810	908
TOTAL ACCRUALS	**12,772**	**11,526**

(1) Evolution of cash collateral received

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

(in EUR million)	As at 31/12/2014	Charges	Recoveries	Transfers	Translation adjustments	As at 31/12/2015
PROVISIONS FOR RISKS AND CHARGES	**1,670**	**334**	**(413)**	**0**	**137**	**1,728**
• pensions and similar commitments[1]	3	1	0	0	0	4
• financing commitments	115	9	(48)	0	1	77
• other financial instruments[2]	1,331	324	(306)	0	136	1,485
• other risks and charges[3]	221	0	(59)	0	0	162
PROVISIONS FOR DEFERRED TAXES[4]	**1**	**0**	**0**	**65**	**0**	**66**
REGULATED PROVISIONS	**11**	**0**	**(7)**	**0**	**0**	**4**
• provisions for medium- and long-term loans	0	0	0	0	0	0
• provisions for accelerated tax depreciation	11	0	(7)	0	0	4
• provisions for investments	0	0	0	0	0	0
TOTAL	**1,682**	**334**	**(420)**	**65**	**137**	**1,798**

(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 2015 primarily include a provision relating to the loan desensitisation activity for EUR 136 million.
(4) The amount of EUR 65 million corresponds to a presentation adjustment of 2014. The balance at the end of 2015 represents the deferred tax liability as at 31/12/2015.

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 31/12/2014	**434**
Movements for the year:	
• new issues	0
• redemptions	0
• translation adjustments	0
• other movements	0
AS AT 31/12/2015	**434**

c. Details of individual subordinated borrowings

Currency	Maturity	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	2/12/2019	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
			b) Repayment at per value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	From 12/02/2014
			c) No conversion	Euribor 3M + 0,72
EUR	7/9/2017	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	Euribor 3M + 0,15
			b) Repayment at per value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	From 09/07/2012, EURIBOR 3M + 0,65
			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
			b) Repayment at per value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	from 2015
			c) No conversion	EURIBOR 3M + 1,73
EUR	10/29/2018	20	a) Early repayment possible at each due date for interest payments with effect from 02/07/2013 after approval by the French Prudential Control Authority	EURIBOR 3M + 0,15
			b) Repayment at per value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	From 02/07/2013, EURIBOR 3M + 0,5
			c) No conversion	

3.7. Equity

Detailed analysis of equity

(in EUR million)	Amount
As at 31/12/2014	
Capital stock	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	(747)
Interim dividends	0
EQUITY AS AT 31/12/2014	**1,085**
Movements for the year:	
Additional paid-in capital	0
Commitments to increase capital stock and additional paid-in capital	0
Reserves and retained earnings(1)	747
Legal reserve	0
Non-distributable reserve	0
Translation adjustments	(119)
Dividends paid (-)	0
Net loss for the year	60
Other movements	0
As at 31/12/2015	
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 31/12/2015	**1,085**

(1) The ordinary sharelholders' meeting on 19 may 2015 resolved to allocate the EUR 747 million loss for 2014 to retained earnings, bringing the latter to EUR 878 million.
(2) A proposal was submitted to the ordinary shareholders' meeting to allocate the net profit for the year to retained earnings.

3.8. Analysis of liabilities and equity by currency

Classification by currency of origin (in EUR million)	As at 31/12/2015
In EUR	96,653
In other EU currencies	16,199
In all other currencies	25,503
TOTAL LIABILITIES AND EQUITY	**138,355**

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	55,840	10,588
	Items V, VI and VII	Securities held	39,546	411
	Items XIII and XIV	Other assets and accruals	37,419	516
Liabilities	Items I and II	Interbank borrowings and deposits and customer deposits	53,465	3,083
	Items III	Debt securities	65,784	317
	Items VIII	Subordinated debt	435	0
	Items IV and V	Other liabilities and accruals	15,848	3,383

(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 2015.

Analysis by type of beneficiary

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Commitments to credit institutions	1,777	1,227
Commitments to customers	8,009	3,221
Currencies lent but not yet delivered	283	0
TOTAL	**10,069**	**4,448**

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

a. Analysis by type of beneficiary

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Commitments to credit institutions	34,634	33,594
Commitments to customers	4,432	4,081
TOTAL	**39,066**	**37,675**

b. Analysis by type of transaction

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Guarantee commitments given		
• guarantees	39,066	37,675
• endorsements	0	0
• liens on assets	0	0
TOTAL	**39,066**	**37,675**

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 31/12/2014[1]	As at 31/12/2015[1]
As collateral for debts and commitments of the Company	0	0
Balance sheet liabilities	0	0
Off-balance sheet items	44,019	36,529
TOTAL	**44,019**	**36,529**

(1) Carrying amount of the assets pledged..

