2015

Annual report

DEXIA

Annual report 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 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 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 repaid the last outstanding of guaranteed debt subscribed by Belfius, taking the redemptions made to that counterparty to a total of EUR 56 billion. Dexia 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 the Group'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 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.

Finally, in contrast to other financial institutions managed in run-off, Dexia 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.

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

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 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, the Group 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 Dexia. 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 the Group 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 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 the Group'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

Group profile

A Group in orderly resolution

Dexia[1] is a European banking group managed under an orderly resolution plan since the end of 2011. The Belgian and French States own 94.4% of the Group since the end of 2012 when they made a EUR 5.5 billion capital injection.

Dexia's orderly resolution plan, which was approved by the European Commission in December 2012, aims to avoid the Group's bankruptcy and liquidation which, given the Group's residual size, could be destabilising to the entire European banking sector.

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. The Group's parent company, Dexia, is a public limited company (société anonyme) and financial company governed by Belgian law whose shares are listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange.

Dexia no longer has any commercial activities and its residual assets are being managed in run-off. The Group'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.

At 31 December 2015, the Group's asset portfolio consisted of 88% investment grade assets. It reflects Dexia Crédit Local's former status as a leader in the local public and project finance sectors, with a primary focus on local public entities in Europe and the United States and, to a lesser extent, European sovereigns and project finance. The remaining assets in Dexia's portfolio were primarily booked between 2006 and 2008 and carry relatively low margins. Since the portfolio is hedged against rate movements, the sale of assets may require the unwinding of the hedges which could prove to be expensive.

At the end of 2015, the Group's balance sheet totalled EUR 230 billion and off-balance-sheet commitments stood at EUR 371 billion. The Group's resolution will need to be managed over the long term in order to protect Dexia's capital base. It will rely on an opportunistic asset sale strategy, aimed at reducing concentration risk of credit exposures. As such, the orderly resolution plan provides for the gradual reduction of assets to around EUR 91 billion by 2020.

The Group 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 15.9%.

Dexia Crédit Local is the Group's main operating entity and benefits from a funding guarantee, up to a maximum amount of EUR 85 billion, provided by the States of Belgium, France and Luxembourg, to allow for the execution of the orderly resolution plan. Dexia Crédit Local is based in France, where it holds a banking licence, with branches in Ireland and the United States and subsidiaries in Germany, Spain, Italy, the United Kingdom and Israel. Dexia Sabadell, Dexia Crédit Local's Spanish subsidiary, also has a branch in Portugal. These entities also hold local banking licences.

The governance of 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.

After completing the sale of all the commercial franchises required under the Group's orderly resolution plan at the beginning of 2014, Dexia is now solely focused on managing its legacy assets while protecting the interests of the Group's State shareholders and guarantors. To meet this objective, the Group has established three main goals which form the core of the Group's "Company Project":

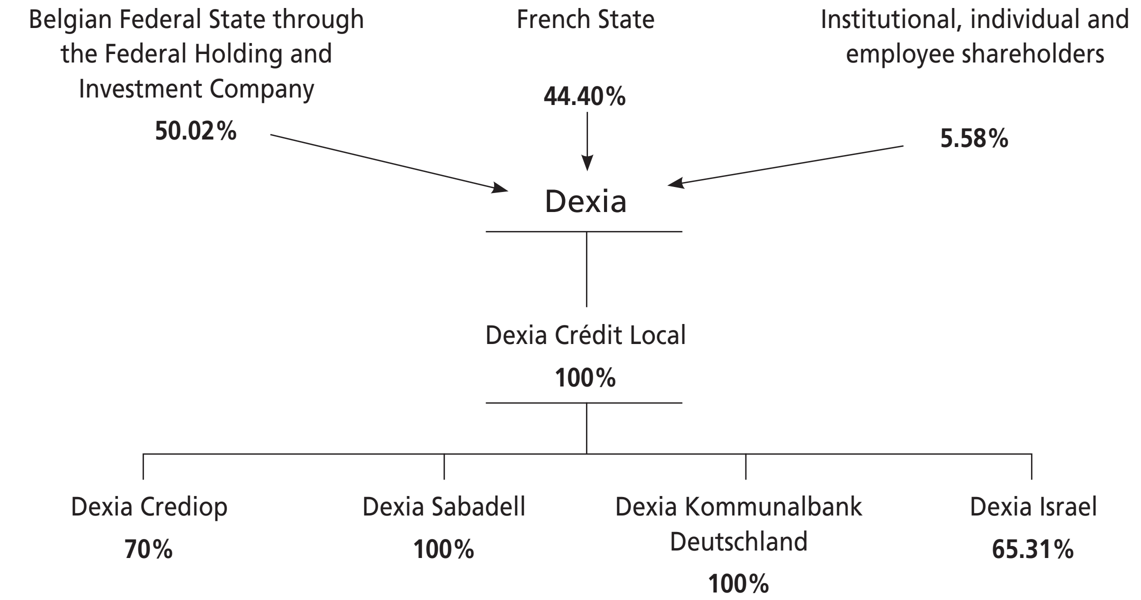
- Maintain the ability to refinance its balance sheet throughout its resolution plan;
- Preserve its capital base in order to comply with regulatory ratios;
- Ensure operational continuity by retaining the necessary expertise and resources and developing appropriate information systems.

(1) Throughout this annual report, Dexia refers to Dexia SA/NV and Dexia Crédit Local refers to Dexia Crédit Local S.A.

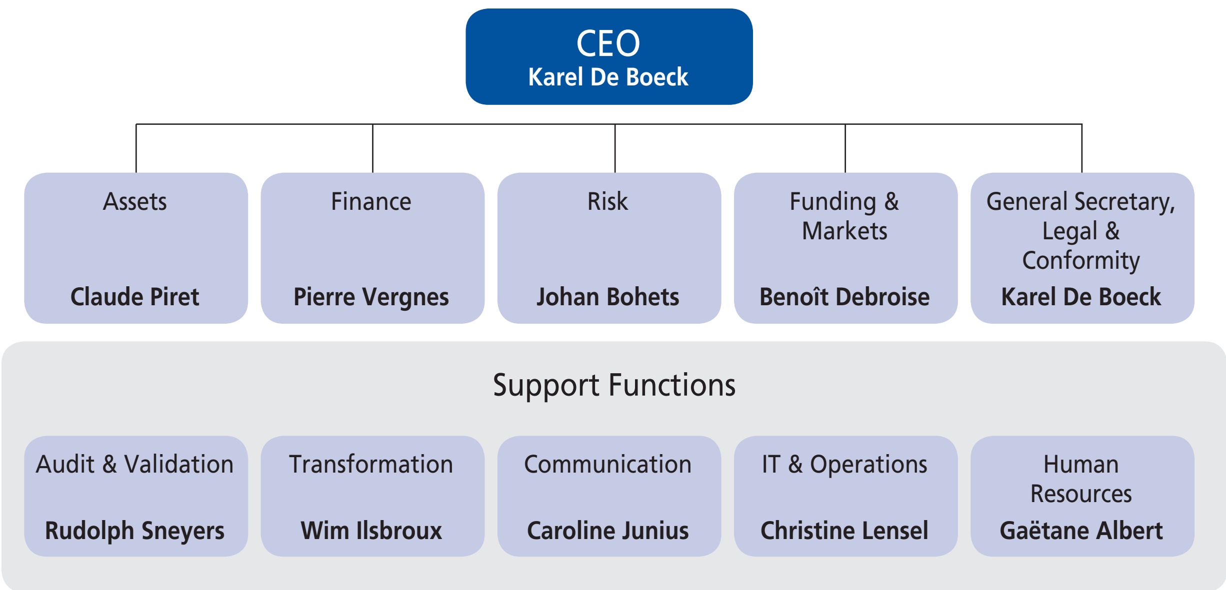
(2) Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014.

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

Simplified structure

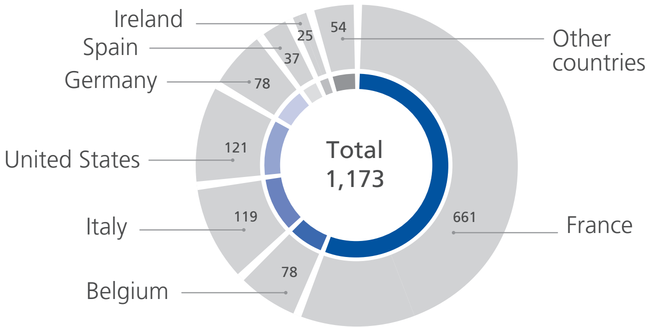


Organisational chart



Key figures

MEMBERS OF STAFF AS AT 31 DECEMBER 2015



RESULTS (in EUR million)	2013	2014	2015
Net banking income	(474)	(247)	834
Costs	(401)	(381)	(470) [1]
Gross operating income	(875)	(629)	364
Cost of risk	(185)	(62)	(174) [2]
Net income Group share	(1,083)	(606)	163

(1) Including EUR -127 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	222.9	247.1	230.3

SOLVENCY (in EUR million)	01/01/2014	31/12/2015
Common equity Tier 1	8,754	8,180 [1]
Risk-weighted assets	53,377	51,414
Common equity Tier 1 ratio	16.4%	15.9% [1]

(1) Including the net profit for the year.

RATINGS AS AT 17 MARCH 2016	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	BBB+	Stable	F2
Moody's	Baa3	Stable	P-3
Moody's - Counterparty Risk (CR) Assessment	*Baa3(cr)*		*P-3(cr)*
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA	-	F1+
Moody's	(P)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 actively continued to implement its 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 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 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 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 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 Group funding in 2015 is provided in the chapter "Information on capital and liquidity" of this annual report.

(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 continued in its policy of opportunist asset disposals, aiming to reduce the credit risk of its asset portfolios, whilst easing the pressures on the Group's 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, 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, the Group'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 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 SA's permanent establishment in Luxembourg was also closed. Dexia SA, the Group's holding company, now only has a permanent establishment based in Paris.