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 31/12/2014	As at 31/12/2015
Financing commitments received from credit institutions	6,204	1,718
Currencies borrowed but not yet received	272	413
Guarantees received from credit institutions	2,842	2,699
Guarantees received from local authorities or claims on local authorities acquired as guarantees	7,871	4,928
Other commitments received	11,231	11,864
TOTAL	**28,420**	**21,622**

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

a. Analysis by type of transaction

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Purchases		
• spot	0	0
• forward	33	17
Sales		
• spot	0	0
• forward	33	17
TOTAL	**66**	**34**

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 26 billion and the line "Foreign currencies to be delivered" to EUR 26 billion as at 31 December 2015.

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 31/12/2014	As at 31/12/2015	Hedging		*Trading*		Fair value As at 31/12/2015
			Micro-hedging	Macro-hedging	Isolated open position	Specialised trading portfolio management	
Foreign currency instruments[1]	35,405	25,868	10,383	7,460	1,809	6,216	(89)
• forward currency purchases and sales	16,130	6,586	0	5,544	1,042	0	
• currency and interest rate swaps	19,275	19,282	10,383	1,916	767	6,216	(89)
• currency futures	0	0	0	0	0	0	
• currency options	0	0	0	0	0	0	
• forward currency agreements	0	0	0	0	0	0	0
Other financial instruments	292,483	262,960	68,391	86,335	1,587	106,647	(16,052)
Interest rate instruments[2]							
• interest rate swaps	284,681	255,964	64 612	86,235	52	105,066	(16,609)
• futures	200	79	0	0	0	79	
• forward rate agreements	100	150	0	100	50	0	
• interest rate options	2,129	2,407	815	0	90	1,502	(1)
Other forward purchases and sales[3]							
• other options	5,373	4,360	2,964	0	1,395	0	558
• other futures	0	0	0	0	0	0	
• other forward purchases and sales	0	0	0	0	0	0	
		0	0	0	0	0	
TOTAL	**327,888**	**288,828**	**78,774**	**93,795**	**3,396**	**112,863**	**(16,141)**

(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 31/12/2015
Foreign currency instruments	25,868	0	25,868
Other financial instruments			
• interest rate instruments	255,350	3,250	258,600
• other forward purchases and sales	4,360	0	4,360
TOTAL	**285,578**	**3,250**	**288,828**

c. Analysis of forward contracts and options

Type of transaction (in EUR million)	Forward contracts	Options	Total as at 31/12/2015
Foreign currency instruments	25,868	0	25,868
Other financial instruments			
• interest rate instruments	258,600	0	258,600
• other forward purchases and sales	3,196	1,164	4,360
TOTAL	**287,664**	**1,164**	**288,828**

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 31/12/2015
Foreign currency instruments	8,144	6,887	10,837	25,868
Other financial instruments	0	0	0	0
• interest rate instruments	91,369	101,971	65,260	258,600
• other forward purchases and sales	583	145	3 632	4,360
TOTAL	**100,096**	**109,003**	**79,729**	**288,828**

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	4,448	2,026
	Item II	Guarantee commitments given	37,675	10,586
	Item IV	Financing commitments received	2,131	32
	Item V	Guarantee commitments received	19,491	0
	Items III, VI, VII and VIII	Other commitments given and received	351,853	709

(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 31/12/2014	As at 31/12/2015
INTEREST INCOME ON:			
Interbank loans	(a)	297	181
Customer loans and advances	(b)	864	924
Bonds and other fixed-income securities	(c)	1,060	1,067
Macro hedging transactions	(d)	866	724
TOTAL INTEREST INCOME		**3,087**	**2,896**
INTEREST EXPENSE ON:			
Interbank borrowings and deposits	(a)	(492)	(478)
Customer deposits	(b)	(123)	(206)
Bonds and other fixed-income securities	(c)	(831)	(604)
Macro hedging transactions	(d)	(1,326)	(1,157)
TOTAL INTEREST EXPENSE		**(2,772)**	**(2,445)**
NET INTEREST EXPENSE		**315**	**451**

a. Interest income and expense on interbank transactions

This item includes EUR -121 million on transactions with related parties.
It also includes an expense relating to the sovereign guarantee amounting to EUR 34 million in 2015 (EUR 54 million in 2014).

b. Interest income and expense on customer transactions

Interest income and expense on customer loans and deposits represented a net amount of EUR 718 million.
It also includes EUR 55 million in income from financing commitments and guarantees.