Both Dexia Nederland and Dexia Luxembourg, previously Dexia LdG Banque and the covered bond issuer for the Dexia Group in Luxembourg, abandoned their banking licences. Dexia Luxembourg 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 has 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. The resulting proportionate use of supervisory powers notably assumes that Dexia'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 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 by the Group in terms of reducing its liquidity risk, the financial characteristics of Dexia since its entry into resolution do not allow it 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, the Dexia 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 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, the Dexia Group 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.
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. In addition to maintaining a high level of service, outsourcing these activities would enable Dexia to adjust its costs, particularly by avoiding significant investments in IT systems and any threshold effects associated with the gradual reduction of the Group's balance sheet.
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. 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 Group staff representative bodies. Dexia 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 the Group has undertaken an information/consultation process with those bodies, maintaining constructive dialogue.

b – Centralisation of operations

In 2015 Dexia finalised the integration of Dexia Management Services (DMS), a subsidiary of Dexia Crédit Local in the United Kingdom. Dexia 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 operations in Spain and Portugal. Although already limited in those two countries, at present Dexia operates two legal entities there: Dexia Sabadell S.A., subsidiary of Dexia Crédit Local 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 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's results for 2015 were impacted by EUR -127 million of various levies and contributions.
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 booked, via its subsidiary Dexia Crediop, an exceptional contribution of EUR -31 million for Italian banks.

(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.

(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 since 1 January 2015.

Developments with credit risk and the risk associated with structured loans

a – Credit risk

At the end of 2015, the Dexia Group 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 asset portfolio which materialised in the first quarter of 2015 with Heta Asset Resolution AG.

The situation of the Commonwealth of Porto Rico, which is facing major financial difficulties, limiting its ability to honour its financial obligations, was also a matter of attention for Dexia.

Against an economic background still marked by severe uncertainty, Dexia 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 annual report.

(1) IFRIC: International Financial Reporting Interpretations Committee.

b – Risk associated with structured loans

In 2015, Dexia 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 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 teams have approached all potential beneficiaries in order to help them start their application.

More detailed information on Dexia's sensitive structured loans is provided in the chapter "Risk management" of this annual report.

Financial results

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

Going concern

The consolidated financial statements of Dexia SA 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 the Group's ability to raise secured funding.

In this respect, the Group's 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. The Group 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 proctecting 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 since its entry in resolution do not allow it to ensure compliance with certain regulatory ratios over the whole resolution period. 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 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. The Group'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.

Analytical segmentation

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

In line with the Group's profile, Dexia'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's structure no longer consisting of homogenous operating units with their own decision-taking power in terms of

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

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 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.

In addition, in calculating its regulatory capital, Dexia 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 the Group's Common Equity Tier 1 capital as at 31 December 2015.

Income statement presentation

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

• Recurring elements related to the carry of assets, such as portfolio income, funding costs, operating charges and cost of risk and taxes;

• Accounting volatility elements associated with asset and liability fair value adjustments in particular including the impacts of the IFRS 13 accounting standard (CVA, DVA, FVA) and the valuation of OTC derivatives, the own credit risk (OCR), the variation of the WISE portfolio (synthetic securitization of a portfolio of enhanced bonds);

• Non-recurring elements: elements of an exceptional nature, not liable to be regularly reproduced, in particular gains and losses on asset disposals, costs and gains associated with litigation, restructuring costs.

Analysis of the consolidated income statement

In 2015 the Dexia posted a net income Group share of EUR 163 million.

Over the year, net banking income reached EUR 834 million, mainly including EUR 516 million related to the impact of the valuation of derivatives on the basis of an OIS curve, the calculation of the CVA, the DVA and the FVA, as well as own credit risk.

Costs were EUR -470 million including EUR -127 million in various levies and contributions. Excluding the impact of these levies and contributions, operating expenditure was tightly controlled.

Gross operating income reached EUR 364 million over the year.

The cost of risk and net gains and losses on other assets were EUR -159 million, including EUR -174 million for the cost of risk. It mainly includes impairments for the Group'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.

Considering these elements, pre-tax income totalled EUR 205 million.

Over the year, income tax amounted to EUR -19 million.

The net result from discontinued operations[(1)] was EUR -17 million, corresponding to the provisioning of a risk related to potential guarantee calls following the disposal by the Group of international entities.

The net income attributable to minority interests was EUR 6 million leading to a net income Group share for 2015 of EUR 163 million.

(1) The standard IFRS 5 "Non-current assets held for sale and discontinued operations" specifies that adjustments in the current period to amounts previously presented in discontinued operations and directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations.

CONSOLIDATED INCOME STATEMENT - ANC FORMAT

(in EUR million)	2014	2015
Net banking income	**(247)**	**834**
Operating expenses	(381)	(470)
Gross operating income	**(629)**	**364**
Cost of risk and net gains or losses on other assets	(63)	(159)
Pre-tax income	**(691)**	**205**
Income tax	(8)	(19)
Net result from discontinued operations	87	(17)
Net income	**(613)**	**169**
Minority interests	(7)	6
Net income Group share	**(606)**	**163**

Analytical presentation of the results for the period

The net income Group share of EUR 163 million consists of the following elements:

- EUR -328 million attributable to recurring elements;
- EUR +516 million associated with accounting volatility elements;
- EUR -24 million generated by non-recurring elements.

In order to make the results easier to understand and to assess the momentum over the past year, Dexia presents the quarterly evolution of the three analytical segments separately.

ANALYTICAL PRESENTATION OF THE 2015 ANNUAL RESULTS

(in EUR million)	Recurring elements	Accounting volatility elements	Non-recurring elements	Total
Net banking income	**276**	**516**	**42**	**834**
Operating expenses	(406)	0	(64)	(470)
Gross operating income	**(130)**	**516**	**(22)**	**364**
Cost of risk and net gains or losses on other assets	(174)	0	15	(159)
Pre-tax income	**(304)**	**516**	**(7)**	**205**
Income tax	(19)	0	0	(19)
Net result from discontinued operations	0	0	(17)	(17)
Net income	**(322)**	**516**	**(24)**	**169**
Minority interests	6	0	0	6
Net income Group share	**(328)**	**516**	**(24)**	**163**

(1) including gains and losses from entity disposals.

a – Recurring elements

RECURRING ELEMENTS

(in EUR million)	2014	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Net banking income	**218**	**276**	**52**	**61**	**64**	**98**
Operating expenses	(399)	(406)	(127)	(88)	(81)	(110)
Gross operating income	**(181)**	**(130)**	**(74)**	**(27)**	**(18)**	**(11)**
Cost of risk and net gains or losses on other assets	(65)	(174)	(130)	(31)	(13)	(1)
Pre-tax income	**(246)**	**(304)**	**(204)**	**(58)**	**(30)**	**(12)**
Income tax	(8)	(19)	(8)	(11)	(8)	8
Net result from discontinued operations	(1)	0	0	0	0	0
Net income	**(255)**	**(322)**	**(212)**	**(68)**	**(38)**	**(4)**
Minority interests	(7)	6	(1)	12	1	(6)
Net income Group share	**(248)**	**(328)**	**(212)**	**(80)**	**(39)**	**2**

The net income Group share generated by recurring elements was EUR -328 million.

Net banking income reached EUR 276 million and, in line with the trend observed in 2014, continued to improve during each quarter. After having decreased by about EUR 20 million during the first three quarters of 2015, the funding cost was stable in the fourth quarter 2015. It was down over the year compared with 2014, as a result of the reduction in the Group's funding requirement and its lower average funding cost. Indeed, in 2015, the Group successfully replaced the funding issued at resolution inception with less costly market funding. Income from the asset portfolios remained stable during 2015, as did "other income" booked as net banking income.

Operating expenses totalled EUR -406 million and included the Group's contribution to the SRF (EUR -50 million) and the annual levy for systemic risk (EUR -14 million). Excluding the levies and contributions, operating costs were controlled.

The cost of risk and net gains or losses on other assets reached EUR -174 million, including the EUR -197 million impairment on the Groups's exposure to Heta Asset Resolution AG. Reported as Group exposure, the cost of risk was 10.5 basis points on average over the year, reflecting the good quality of the asset portfolio.

b – Accounting volatility elements

Over 2015, accounting volatility elements had a positive impact of EUR +516 million, mainly driven by the favourable evolution of the valuation of collateralised derivatives on the basis of an OIS curve, the CVA, the DVA and own credit risk. These elements are partially offset by the impact of the FVA (EUR -106 million). In 2014, those elements had a negative contribution of EUR -425 million

ACCOUNTING VOLATILITY ELEMENTS (in EUR million)	2014	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Impact in net income Group share (elements booked in net banking income)	(425)	516	127	190	154	44

c – Non-recurring elements

NON-RECURRING ELEMENTS (in EUR million)	2014	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Net banking income	**(40)**	**42**	**(14)**	**19**	**15**	**21**
Operating expenses	17	(64)	(27)	(1)	(2)	(34)
Gross operating income	**(23)**	**(22)**	**(41)**	**19**	**12**	**(12)**
Cost of risk and net gains or losses on other assets	3	15	0	0	0	15
pre-tax income	**(20)**	**(7)**	**(41)**	**19**	**12**	**3**
Income tax	0	0	0	0	0	0
Net result from discontinued operations	88	(17)	0	0	0	(17)
Net income	**67**	**(24)**	**(41)**	**19**	**12**	**(14)**
Minority interests	0	0	0	0	0	0
Net income Group share	**(67)**	**(24)**	**(41)**	**19**	**12**	**(14)**

Non-recurring elements booked over the year 2015 consisted of:

• Gains derived from active balance sheet management (EUR +4 million over the year);
• Allocations to provisions for litigation (EUR -39 million), offset by payments in favour of Dexia on the unwinding of litigation (EUR +40 million);
• An adjustment of EUR +102 million, following the inventory process for the cancellation of bearer shares in 2015, causing an over-valuation to appear in the item "Other debts";
• 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);
• The contribution by Dexia Crediop to saving Italian banks (EUR -31 million);
• The voluntary multi-year contribution by the Group to the local authority and hospital sector support funds introduced in France (EUR -28 million);
• Gains on the sale of buildings (EUR +15 million);
• The provision of a risk related to potential guarantee calls following the disposal by the Group of international entities (EUR -17 million).