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

The heading includes EUR 1,067 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 604 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 expense on macro-hedging transactions

Income and expense on macro-hedging transactions amounted to EUR 724 million and EUR 1,157 million respectively.

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

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Related parties	0	0
Other related parties and long-term investments	0	1
Equities and other variable-income securities	2	1
TOTAL	2	2

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 31/12/2014	As at 31/12/2015
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 31/12/2014	As at 31/12/2015
Loans	0	0
Corporate actions	(15)	(3)
Other financial services	(7)	(6)
TOTAL	(22)	(9)

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

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Gains (losses) on:		
• held-for-trading securities	48	91
• foreign currency transactions	(49)	(100)
• other financial instruments	(74)	(169)
Sub-total	**(75)**	**(178)**
• available-for-sale and similar securities(1)	(685)	(75)
Sub-total	**(685)**	**(75)**
• Held-to-maturity securities	0	120
Sub-total	**0**	**120**
TOTAL	(760)	(133)

(1) Dexia Crédit Local included in 2015 the funding value adjustment on uncollateralized derivatives (EUR -84 million).

(2) This line includes gains and losses on disposal and charges of 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 31/12/2014	As at 31/12/2015
• charges to impairment	(1,844)	(1,643)
• recoveries of impairment	1,009	1,433
Sub-total	**(835)**	**(210)**
• disposal losses	(16)	(59)
• disposal gains	166	194
Sub-total	**150**	**135**
TOTAL	**(685)**	**(75)**

5.5. General operating expenses (item IX – income statement)

a. Detailed analysis

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Personnel costs	**(104)**	**(123)**
• salaries and wages	(83)	(84)
• social security	(41)	(37)
• restructuring cost[1]	20	(2)
Other administrative expenses	**(155)**	**(173)**
• taxes and duties	(23)	(65)
• other administrative expenses	(132)	(108)
TOTAL	**(259)**	**(296)**

(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	**805**	**793**
• executive management	51	50
• other management	593	590
• administrative personnel	161	153
Personnel costs (in EUR million)	**(122)**	**(117)**
• salaries and direct benefits	(81)	(80)
• payroll taxes	(25)	(25)
• other personnel costs	(16)	(12)
Provisions for pensions (in EUR million)	**(2)**	**(4)**
• charges (+)	(4)	(7)
• recoveries (-)	2	3
TOTAL	**(124)**	**(121)**

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

(in EUR million)	Charges and losses	Reversals and recoveries	Total As at 31/12/2015
Provisions for impairment and losses on loans	(174)	126	(48)
Provisions for risks	(16)	57	41
Regulatory provisions	0	0	0
TOTAL	**(190)**	**183**	**(7)**

The cost of risk came out at EUR -7 million in 2015 and essentially comprised:
- a EUR - 31 million specific provision on customer loans,
- a reversal of provision for risks relating to the loan desensitisation activity for EUR +14 million
- a reversal of provision on bonds activity for EUR + 6 million
- a EUR +4 million net gain regarding the Dexia Mexico debt waiver.

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

a. Detailed analysis

(in EUR million)	As at 31/12/2014		Total as at 31/12/2014	As at 31/12/2015		Total as at 31/12/2015
	Affiliated entreprises	Others		Affiliated entreprises	Others	
Charges to impairment(1)	0	0	0	(52)	0	(52)
Recoveries of impairment(2)	17	4	21	0	13	13
SUB-TOTAL	**17**	**4**	**21**	**(52)**	**13**	**(39)**
Disposal losses(2)	(16)	(4)	(20)	0	(13)	(13)
Disposal gains(3)	0	7	7	103	1	104
SUB-TOTAL	**(16)**	**3**	**(13)**	**103**	**(12)**	**91**
TOTAL	**1**	**7**	**8**	**51**	**1**	**52**

(1) The amount of EUR 52 million corresponds to the arbitration procedure with Dexia Sabadell minority interests.
(2) The amount of EUR 13 million corresponds to the reversal of provision following SISL liquidation.
(3) Realized gain of EUR 103 million linked to a partial equity repayment of Dexia Luxembourg (ex Dexia LDG Banque S.A.).

b. Analysis by type

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Investments in associates	7	1
Investments in related parties	1	51
TOTAL	**8**	**52**

5.8. Other banking income and expenses

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

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Other banking income	1	1
Other miscellaneous income	0	0
TOTAL	**1**	**1**