Evolution of the consolidated balance sheet

As at 31 December 2015, the Group's consolidated balance sheet totalled EUR 230.3 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.

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 -174 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 Group exposure is rated "investment grade".
In 2015, Dexia 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 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 Group 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 the Group'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 the Group is exposed. If necessary it proactively alerts the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of impairments deemed necessary to cover the risks to which the Group is exposed.
In 2014, within the framework of the business plan, the Dexia Group 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 resulting from the split, in March 2015, of the Audit Committee into an Audit Committee and a Risk Committee, 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 Group 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 "Declaration of Corporate Governance" of this annual report.

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

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'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 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 Group's liquidity position and its evolution and its cover by short, medium and long-term resources. It ensures that liquidity targets are met and contributes to elaborating strategies for funding and asset deleveraging. In the Group's subsidiaries and branches, local committees manage specific balance sheet risks within the framework defined by the Group's Management Board, under the latter's responsibility.
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-

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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 Group activities and delegates the operational management of risk monitoring to the **Operational Risk Committee**. Meeting quarterly, this committee examines the main risks identified and decides on the corrective actions to be taken. It validates measurement, prevention or improvement proposals in relation to the various elements of the mechanism. The Operational Risk Committee relies on committees dedicated to activity continuity and IT systems security, meeting every two months. They examine and decide on actions to be taken to guarantee activity continuity and the implementation of a policy for IT systems security.

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

Risk monitoring

Credit risk

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 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 181.8 billion, compared with EUR 194.2 billion at the end of December 2014, representing a decrease of 6%.

The EUR 12 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 billion over the year.

The exposures are distributed for EUR 85 billion in loans and for EUR 82 billion in bonds.

The majority of exposures are concentrated in the European Union (73%) 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).

DEXIA GROUP EXPOSURE BY GEOGRAPHIC REGION

(in EUR million)	31/12/2014 (MCRE)	31/12/2014 (EAD)	31/12/2015 (EAD)
United States	26,377	29,416	28,753
Italy	27,178	30,663	27,244
France	26,656	29,087	26,617
United Kingdom	17,865	23,206	25,821
Germany	21,397	26,111	22,308
Spain	18,968	20,041	16,933
Japan	5,839	6,962	7,560
Portugal	4,122	4,343	4,193
Central and Eastern Europe	3,539	3,609	2,895
Canada	2,313	2,607	2,717
Belgium	3,134	3,765	2,204
Austria	1,481	1,577	1,575
Scandinavia	1,113	1,171	1,471
Hungary	1,102	1,094	946
South-East Asia	990	1,005	845
South and Central America	584	585	552
Switzerland	553	604	520
Netherlands	621	621	499
Turkey	502	508	496
Ireland	221	297	160
Greece	156	168	153
Luxembourg	158	150	125
Other	7,369	6,573	7,203
TOTAL	**172,238**	**194,160**	**181,792**

As at 31 December 2015, the majority of exposures remained concentrated in the local public sector and sovereigns (68%), considering the historical activity of Dexia Crédit Local.

Exposures to the local public sector therefore posted a relative 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 monolines on the best rated underlying, more than neutralised the impact of natural portfolio amortisation and early redemptions.

DEXIA GROUP 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	94,426
Central governments	28,148	29,858	29,511
Financial institutions	27,340	31,080	24,781
Project finance	14,761	15,756	14,734
ABS/MBS	6,692	6,278	8,039
Corporate	5,538	6,857	8,463
Monolines	3,232	4,210	1,837
Individuals, SME and self-employed	1	3	2
TOTAL EXPOSURE	**172,238**	**194,160**	**181,792**

The quality of the Dexia credit 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.

GROUP EXPOSURE BY RATING*	31/12/2014 (MCRE)	31/12/2014 (EAD)	31/12/2015 (EAD)
AAA	15.1%	14.1%	16.5%
AA	22.6%	24.8%	22.0%
A	28.5%	29.1%	21.7%
BBB	20.1%	19.5%	27.8%
Non Investment Grade	12.1%	11.5%	10.7%
D	0.6%	0.7%	1.1%
Not rated	0.9%	0.3%	0.2%
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.

GROUP SECTOR EXPOSURE TO CERTAIN COUNTRIES AND COUNTERPARTIES (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	28,753	12,964	977	5,260	4,618	3,097	1,837
Italy	27,244	11,112	1,171	604	132	14,226	0
France	26,617	17,154	4,402	3,014	0	2,047	0
United Kingdom	25,821	12,427	9,134	1,952	2,236	73	0
Germany	22,308	18,599	410	3,060	8	232	0
Spain	16,933	7,796	2,372	5,623	588	554	0
Japan	7,560	4,822	0	1,283	0	1,456	0
Portugal	4,193	1,825	193	16	98	2,061	0
Poland	1,869	4	0	4	0	1,861	0
Hungary	946	26	25	1	0	893	0
Greece	153	63	80	0	10	0	0

Dexia Group commitments on sovereigns

Dexia Group 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 Group 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 the Group 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 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, the Group 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 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 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's sensitive structured loans Dexia 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, the Group 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.

The Group'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'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 Group commitments on project finance and corporates

The portfolio of project financing and corporate loans amounted to EUR 23.2 billion as at 31 December 2015, up 3% 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 64% of project financing[(2)], the balance being in corporate loans, such as acquisition funding, commercial transactions and corporate bonds. Dexia is following a policy of disengagement towards its counterparties.

As at 31 December 2015, the project finance portfolio amounted to EUR 14.7 billion. It consists 51% 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). 71% of the portfolio is placed in Western Europe, 20% in the United States, Canada and Australia. 70% of the portfolio is rated "investment grade".

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, the Group 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 is approximately EUR 8.5 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, 12% in the United States, Canada and Australia. 94% of the portfolio is rated "investment grade".

The Group exposure to the oil sector, under pressure with falling prices, amounted to EUR 293 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 Group commitments on ABS

As at 31 December 2015, Dexia's ABS portfolio amounted to EUR 8 billion, up EUR 1.8 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 1 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 invested being senior level.

Dexia Group commitments on financial institutions

Dexia's commitments on financial institutions amounted to EUR 24.8 billion as at 31 December 2015. 41.6% 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 20% over the year, principally due to portfolio amortisation.

Dexia's exposure is concentrated 21% in the United States and 68% in Europe, principally in Spain (23%), Germany (12%), 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

(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 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 has an exposure of EUR 417 million(1) to the debt of Heta Asset Resolution concerned by the moratorium, guaranteed by the Land 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 Group 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 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 299 million, as well as an increase of specific impairments by EUR 203 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 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 36.3% as at 31 December 2015.

In addition to specific impairments, Dexia has collective (statistical and sector) provisions in a total amount of EUR 422 million as at 31 December 2015, against EUR 503 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 the Group thinks that the counterparty is unable to repay without the implementation

ASSET QUALITY

(in EUR million)	31/12/2014	31/12/2015
Impaired assets	1,233	1,532
o/w impaired loans and advances to customers	*1,162*	*1,320*
Specific impairments	353	556
o/w impairments on loans and advances to customers	*309*	*458*
Coverage ratio (1)	28.6%	36.3%
Coverage ratio on loans and advances to customers	26.6%	34.7%
Collective provisions	503	422

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

of guarantees. The Dexia Group has identified exposures corresponding to the said EBA definition and published the amount of its non-performing exposure.
The definition of forbearance groups together facilities granted by banks to counterparties experiencing or about to experience financial difficulties in dealing with their commitments (facilities which banks would not otherwise have granted). Forbearance is applied on healthy or safe assets or on non-performing assets. As at 31 December 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 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

The Dexia Group 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 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	40	9.6	4.6	0.2	14.4	40
End of period	8.3	4.7	0.3	13.3		10.3	3.1	0.2	13.7	
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'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's balance sheet management policy aims to minimise volatility in the Group's results.

Measurement of interest rate risk

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect balance sheet exposure to a 1% movement on the yield curve. The main indicator used to determine limits and to measure and monitor risk is the sensitivity of the net present value of accrued interest positions to interest rate fluctuations.
The overall and partial sensitivities by time bucket are the main risk indicators used by the ALM risk committees, organised within the Management Board, to manage risk. The Dexia Group'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 the Group 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's policy on the management of liquidity risk

Dexia'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 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 Group's liquidity reserves consist of assets eligible for the central bank refinancing facilities to which Dexia 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 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 regulatory 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 annual report, the ECB decided to apply a tailored, pragmatic and proportionate prudential supervisory approach to Dexia.
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 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 the Group in terms of reducing its liquidity risk, the financial characteristics of Dexia since its entry into resolution do not allow it 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, the Dexia Group LCR was 54%.

(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.

The proportionate use of supervisory powers notably assumes that Dexia'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 and, consequently, on its financial condition.

Operational risk and IT systems security

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

Dexia'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' 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 operational risk must be transferred to the managers in charge of monitoring this risk, and the tasks identified as critical must be monitored.

The operational risk management system relies on the following components.

• Operational risk database: the systematic capture and monitoring of operational incidents is one of the most important requirements of the Basel Committee. Fulfilling its regulatory 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's exposure to key risks is determined via an annual risk mapping exercise. All Dexia 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'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, the Dexia Group 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 was called upon to assess the risk of discontinuity associated with the factors referred to above. Finally, Dexia has taken action to prevent psycho-social 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 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 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 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

The Dexia Group 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 the Group'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 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 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.