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

(in EUR million)	As at 31/12/2014	As at 31/12/2015
Other banking expenses	0	0
Other miscellaneous expenses	(1)	0
TOTAL	**(1)**	**0**

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

(in EUR million)	As at 31/12/2014	As at 31/12/2015
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 31/12/2015
Corporate income tax	(4)	0
Deferred taxes	1	1
Other	0	0
TOTAL	**(3)**	**1**

In 2015, 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 31/12/2014	As at 31/12/2015
REGULATORY PROVISIONS	**0**	**0**
Provision for medium- and long-term loans	0	0
Provision for investments	0	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)	
REMUNERATION 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

Analysis by geographical region

	As at 31/12/2015		
(in EUR million)	Net banking income (loss)	Gross operating income (loss)	Net income (loss)
France	148	(102)	(70)
Foreign branches	166	116	130
TOTAL	**314**	**14**	**60**

6. Subsidiaries and equity investments as at 31 December 2015

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	120 000 000	439,661,174	14,089,000	(28,804)
Dexia Crediop Via Venti settembre N. 30 - I00187 Roma	450,210,000	657,237,000	62,285,000	(24,055,000)
Dexia Holdings Inc.* 445 Park Avenue, 7th floor, NY 10022 New York	2,421,969,286	(2,559,317,940)	32,473,443	31,631,246
Dexia Kommunalbank Deutschland AG Charlottenstr. 82 - D - 10969 Berlin	432,500,000	399,387,182	78,164,502	(99,474,563)
Dexia Crédito Local Mexico SA de CV Protasio Tagle 104 - Colonia San Miguel Chapultepec - CP 11850 Deleg. Miguel Hidalgo - Mexico D.F.	0	(1,156,871)	596,563	1,156,871
Dexia Israël Bank Ltd 19 Ha'arbaa Str, Hatichon Tower - Tel Aviv 64739	41,521,350	152,559,148	26,557,640	13,856,160
CBX. IA 1 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	1,506,672	(188,439)	0	(9,548)
CBX. IA 2 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	141,140,624	(4,042,525)	17,185,874	3,523,107
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	197,100,166	38,073,337(1)	(2,020,868)	849,659
Dexia CLF Banque 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	27,041,797	1,333,899	(298,006)
Dexia CLF Regions Bail Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	15,035,214	3,640,008	2,048,466
Dexia LDG Banque S.A.* (Dexia Luxembourg as at 1st of July 2015) 69, route d'ESCH - L-2953 Luxembourg	31,000	4,003,100	18,001,071	15,685,660
Dexia Real Estate Capital Markets 1180 NW Maple St., Suite 202 - Issaquah, WA 98027 - USA	18,347,874	28,225,938	1,783,877	11,095,233
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				

(1) This amount includes regulatory provisions for EUR 212,5 million.
** 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				
100,00%	434,827,201	0	0	4,854,212,476	4,022,462,979	Bank, credit institution
70,00%	581,223,585	0	0	4,497,953,789	5,100,000,000	Bank, credit institution
100,00%	2,283,076,144	1	0	192,651,713	0	Holding company
100,00%	793,339,375	793,339,375	0	60,000,061	1,000,000,000	Bank, credit institution
100,00%	2,490,451	0	0	0	0	Bank, credit institution
65,31%	56,002,387	56,002,387	0	105,040,532	130,704,410	Bank, credit institution
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%	197,111,054	197,111,054	0	474,686,771	1,197,907,328	Lease financing of local investments
100,00%	19,738,631	19,738,631	0	15,000,814	112,774,151	Bank, credit institution
100,00%	7,941,401	7,941,401	0	445,332,203	125,443,010	Real estate leasing
100,00%	20,000,001	20,000,001	0	0	0	Bank, credit institution
100,00%	58,460,090	58,460,090	0	0	0	Other operator in the financial sector
	4,982,062	3,843,962	0	285,477,607	2,643,650	
	2,915,923	2,623,292	374,968	0	0	
	10,015,215	5,098,307	309,214	450,592,998	13,928,856	
	0	0	0	0	0	

Statutory Auditors' report on the financial statements

For the year ended 31 December 2015

To the shareholders,

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, 2015, 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, 2015 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 verification