Dexia Nederland BV

General background

Difficulties linked to share leasing activities inherited from Banque Labouchere (now Dexia Nederland BV, hereinafter referred to as DNL) came to light when the Amsterdam stock market fell sharply in late 2001. The value of the securities used as collateral against the loans granted by the bank at that time proved insufficient for a large number of contracts, thus ending with a residual debt instead of the gain for which they had initially hoped.
As a result, Dexia's Dutch subsidiary is still involved in major litigation involving a number of legal proceedings brought by lessees who had entered into share leasing agreements. However, given developments in case law pertaining to certain aspects of these cases, DNL has tried for a number of years to propose out-of-court settlements to the lessees (independently of the overall settlement offered in April 2005 within the framework of a national mediation process led by Wim Duisenberg, former governor of the Dutch central bank, for which lessees had the opportunity to sign up).
Over the years, DNL closed the ongoing legal proceedings and litigation with the majority of lessees. At the end of 2015, a certain number of lessees (approximately 14,000) continued to object to the current indemnity scheme resulting from case law in the Amsterdam Court of Appeal and the Supreme Court. They submitted different points of dispute to the Courts. Over the past years, judgments or orders were globally in line with the decisions of the Supreme Court (2009). In the event of difference, orders are submitted or preliminary questions are raised by courts of appeal to the Supreme Court for its opinion, including alleged failures in investment technique, the goal of the investments, the role of intermediaries, the date of commencement of the legal interests, the date of "knowledge" of the contract by a spouse and its impact on the limitation of the period of annulment in spousal cases, contractual early termination costs, unfair terms in consumer contracts and the interrupting effect of the actions of the Eegalease foundation.

The decisions taken by the Amsterdam Court of Appeal and their potential confirmation by the Supreme Court form the basis of DNL's attempts to reach out of court settlements.
In a series of cases relating to due diligence (see below), DNL applied for a declarative judgment and confirmation that DNL has complied with its obligations and the client no longer has a claim on DNL. The first judgments were passed on February 2015, and in a number of cases the declaration was granted.

Issues raised by litigation

Due diligence cases

As stated in Dexia's previous annual reports, on 5 June 2009 the Dutch Supreme Court issued an important judgment concerning share leasing agreements. Numerous allegations were rejected, including allegations of error, misleading advertising and abuse of circumstances, as well as the applicability of the Dutch Consumer Credit Act. The Supreme Court did, however, rule that the lender ought to have performed due diligence at the time that the share leasing agreements were entered into. In this respect, the Supreme Court made a distinction between two categories of customers: those for whom the agreement in question represented a manageable financial burden and those for whom the agreement represented an unduly heavy financial burden.
Against this background, and as stated in Dexia's previous annual reports, on 1 December 2009 the Amsterdam Court of Appeal passed four detailed judgments setting out exactly how the distinction drawn by the Dutch Supreme Court between the two categories of customers should be applied. Customers claiming to have been placed under an unduly heavy financial burden are required to demonstrate that this is the case. Furthermore, the Amsterdam Court of Appeal ruled that gains on earlier share leasing products should be taken into account when calculating the loss suffered, and that statutory interest to be reimbursed should be calculated with effect from the date on which the agreement in question was terminated.
Shortly after the Amsterdam Court of Appeal passed its judgments, two former customers filed an appeal against two of those judgments. On 29 April 2011, the Supreme Court also confirmed that, where a customer had made gains on a share leasing agreement, those gains should, subject to certain conditions being met, be offset against losses suffered on other such agreements.
The Supreme Court Attorney General issued in February 2016 a non binding opinion on the impact of financial intermediaries' role in the sale of share leasing products. The Attorney General endorses the Den Bosch Court of Appeal rulings which essentially consider that the bank's potential liability could be higher in situations where clients would a.o. demonstrate the financial intermediary's role in the sale of such share leasing products. The decision of the Supreme Court is expected in the course of the second quarter of this year.

Other cases

With respect to legal interest, the Dutch Supreme Court decided on 1 May 2015 that, if and to the extent DNL should compensate clients for the alleged wrongful acts, the legal interest should be calculated as from the date on which each payment was made by the customer, and not as from the termination date of the contract.

In a case of fair or unfair clauses in a consumer's contract, the Dutch Supreme Court decided on 10 July 2015 that the Court of Appeal has the obligation to examine whether a clause needs to be classified as a "core clause" (kernbeding) and could be subject to the scope of the EC Directive on unfair terms in consumer contracts.

Spousal consent cases

The question of spousal consent upon subscription of the disputed agreements has also been raised in connection with these proceedings. On 28 March 2008, the Dutch Supreme Court ruled that Article 1:88 of the Dutch Civil Code applies to share leasing agreements. Pursuant to this article, written consent is required from the lessee's spouse (or registered partner) when entering into a lease agreement. If such consent is not obtained, the spouse is authorised to cancel the agreement, whereupon all payments made under the agreement must be refunded and any debt to DNL arising from the agreement must be cancelled. However, on 28 January 2011 the Supreme Court ruled that the spouse or partner must cancel the agreement within three years of becoming aware of its existence. However, the question of the nature of the evidence required to demonstrate the spouse's knowledge of the agreement remains unresolved. On 27 February 2012, the Supreme Court ruled that knowledge of the agreement may be presumed where payments under that agreement have been made from a joint account held by both spouses or both partners. However, contrary to the judgment passed by the Amsterdam Court of Appeal, the Supreme Court also ruled that spouses or partners are still entitled to (try to) demonstrate to the court that they were not aware of the existence of such an agreement.
On the subject of limitation, the Dutch Supreme Court, answering a preliminary question, decided on 9 October 2015 that the filing of a class action suit causes the suspension of the limitation period for individual applications for annulment connected to that collective action. The Supreme Court also decided that, for purposes of interrupting the said limitation period, the lodging of an extra-judicial application for annulment suffices, if lodged in a timely manner; the initiation of legal proceedings is not required.

Number of law suits in progress

As at 31 December 2015, DNL was still involved in some 1,550 civil cases (against 1,460 at the end of 2014). The increase results from the application for a declarative judgment made by DNL.

Klachteninstituut Financiële Dienstverlening (KiFiD)

At the end of 2015, 12 cases related to share leasing were still being considered by Klachteninstituut Financiële Dienstverlening (KiFiD), the Dutch institution tasked with handling complaints concerning financial services. They relate principally to due diligence.

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.

Alleged shortcomings in respect of financial disclosures

Dexia has been named as a defendant in a small number of cases alleging shortcomings in its financial disclosures. Dexia strongly opposes the claims put forward in these cases. Regarding the cases introduced since 2008 before different courts and official instances by Mr and Mrs Casanovas, the last pending claim was dismissed in December 2015 by the Court of Appeal in Montpellier, confirming the first instance judgment of the Court in Perpignan. The Court confirmed that Dexia did not make any mistakes or shortcomings in its financial communication during the 2008 financial crisis.

(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.

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 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' juris-

diction. 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 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.

Litigation arising from disposal of the Group's operating entities

Over recent years, Dexia has implemented its programme of divestment of entities, as laid down in the revised orderly resolution plan.

As is customary in these types of transactions, the share sale agreements in relation to these disposals include representations and warranties, and seller's indemnification obligations subject to the usual restrictions and limitations. Therefore, should a purchaser make a call on the warranty in connection with an issue affecting the purchased entity that originated prior to completion of the sale of the shares in that entity, Dexia may, under the terms of the sale agreement, be required to indemnify the purchaser.

During 2015 and early 2016, some new indemnification applications or claims were made in relation to the disposal of entities, whilst other applications, introduced in previous years, were closed.

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

Information on Dexia's share capital as at 31 December 2015

As at 31 December 2015, Dexia's share capital came to EUR 500,000,000, represented by 30,896,352,895 shares with no par value, including 1,948,984,474 Class A shares and 28,947,368,421 Class B shares.

In accordance with Article 11 of the law of 14 December 2005, amended by the law of 21 December 2013, concerning the abolishment of bearer shares (the "Law"), a forced sale of bearer securities whose holders were still indefinitely unknown was organised under the legal conditions applicable. This sale has been announced on 14 August 2015 in a public notice made available on Dexia's website *www.dexia.com*, in the Belgian Official Gazette and on Euronext, allowing any holders to come forward before it takes place. Shares for which the holder did not come forward before 16 September 2015, or a total of 710,092 actions, were sold on 13 October 2015 on the regulated market, Euronext Brussels. After deduction of the costs incurred by the issuer and referred to in Article 11, § 3 of the Law, the sale proceeds were lodged with the Belgian "Caisse des dépôts et consignations" where the holders of bearer securities may, from 1 January 2016 until 31 December 2024, ask for reimbursement for their shares. In accordance with Article 11 § 5 of the Law, Dexia's statutory auditor carried out the additional task which was assigned to him by Dexia and enabled him to confirm, on 25 November 2015, that all provisions referred to in Article 11 of the Law have been complied with in 2015.

Class A shares

The Class A shares are listed on Euronext Brussels and Paris and the Luxembourg Stock Exchange, with as at 31 December 2015, 225,532,871 registered shares and 1,723,451,603 dematerialised shares.

Class B shares

All the Class B shares, i.e. 28,947,368,421 shares, are registered and are not listed. The Class B shares are held by the Belgian Federal State, through the Federal Holding and Investment Company, and the French State.

Reverse stock split

The extraordinary shareholders' meeting held on 20 May 2015 authorised the Board of Directors, for a period of one year closing at the end of the ordinary shareholders' meeting in 2016, to proceed with a reverse stock split of the shares of Dexia SA (Class A and Class B) in accordance with the conditions provided by the law and at a ratio with a denominator which cannot be more than 1,000 (ratio of 1 new share to 1,000 existing shares).

The reverse stock split took place on 4 March 2016. Fractions of shares resulting from it were consolidated by BNP Paribas Fortis, mandated by Dexia, which takes responsibility for selling the new shares resulting from the consolidation on the market (Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange), at the best possible price.

As a consequence, as at 4 March 2016 Dexia's share capital is represented by 1,948,984 shares without nominal value in Class A and 28,947,368 shares without nominal value in Class B.

The Board of Directors will officially note the completion of the reverse stock split and the necessary amendments to Article 4 of the articles of association.

As a consequence of the reverse stock split, the general conditions attached to the issue of warrants have been amended, by notarised deed, so that the beneficiaries of warrants are placed in a position substantially the same as would it would have been if the aforementioned operation had not been performed.

Summary of Dexia warrants as at 31 December 2015

	Exercise price (in EUR)	Exercise period		Number of warrants awarded	Number of warrants exercised	Number of warrants cancelled as void	Number of residual warrants before transfer
		from	to				
Warrants granted in 2006							
Warrants "ESOP 2006"	16,83	30 June 2009 (1)	29 June 2016 (1)	9,760,225	15,000	737,980	9,899,471
Warrants "ESOP 2006" (DenizBank)	18,73	15 Dec. 2009	14 Dec. 2016	235,000	0	30,987	228,878
Warrants granted in 2007							
Warrants "ESOP 2007"	21,02	30 June 2010 (1)	29 June 2017 (1)	10,322,550	0	493,956	10,883,145
Warrants granted in 2008							
Warrants "ESOP 2008"	9,12	30 June 2011	29 June 2018 (1)	7,093,355	0	110,906	7,553,684
Warrants "ESOP 2008"	11,44	30 June 2012	29 June 2018	3,466,450	0	224,660	3,531,624
"FP state guarantee" warrants (2)		11 May 2011	11 May 2016	2	0	0	2

(1) Except under specific conditions.
(2) Relates to the issue, decided by the extraordinary shareholders' meeting on 11 May 2011, of a subscription right (warrant) in favour of the state of Belgium and a subscription right (warrant) in favour of the French state, in relation to the mechanism for repayment of the guarantee granted by the Belgian and French states with regard to Dexia's obligations relating to the Financial Products activities of the FSA Group, within the context of the sale of FSA to Assured Guaranty. For a description of the specific characteristics of these subscription rights, please consult the Board of Directors' special report from 18 March 2011:
http://www.dexia.com/FR/gouvernance/conseil_d_administration/rapports_speciaux/Documents/20110418_rapport_special_CA_FR.pdf.

Authorised capital (Article 608 of the Companies Code)

Article 6 of the articles of association states that the amount of authorised capital is at any time equal to the amount of the share capital. As at 31 December 2015, the authorised capital represented EUR 500,000,000. The authorisation to increase the authorised capital granted by the shareholders' meeting on 14 May 2014 is valid for a five-year period ending in 2019.

Acquisition of own shares (Article 624 of the Companies Code)

The extraordinary shareholders' meeting on 8 May 2013 renewed the authorisation given to the Board of Directors for a new five-year period to:
- Acquire the company's own shares on the market or in any other manner, in accordance with the legal conditions applicable and the undertakings made by the company and by the Belgian, French and Luxembourg states to the European Commission, up to the legal maximum number, for a counter-value established in accordance with the legal provisions, and which may not be less than one euro cent (EUR 0.01) per share or more than 10% higher than the share's last closing price on Euronext Brussels;
- Authorise the direct subsidiaries within the meaning of Article 627 § 1 of the Companies Code to acquire the company's shares under the same conditions.

The Board of Directors did not however launch a programme to purchase own shares in 2015.
The unchanged balance of the portfolio of own shares as at 31 December 2015 amounted to 324,634[(1)] own shares and corresponds to the number of Dexia shares still held by Dexia Crédit Local (direct subsidiary of Dexia within the meaning of Article 627 § 1 of the Companies Code), within the context of a share option plan put in place by that subsidiary in 1999.

(1) Following the reverse stock split, which took place on 4 March 2016, this amount was divided by 1,000 and rounded down to the nearest whole number.

Regulatory capital and solvency

Dexia monitors its solvency using rules established by the Basel Committee on Banking Supervision and European Directive CRD IV. On the other hand, the Group ensures observance of the capital requirements imposed by the European Central Bank (ECB), within the framework of Pillar 2 of Basel III, following the Supervisory Review and Evaluation Process (SREP).
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 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 the Dexia Group 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's capital position is beyond minimum regulatory requirements, since its entry into resolution in December 2012 the bank is already 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's conduct in terms of capital distribution.
As at 1 January 2016, the requirement applicable to Dexia Crédit Local, the main operating subsidiary of the Dexia Group, was also 8.625% (including the capital conservation buffer).

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, the Dexia Group will have to take the AFS reserve on sovereign securities into account in the calculation of its 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, the Dexia Group Total Capital reached EUR 8,396 million, against EUR 9,157 million as at 31 December 2014. This decrease is explained in particular by the 40% deduction of the AFS reserve linked to non-sovereign securities, or EUR -1.2 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 8,180 million as at 31 December 2015, compared to EUR 8,754 million as at 31 December 2014.

REGULATORY CAPITAL (in EUR million)	31/12/2014	31/12/2015
Total Capital	**9,157**	**8,396**
Common Equity Tier 1 Capital	**8,754**	**8,180**
Core shareholders' equity	9,311	9,517
Gains or losses directly recognised in equity on available-for-sale or reclassified assets	(642)	(1,289)
Cumulative translation adjustements (group share)	32	123
Actuarial differences on defined benefit plans	(5)	0
Non-controlling interests eligible in Tier 1	341	292
Items to be deducted:		
Untangible assets and goodwill	*(23)*	*(27)*
Ownership of Common Equity Tier 1 instruments in financial institutions (>10%)	*(2)*	*(5)*
Own credit risk	*(104)*	*(173)*
DVA	*(154)*	*(122)*
AVA	*0*	*(136)*
Additional Tier 1 Capital	**76**	**67**
Subordinated debt	77	67
Items to be deducted:		
Ownership of Tier 1 instruments in financial institutions (>10%)	*(1)*	*0*
Tier 2 Capital	**327**	**149**
Subordinated debt	69	59
of which additional Tier 1 reclassified	*19*	*29*
IRB provision excess (+); IRB provision shortfall 50% (-)	318	257
Items to be deducted:		
Ownership of Tier 2 instruments in financial institutions (>10%)	*(59)*	*(168)*

As at 31 December 2015, the Group's Tier 1 hybrid capital securities represented a nominal total of EUR 96 million, including EUR 67 million eligible as additional Tier 1.
No hybrid debt buyback operations were carried out in 2015. The Group'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.
- EUR 39.79 million nominal of perpetual non-cumulative securities issued by Dexia Funding Luxembourg, today incorporated with Dexia. These securities (XS0273230572) 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 59 million of eligible subordinated debt. Taking account of the additional Tier 1 reclassified, the IRB provision excess and the regulatory deductions, Tier 2 Capital amounted to EUR 149 million.
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

Risk-weighted assets were EUR 51.4 billion, including EUR 48.2 billion for credit risk, EUR 2.2 billion for market risk and EUR 1 billion for operational risk as at 31 December 2015. 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	49,437	48,167
Market risk-weighted assets	2,941	2,248
Operational risk-weighted risks	1,000	1,000
TOTAL	**53,377**	**51,414**

Solvency ratios

Dexia's Common Equity Tier 1 ratio was 15.9%(1) as at 31 December 2015, representing a margin of 791 basis points compared to the minimum regulatory requirement excluding the capital conservation buffer.

Internal capital adequacy

From 2012, Dexia began to reshape its own internal capital adequacy process, taking account of its specific situation as a bank in orderly resolution and in line with the requirements of the CRR and the CRD IV.
Dexia thus developed a "Risks and Capital Adequacy" approach which was presented to the regulators. Within the framework of the SREP, this approach is a response by the Group to the requirements of the ECB in relation to Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the SREP. This approach consists in establishing an exhaustive map of qualitative and quantitative risks which can simultaneously affect its accounting and prudential situation as well as its liquidity. This map aims firstly to identify vulnerabilities and secondly to quantify the volatility of the main accounting and prudential indicators in various scenarios of future unfavourable risk developments. The multiple impacts of such unfavourable scenarios are thus quantified and submitted for the approval of the bank's decision-taking bodies (the Management Board and the Board of Directors).
In 2015, the complete formalisation of the approach and this internal process on the basis of the figures as at 31 December 2014 were submitted to the audit committee and the Group's decision-taking bodies, which approved the principles and the conclusions. This approach and these results were subject to quantitative validation and an internal audit, the conclusions of which were also submitted to the decision-taking bodies concerned.
This internal approach is renewed in 2016, taking account of the evolution of risks and Dexia's situation.

Liquidity management

2015 was a landmark year for the Group's liquidity management in several ways. Firstly Dexia 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 Group dealt with major maturities of guaranteed debt. Finally, Dexia completely exited the exceptional funding mechanisms on which the bank had relied since it entered resolution. This key phase in the Group's resolution enabled it to begin to redraw the contours of a more stable funding profile over time.

Contrasted development of the Group's funding requirement

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

(1) Including the net profit for the year.

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 the Group 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 the Group 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 the Group, which reached EUR 31 billion at the end of December 2015.

Exit from exceptional funding mechanisms

The Group's 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 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 also repaid EUR 19 billion of guaranteed bank bonds, used within the framework of the exceptional own-use mechanism(1) 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.
Furthermore, in the first quarter of 2015, Dexia redeemed the remainder of EUR 33.5 billion subscribed with the ECB in the form of VLTRO(2), partially replaced by the LTRO(3) and the MRO(4).

Group refinancing in 2015

Over the year, Dexia 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, the Group 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.
As at 31 December 2015, the outstanding guaranteed debt was down, at EUR 61 billion, against EUR 73 billion at the end of 2014.

(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.

At the same time, the Group 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 Group funding.
As at 31 December 2015, the Dexia Group had a liquidity buffer of EUR 6.3 billion, including EUR 2.1 billion of assets eligible to ECB refinancing.

Human Resources

Introduction

The year 2015 saw a continuing deployment of the HR services and the change management process launched in 2014. Management endeavoured to increase Dexia's attraction, to promote the professional opportunities offered by the Group and to ensure that staff members have the best possible visibility as to job prospects. In particular, it sought to increase the flexibility and employability of its staff members.
In parallel with these actions, in the first quarter of 2015, and in accordance with its new obligations, Management presented the social partners with the company's major strategic orientations.
The aim of these measures is to enable the Group to continue in its orderly resolution in a calm social context whilst respecting the undertakings made by the States vis-à-vis the European Commission in December 2012.

Key figures

At the end of 2015, the Dexia Group had 1,173 members of staff, of 36 different nationalities, spread over 13 countries. 78 people are based in Belgium and form a team of staff and executives who deal with business continuity for all activity lines.