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, March 29, 2016

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 legisla-tive 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 pre-scribed by law) plus any retained earnings, is available for distribution to shareholders. The shareholders' meeting determines the fraction of income available for distribution to be paid out to shareholders in the form of dividends, based on the recommendations of the Board of Directors. The balance of income available for distribution, if any, is allocated either to retained earnings or to one or more reserves, by resolution of the Shareholders' Meeting, which also approves the use to be made of said reserves. The shareholders' meeting may also resolve to pay dividends out of distributable reserves; in this case, the related resolution must clearly indicate from which reserves the dividends are to be taken. Insofar as possible, dividends are, however, taken first from distributable income for the period. The terms and conditions for payment of dividends are set by the share-holders' meeting or, failing that, by the Board of Directors, but dividends must be paid within nine months of the fiscal year-end, unless this period is extended by order of the President of the French Commercial Court ruling on an application by the Board of Directors. Notwithstanding the foregoing, and in the cases provided for by applicable legislation, the Board of Directors is 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 above-mentioned paragraph have been fully complied with in respect of the total dividend (including any interim dividend).
Shareholders' meetings	**Notice of shareholders' meetings** Shareholders' meetings are called in accordance with applicable regulations. They are conducted at the Company's registered office or any other location mentioned in the 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 consult-ed at its registered office. Please address any requests to: Karel De Boeck, Chief Executive Officer 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 ef-fective 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 im-plementation 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. After significant efforts made in 2013 and 2014 on disposing of its main commercial activities, splitting large sections of its activities and restoring diversity in its funding sources, in 2015 Dexia actively continued to simplify its structure. Major projects were commenced to reshape and to optimise the operating model, in particular the externalisation of some middle and back office tasks as well as the technical infrastructure relating to market operations, and the simplification of structures in Spain and Portugal.
Trends	Subject to the risks and contingencies identified in the present Reference Docu-ment, 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.

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 registra-tion 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 applica-ble accounting stand-ards 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 uncertain-ties 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 160 and 198 of this registration document, as well as those included by reference for fiscal years 2013 and 2014, respectively on pages 169 and 208 of the 2013 registration document and pages 177 and 214 of the 2014 registration document.

The Statutory Auditors' reports on the parent company and consolidated financial statements for 2013 and 2014 contain some remarks.

For fiscal year 2015, without qualifying their opinion, the Statutory Auditors drew attention to the matter set out in (i) note 1 (§1.1.1.1) to the consoli-dated financial statements which stipulates that the consolidated financial statements of Dexia Crédit Local have been prepared on a going concern basis and in (ii) note 1 (§1.1.2.1) to the consolidated financial statements relating to the first application of the IFRIC 21 interpreation "Levies".

La Défense, 27 April 2016

Karel De Boeck
Chief Executive Officer

Cross-reference table

Headings in the schedule in note XI of article 14 of Commission regulation (EC) n° 809/2004

		Pages
11.1	Historical financial data	2013* and 2014** registration documents
11.2	Financial reports	
	Consolidated financial statements	13 to 15 / 86 to 159
	Annual financial statements	15 to 17 / 164 to 197
11.3	Audit of the annual historical financial data	
11.3.1	Statutory Auditors' report on the consolidated financial statements Statutory Auditors' report on the annual financial statements	160 198
11.3.2	Other information in the registration document verified by the Statutory Auditors	2 to 50 / 62 to 75 /
11.3.3	Financial data in the registration document not taken from the audited financial statements	NA
11.4	Date of the most recent financial information	
11.4.1	Last fiscal year for which the financial data were audited	2015
11.5	Interim financial data	
11.5.1	Quarterly and six-month data Audit of interim financial data	NA NA
11.6	Legal and arbitration proceedings	28 to 30 / 204
11.7	Material changes in financial position	9 to 12 / 204
12.	Major contracts	204
13.	Information from third parties, declarations of specialists and declarations of interests	NA
14.	Documents available to the public	
	Place where documents may be consulted during the period of validity of the registration documents	203

**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 2013 registration document (filed on 28 April 2014 with the French Financial Markets Authority under D.14-0422).*

***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 2014 and the Statutory Auditors' reports on the consolidated and annual financial statements for that period, presented respectively on pages 177 and 216 of the 2014 registration document (filed on 28 April 2015 with the French Financial Markets Authority under D. 15-0420).*

Dexia Crédit Local's registration document 2015 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.

Dexia Crédit Local
1, passerelle des Reflets
Tour Dexia - La Défense 2
92913 La Défense Cedex, France
Tel: +33 1 58 58 77 77
Fax: +33 1 58 58 70 00
www.dexia-creditlocal.fr

French public limited company (société anonyme) with capital of EUR 223,657,776
Nanterre trade register 351 804 042
VAT: FR 49 351 804 042

DEXIA
CRÉDIT
LOCAL
DCL