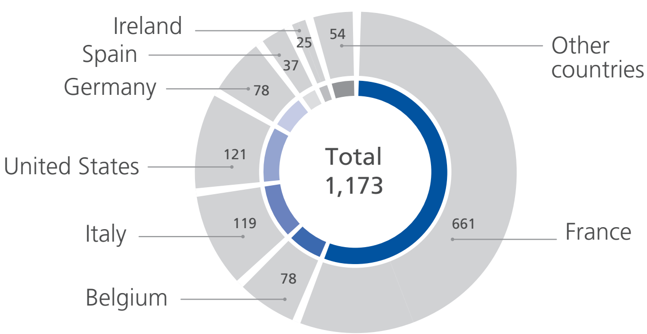
In France, the total workforce of Dexia Crédit Local was 661 as at 31 December 2015, against 660 at the end of 2014.

More than 62% of staff members joined the Group less than ten years ago and the Group gained more than 11% of new staff members in 2015. At the end of 2015, the average length of service of Group staff members was 10.6 years. The average age was 42.6 years.

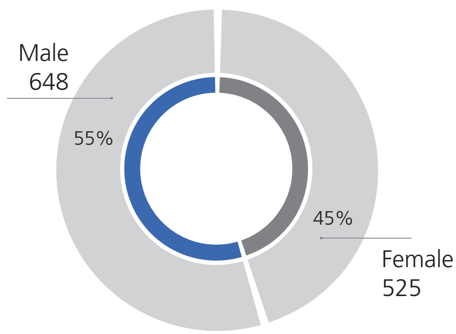
The gender breakdown of the workforce shows 55% men and 45% women.

93% of the workforce are on indefinite-term contracts and 8% work part-time.

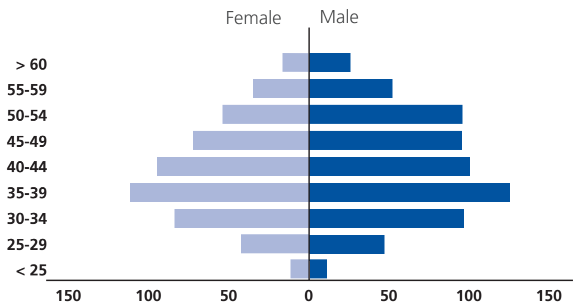
NUMBER OF STAFF MEMBERS AS AT 31 DECEMBER 2015



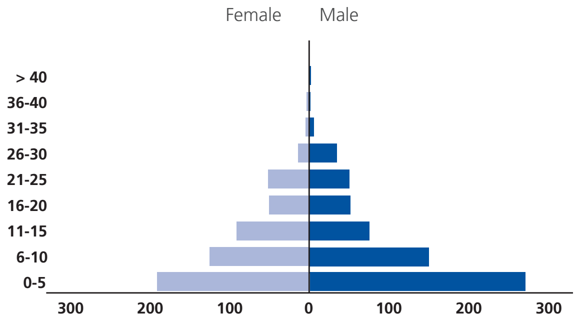
GENDER BREAKDOWN AS AT 31 DECEMBER 2015



**AGE PYRAMID
AS AT 31 DECEMBER 2015**



**SENIORITY PYRAMID
AS AT 31 DECEMBER 2015**



Training

Dexia seeks to offer all of its members of staff an environment in which their skills and knowledge can be developed so as to contribute both to the organisation and to their employability. A large number of opportunities in development and training are offered to each staff member, who retains control over his or her own career path. Such skills management is in close collaboration between the Human Resources department and the heads of activity lines. Dexia thus aims to perpetuate the expertise of each in phase with the evolution of their job, gauging their performance and their employability.
As in previous years, the Dexia Human Resources department emphasised its desire to act along five major training lines:
• Accompanying the evolution of job opportunities and/or mobility;
• Enhancing managerial and change management skills against the very specific background of the Group's resolution;
• Detecting and preventing psycho-social risks;
• Implementing regulatory mechanisms, agreements and major business processes;
• Accompanying senior staff with the aim of keeping them in work.

Working conditions

Eager to continue with its policy of preventing psycho-social risks initially undertaken several years ago, in 2015 Management renewed the mechanisms for assistance in dealing with and preventing psycho-social risks.
Several information feedback vectors currently allow the detection of such risks within the entities (Business Partners, occupational medicine, social assistants, staff representatives and so on).
Regarding prevention, a certain number of measures were introduced or proposed within the entities: preventive medical consultations, ergonomic advice, seminars on staff awareness of psych-social risks, practical training and workshops on stress management and coaching.
Finally, as in previous years, stress situations were taken in hand and dealt with by various means: interviews with the Human Resources department, coaching measures, psychological support measures or help in organising work time.

Recruitment, mobility, career management

Within the context of its resolution, Dexia offers specific professional opportunities, presenting a wider variety of tasks and a broader vision of banking activities than the majority of financial institutions.
The Group has thus undertaken a proactive strategy for seeking candidates, to increase the Group's appeal and to attract the best profiles. In particular, a platform intended for the recruitment of new members of staff has been developed, to guarantee better visibility of offers made by the Group on the internet.
In order to enable candidates to apply for job vacancies easily online or to find topical information on Dexia, partnerships with several recruitment sites or solutions enabling job advertisements to be disseminated simultaneously were renewed in 2015.
Dexia adopts a selective external recruitment policy with a view to favouring mobility within the Group and thus to promoting the development of internal skills.
In addition, within the framework of skills development, each member of staff was invited to a professional interview, the aim of which was confidentially to consider their personal development prospects, concentrating on their professional career and the associated means of training. It also considered the various aspects of professional life to be tackled: job description, training, remuneration, balance between professional and private life and career plans.

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Remuneration

The mechanism in place within the Group provides that the Dexia Remuneration Committee deals with all matters relating to remuneration policy. Its proposals are then submitted to the Dexia Board of Directors which decides on the appropriate measures.
Dexia defines its remuneration policy respecting the undertakings made by the Belgian, French and Luxembourg States to the European Commission, within the framework of the Group's orderly resolution plan. In particular, Dexia implements the principles of remuneration laid down by the G20 and national bodies, and the Group seeks to make the best use of public funds in matters of remuneration.

More detailed information on the remuneration policy is to be found in the section "Remuneration report" in the chapter "Declaration of corporate governance" of this annual report.

Social dialogue

The European Works Council at Dexia has five permanent full members from three entities and three different countries. This social body is competent to discuss with Management any major question of a cross-border nature.
All the Group's staff representative bodies met to focus on the Group's financial situation and the organisation of its Italian and Spanish subsidiaries.

Declaration of Corporate Governance

Introduction

Reference Code

The Belgian Code of Corporate Governance, designated by the Belgian legislator as the Reference Code ("2009 Code"), is the reference for Dexia as a company whose shares are listed on a regulated market within the meaning of Article 96, § 2 1° of the Companies Code. It is available on the Belgian Official Gazette website as well as on the website *www.corporategovernancecommitee.be*.

The 2009 Code contains nine mandatory principles for listed companies, declined in different lines of conduct. Dexia respects these nine principles, but, as a result of the Group's specific situation and the new governance structure rolled out following the capital increase at the end of December 2012, departs from a line of conduct which recommends a mix of genders within the Board of Directors (Provisions 1.2 and 2.1 of the 2009 Code).

The Board of Directors takes this recommendation and the forthcoming entry into force of legal provisions[1] into consideration when appointing members to fill vacant positions on the Board, by promoting a mix of genders within the Board of Directors.

Corporate Governance Charter

The Corporate Governance Charter of Dexia (hereafter the "Charter") gives a detailed overview of the principal governance aspects of the company. In accordance with the 2009 Code, the Charter has been published since 31 December 2005 on the company's website *www.dexia.com* and is regularly updated.

Relations with shareholders

Shareholder base

The Dexia shareholder structure was significantly modified further to the capital increase on 31 December 2012.

In this way, Dexia's main shareholders as at 31 December 2015 were as follows:

Shareholder name	Percentage of existing Dexia shares held (31 December 2015)
Belgian federal government through Federal Holding and Investment Company	50.02%
French State	44.40%
Institutional, individual & employee shareholders	5.58%

At that same date, and to the best of the company's knowledge, no individual shareholder, with the exception of the Belgian Federal State and the French State, held 1% or more of the capital of Dexia.

As at 31 December 2015, the directors of Dexia held 61,186[2] shares in the company.

Relations with shareholders

Relations with individual shareholders

The annual shareholders' meeting is held in Brussels on the third Wednesday in May. It is subject to the provision of dedicated information: official notices appear in the Belgian Official Gazette and in the BALO in France, announcements are published in the financial press in Belgium and in Luxembourg, and an invitation to attend in French, Dutch and English can be downloaded from the website.

Since 1 January 2012, in accordance with the provisions of the Law of 20 December 2010 relating to the exercising of certain rights by the shareholders of listed companies, the level of share ownership required to allow one or more shareholder(s) to submit a proposal to the shareholders' meeting has been 3%.

The ordinary shareholders' meeting was held in Brussels on 20 May 2015 and directly followed by an extraordinary shareholders' meeting of the minutes of which are available on the website.

Relations with institutional investors

Relations with institutional investors are handled by a dedicated team *(investor.relations@dexia.com)*, which also manages the relations with debt investors in connection with the marketing of the Dexia Group funding programmes.

(1) Article 518bis of the Companies Code.

(2) Following the reverse stock split, which took place on 4 March 2016, this amount was divided by 1,000 and rounded down to the nearest whole number

Information channels

Regular information channels

Throughout the year, notwithstanding its obligations with regard to the communication of inside information, Dexia publishes information through press releases on the Group's business, financial results and news. All this information is available, as soon as it has been published, on the website *www.dexia.com* under the "Shareholder/Investor" section. It can also be obtained by sending an email request to Dexia's financial communication department.

The website (www.dexia.com)

The website is the main source of information on the Dexia Group for individual shareholders, journalists and institutional investors.

Other resources

Dexia publishes complete annual information for shareholders and investors. The Dexia annual report is available in three languages: English, Dutch and French. The risk report published yearly is only available in English on the website.

Observance of applicable legislation

As a Belgian-law company, whose shares are listed for trading in Belgium, France and Luxembourg, Dexia ensures compliance with its legal and regulatory obligations to provide specific and periodic information.

Financial Services and Markets Authority (FSMA) Circular FSMA/2012-01

A Royal Decree of 14 November 2007 "on the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market" stipulates the obligations of issuers with regard to the information to be provided to the public and their obligations to holders of financial instruments. On 11 January 2012, the Financial Services and Markets Authority ("FSMA") published a Circular (updated on 21 October 2014) explaining this Royal Decree. In accordance with this regulation, since 2003 Dexia has used its internet site to fulfil its obligations to publish the information stipulated by the Royal Decree and the Circular, and in particular created a separate part of its internet site dedicated to the mandatory financial information referred to in the Circular.

Management of the Dexia Group

Since 10 October 2012, Dexia and its main subsidiary Dexia Crédit Local have had an integrated operational management team adapted to the Group's new dimension.
Although separate legal structures have been maintained, the Group's management has been simplified and unified, particularly via common management of the two main entities, Dexia and Dexia Crédit Local.

Dexia's Board of Directors

Composition of the Board of Directors

The Articles of Association of Dexia stipulate that the Board of Directors is composed of nine directors, five of Belgian nationality and four of French nationality. The Chairman of the Board of Directors is French and the CEO is Belgian. A director may, with the agreement of a majority of each group of directors of the same nationality, be considered as of Belgian or French nationality even though in reality they are of another nationality, the other nationality or of double nationality.
In view of regulatory developments regarding governance and the forthcoming entry into force of legal provisions imposing gender quotas within the Board of Directors, Dexia intends in principle to have the composition of its Board of Directors evolve during 2016. The details of such change are still not known at the date of finalising the Annual Report.

As at 31 December 2015, the Board of Directors is composed as follows:

ROBERT DE METZ

Independent director
3 January 1952 • French • Director since 2009
Holds no Dexia shares
Chairman of the Board of Directors of Dexia
Chairman of the Board of Directors of Dexia Crédit Local

Term of mandate: 2014-2018

Specialist committees: Chairman of the Appointments Committee • Chairman of the Remuneration Committee

Other mandates and functions: • Director: Média-Participations S.A • Chairman of the Board of Directors: Solocal Group SA • Chief Executive Officer: Bee2Bees SA (Brussels) and La Fayette Management Ltd • Member of the Executive Committee: Fondation pour les Monuments Historiques.

Biography: Mr Robert de Metz is graduate of the Institut d'études politiques de Paris (IEP) and is a former student of the Ecole nationale d'administration (ENA). He began his career in the General Finance Inspectorate. He joined Banque Indosuez in 1983, occupying positions in Hong Kong and France before joining Demachy Worms & Cie. Active with Paribas from 1991, he performed numerous tasks, particularly mergers-acquisitions, before his appointment as a member of the Management Board, responsible from London for interest rate, exchange and derivatives markets. He was a director at Cobepa from 1993 to 1999. Between 2002 and 2007, he was Deputy Managing Director of the Vivendi Group in charge of mergers-acquisitions and strategy. In 2014 he joined the Board of Directors of the Solocal Group.

Principal fields of expertise: finance, market operations and mergers and acquisitions

KAREL DE BOECK

3 August 1949 • Belgian • Director since 2012
Holds no Dexia shares
Chief Executive Officer and Chairman of the Management Board of Dexia
Director and Chief Executive Officer of Dexia Crédit Local.
Chairman of the Board of Directors of Dexia Crediop

Term of mandate: 2012-2016

Other mandates and functions: Director of Aswebo SA and Lamifil SA • Chairman of the Board of Directors of Boek.be ASBL • Non-executive director of Architecture Archive – Sint-Lukasarchief ASBL • Associate of White Art Centre SCRL.

Biography: Mr Karel De Boeck has a degree in electromechanical civil engineering (1972) and in economics (1974) from the Catholic University of Louvain. In 1976, he joined Générale de Banque, where he held various positions in Belgium and abroad, and became Director of Marketing for the commercial network. In 1993, he joined CGER Bank (Fortis) and became Chairman of the Management Board in January 1996. In 1999, following the purchase of Générale de Banque by Fortis, he was appointed Member of the Management Board of Fortis Bank and a Member of the Executive Committee of the Fortis Group, successively in charge of "medium-sized enterprise" activity, "corporate banking", "retail banking", "private banking" and then Chief Risk Officer. In 2007, he became Vice-Chairman of ABN Amro Holding in the Netherlands. In December 2008, he was appointed Chief Executive Officer of Fortis Holdings, now Ageas (until June 2009). From 1999 until 2002, Mr Karel De Boeck was Chairman of the Belgian Banking Association (now Febelfin) and Chairman of the European Federation of Management and Financial Marketing (EFMA) from 2003 until 2006. He has been Chief Executive Officer and Chairman of the Management Board of Dexia since 2 August 2012, after having been Chairman of the Board of Directors from 1 July until 1 August 2012. He has also been Chief Executive Officer of Dexia Crédit Local since October 2012.

Principal fields of expertise : finance and banking, restructuring, financial risk management, direction and management of institutions

PIERRE VERGNES

6 May 1976 • French • Executive director since 2014
Holds no Dexia shares
Executive Director of Dexia • Chief Financial Officer and Member of the Management Board of the Dexia Group
Director and Executive Vice-President of Dexia Crédit Local
Director of Dexia Crediop

Term end of mandate: 2014-2018

Biography: An ESSEC graduate, Mr Pierre Vergnes began his career in 1998 on the trading floor at BNP (now BNP Paribas). In 2001, he joined Crédit Agricole Indosuez (now Crédit Agricole CIB) as part of the teams responsible for managing relations with financial institutions, before moving to Crédit Agricole SA's General Inspection department in 2003. In 2006, he became a manager with the consultancy Bain & Company. In 2010, he was appointed Head of Management Control for the Dexia Group and Deputy Chief Financial Officer. Since the end of 2012, he has been Chief Financial Officer and a member of the Dexia Group Committee and since 1 January 2014 a member of the Management Board.

Principal fields of expertise: finance, management control, financial modelling, corporate finance

CORSO BAVAGNOLI (COOPTED 6 JULY 2015 REPLACING DELPHINE D'AMARZIT)

21 July 1973 • French • Non-executive Director since 2015
Holds no Dexia shares

Term of mandate: 2015-2018

Specialist committees: Member of the Risk Committee

Primary function: Head of Department for Economy Financing

Other mandates and functions: Director of Dexia Crédit Local

Biography: M. Corso Bavagnoli is a graduate of the Ecole nationale supérieure des Mines in Paris, the Institut d'études politiques (IEP) in Paris and a former student of the Ecole nationale d'administration (ENA). In 2001 he was appointed Deputy Finance Inspector and then in 2002 he was promoted to Finance Inspector. He served as Deputy Head of Unit at the Directorate General of the Treasury and Economic Policy Office from 2005, then Head of the "International financial system & summit preparation" unit. From 2008, he served as Head of the "EDF and other participations' unit" at the French Agence des participations de l'Etat. He has served as Adviser on Economic and Financial Affairs in the Office of the Prime Minister Francois Fillon from 2009. In 2012 he became Deputy Head for Banks and Public Interest Financing at the Directorate General of the Treasury. In May 2015 he became Head of Department for Economy Financing.

Principal fields of expertise : economics, financial markets, financial regulation, risk management

PAUL BODART

Independent director
22 January 1953 • Belgian • Director since 2012
Holds no Dexia shares

Term of mandate: 2013-2017

Specialist committees: Chairman of the Audit Committee • Member of the Remuneration Committee

Other mandates and functions: Director of Dexia Crédit Local • Chairman of the Board of Directors of the Compagnie des Septs Bonniers • Member of the Board of various non-profit-making associations

Biography: Mr Paul Bodart obtained his engineering degree from the Catholic University of Louvain in 1976 and a master's degree in business administration (MBA) in 1987 from INSEAD. At the start of his career, he held various positions with the European Bank for Latin America, then with JP Morgan, in particular the Euroclear Operations Centre. He joined The Bank of New York on 1 January 1996 as Senior Vice President, to become CEO of the Bank's Belgian branch. He was then in charge of all global custodian activities. He was promoted to Executive Vice President on 1 January 2003. From March 2009 until September 2012, he was CEO of BNY Mellon SA/NV, the group's banking subsidiary for the euro zone. In addition he was responsible for global operations of the Asset Servicing department in the EMEA zone. From 1999 to September 2012, he was also a director, then chairman of the Board of Directors at Bank of New York Mellon Luxembourg S.A. In September 2012, he became a member of the T2S Committee of the European Central Bank. In 2014, he was independent director of National Settlement Depository, the Russian central depository.

Principal fields of expertise: direction and management of financial institutions, finance, risk management, human resources management and remuneration policy, local and international regulations and management of compliance, mergers and acquisitions, and governance

BART BRONSELAER

Independent director
6 October 1967 • Belgian • Director since 2012
Holds 60,000 [(1)] Dexia shares

Term of mandate: 2013-2017

Specialist committees: Chairman of the Risk Committee • Member of the Audit Committee

Other mandates and functions: Executive Director of Brier Business Development SPRL, Director of Dexia Crédit Local, of Alpha 11 Inc., Alpha 11 Europe, Right Brain Interface • Director of the private foundations: Gh. Piot et Le Bois Clair • Member of the Board of the non-profit-making associations: Katholiek Onderwijs Kessel-Lo and Abbaye d'Oignies

Biography: Mr Bart Bronselaer holds a degree in industrial engineering (Group T - Louvain), as well as a master's degree in information sciences (VUB) and a master's degree in business administration (MBA – UC Louvain). The major part of his career (1993-2003) was spent with Merrill Lynch International in London, where he held various positions, the last chronologically as Head of Debt Capital Markets for Europe, the Middle East and Africa. There he had the task of structuring and selling financial solutions to various clients, such as financial institutions, industrial companies and public bodies. In 2003, he became an independent expert in financial services.

Principal fields of expertise: financial markets, finance, structured finance, derivatives, strategy

(1) Following the reverse stock split, which took place on 4 March 2016, this amount was divided by 1,000 and rounded down to the nearest whole number.

DELPHINE D'AMARZIT (END OF MANDATE 6 JULY 2015)

9 May 1973 • French • Non-executive Director since 2013
Holds no Dexia shares

Term of mandate: 2013-2015

Specialist committees: Member of the Strategy Committee

Primary function: Head of Department at the Directorate General of the French Treasury

Other mandates and functions: Director of Dexia Crédit Local • Director representing the French State within the Board of BPI-Group SA and EPIC BPI-Group SA

Biography: Mrs Delphine d'Amarzit is a graduate from the Institut d'études politiques (IEP) in Paris and is a former student of the Ecole nationale d'administration (ENA). In 1996, she became a Finance Inspector. In 2000, she was appointed Deputy General Secretary and then in 2001 General Secretary of the Paris Club and Head of the "International indebtedness, Paris Club and Credit Insurance" Bureau at the Treasury department. She then became Adviser in charge of the financial sector to the Minister for the Economy, Finance and Industry (2003-2006), Deputy Head for financial markets and corporate financing (2006-2007) at the Treasury department, and then Adviser for economic and financial affairs to the Prime Minister (2007-2009). Since July 2009, she has been Head of Department at the Directorate General of the Treasury. She was also a Director of the *Agence française de développement* until March 2013 and is a Director of the *Banque publique d'investissement*.

Principal fields of expertise: economics, financial markets, financial regulation

ALEXANDRE DE GEEST

5 February 1971 • Belgian • Non-executive director since 2012
Holds no Dexia shares

Term of mandate: 2013-2017

Specialist committees: Member of the Risk Committee • Member of the Remuneration Committee

Primary function: Director of Treasury of the Belgian Federal State (SPF Finances)

Other mandates and functions: Director of Dexia Crédit Local and Director of the Silver Fund

Biography: Mr Alexandre De Geest is a graduate in law from the Catholic University of Louvain and the Free University of Brussels. He has been a Director of numerous companies including Gazelec (2004-2005) and the Silver Fund since 2003. He was an Adviser to the Cabinet of the Federal Minister of Finance from 2000, then an Adviser to the Cabinet of the Federal Minister of Foreign Affairs in 2011. He has been Director of Treasury (SPF Finances) since 2012.

Principal fields of expertise: financial markets, finance, taxation

THIERRY FRANCQ

30 April 1964 • French • Non-executive director since 2013
Holds no Dexia shares

Term of mandate: 2013-2017

Specialist committees: Member of the Audit Committee • Member of the Appointments Committee.

Primary function: Deputy Commissioner General for Investment (Ministry of Economy)

Other mandates and functions: Director of Dexia Crédit Local.

Biography: Mr Thierry Francq is an Ecole polytechnique and Ecole nationale de statistiques et d'administration économique (ENSAE) graduate. He began his career in 1988 in the direction de la prévision (Ministry of the Economy, Finance and Industry), as Deputy Head of the Foreign Bureau and then of the Financial Transactions Bureau. In 1992, he joined the Treasury department where he was Deputy Head of the Housing Financing Bureau and, as of 1995, Head of the Bureau in charge of French policy regarding the International Monetary Fund (IMF), the international financial system and the preparation of the G7 summits. From 2000 to 2002, he held the position of Deputy Head in charge of the regulation of insurance companies, products and markets and then, from 2002 to 2004, Deputy Head of the State holding department before being appointed Head of Economy Financing at the French Treasury. In March 2009, he was appointed General Secretary of the Financial Markets Authority (AMF). From December 2012 to September 2013, he was Executive Adviser to the CEO of the French Treasury. On 7 October 2013, he was appointed Deputy Commissioner General for Investment.

Principal fields of expertise: economics, financial regulation and administration

KOEN VAN LOO

26 August 1972 • Belgian • Non-executive Director since 2008
Holds 1,186(1) Dexia shares

Term of mandate: 2013-2017

Specialist committees: Member of the Appointments Committee

Primary function: Chief Executive Officer and member of the Strategy Committee of the Federal Holding and Investment Company

Other mandates and functions: Director: Sopima, Certi-Fed SA, Bel to mundial ASBL, Kasteel Cantecroy Beheer SA, Société Belge d'Investissement International, Biloba Investment & Ginkgo Management SARL, Capricorn Health Tech Fund SA and Capricorn ICT Fund, Fundo Performa-Key de Inovaçao em meio ambiente • Director of Dexia Crédit Local.

Biography: Mr Koen Van Loo is graduate in applied economics. After gaining a degree in taxation, he began his career as Deputy Adviser to the Central Economic Council. In September 1999, he joined the Office of the Belgian Minister of Finance as an expert. In November 2000, he was appointed Adviser to the Cabinet and was then head of the Cabinet from May 2003 until November 2006. He was then appointed Chief Executive Officer and a Member of the Strategy Committee of the Federal Holding and Investment Company.

Principal fields of expertise: financial analysis, accounting, taxation and strategy

(1) Following the reverse stock split, which took place on 4 March 2016, this amount was divided by 1,000 and rounded down to the nearest whole number.

Eligibility criteria

The internal rules of the Board of Directors stipulate that directors are appointed by the shareholders' meeting on the basis of their expertise and the contribution they can make to the administration of the company.

Directors meet the skills profile defined by the Board of Directors based on proposals from the Appointments Committee, which are an integral part of the internal rules of the Board of Directors. All members of the Board of Directors must have the time required to fulfil their obligations as a director. Non-executive directors may not consider accepting more than five directorships in listed companies.

In order to ensure that there is balanced gender representation on the Board, and with a view to the forthcoming entry into force of legal provisions, the Board of Directors adopted and action plan aimed at achieving the target set by Article 518bis of the Companies Code. To that end, each director undertakes to resubmit their mandate to the Board of Directors on the express request of the Chairman of the board, in order to allow the appointment of a female Director.

Procedure for appointing and assessing members of the Board of Directors

In line with their obligations in particular under CRD IV and its national transpositions, Dexia and Dexia Crédit Local have the procedures in place necessary for checking the expertise and professional integrity of directors, senior executives of the two entities and heads of the independent control function. Fulfilment of these obligations will involve several departments:

- The Human Resources department in charge, on behalf of the Management Board or the Board of Directors of the selection and recruitment process,
- The Compliance department in charge of checking the integrity of candidates, the absence of conflicts of interest by virtue of other functions or mandates,
- The General Secretariat and the General Auditor in charge of relations with the regulatory and supervisory authorities.

This check is made at the time of the candidate being recruited and is subject to annual assessment.

Appointment

The Appointments Committee is responsible for making proposals on the appointment of any new director to the Board of Directors, which decides alone whether the application will be submitted to the shareholders' meeting or not. The committee ensures that before considering approval of the application, the Board has received sufficient information on the candidate to enable it to assess whether their appointment is in line with the general profile of directors and the skills required. Each candidate is proposed on the basis of his/her potential contribution in terms of knowledge, experience and specialisation in one or more of the following fields: vision and strategy, leadership and management skills, financial and accounting expertise, international experience and knowledge of the Group's business lines. The candidate must also have the necessary availability to fulfil his/her obligations as a director. The Board of Directors also ensures that they have the specific skills enabling them to meet the legal criteria of collective or individual expertise within specialist committees.

Resignation

When directors wish to end a term of office early, they send a resignation letter to the Chairman of the Board of Directors who informs the Board at its next meeting. As the case may be, the Board of Directors will provide a provisional replacement for the resigning director by co-opting and the following shareholders' meeting will make a definitive appointment.

If there is a major change in the functions of a director likely to affect their ability to meet the eligibility criteria as defined in the Board's internal rules, they are invited to resubmit their mandate to the company and to provide the Chairman of the Appointments Committee with any useful information.

Assessment

The Board of Directors is organised to achieve the best exercising of its expertise and responsibilities. Each year, in principle, it carries out a self-assessment of its operations and its specialist committees, led by the Chairman of the Board of Directors, in order to make useful changes and improvements to its internal rules. The criteria adopted in making the assessment include the efficiency and frequency of meetings of the Board and the specialist committees, the quality of the information provided to the Board and its specialist committees, the remuneration of members of the Board and its committees, and even the role of the Chairman.

When a director's mandate is renewed, the Appointments Committee makes an assessment of the participation in the Board of Directors' operations and reports on that with a recommendation.

A self-assessment was launched at the end of 2015 based on an individual, anonymous questionnaire covering the composition, organisation, skills, efficiency and performance of the Board and its specialist committees, the frequency of meetings and the information given to directors, the Chairman's role and interactions with the Management Board, and lastly the remuneration awarded to directors. The final report, prepared by the Chairman, was presented to the Board of Directors on 17 March 2016. Proposed appropriate measures have been adopted.

Changes in the composition Dexia's Board of Directors in 2015

During the 2015 financial year, the changes in the composition of Dexia's Board of Directors were as follows: at its meeting held on 6 July 2015, the Board of Directors noted the resignation of Mrs Delphine d'Amarzit with effect from 6 July 2015 and unanimously co-opted Mr Corso Bavagnoli as director with effect from 6 July 2015 to replace Mrs Delphine d'Amarzit. His definitive appointment for a new period of 4 years will be proposed to the ordinary shareholders' meeting to be held on 18 May 2016.

Independent directors

The independence criteria applied to the directors of Dexia are aligned with the legal criteria set out in Article 526ter of the Companies Code. These criteria, which form an integral part of the internal rules of the Board of Directors, are as follows:

1) For a period of five years preceding their appointment, independent directors may not have held a mandate or a position as an executive member of the Board of Directors, or as a member of the Management Board or delegate for day-to-day management, of Dexia or of a company or a person associated with it in the meaning of Article 11 of the Companies Code.

2) Independent directors may not have sat on the Board of Directors of Dexia as non-executive directors for more than three successive mandates without that period exceeding 12 years.

3) During a period of three years preceding their appointment, independent directors may not have been a member of the management staff.

4) Independent directors may not receive, or have received, remuneration or other significant benefits of an asset nature from Dexia or from a company or a person associated with it in the meaning of Article 11 of the Companies Code, outside any percentages and fees received as non-executive members of the Board of Directors or members of the supervisory body.

5) Independent directors:

a) may not hold any social right representing one tenth or more of the capital, social funds or category of shares of the company.

b) if they hold social rights representing a proportion of less than 10%:

– by the addition of the social rights to those held in the same company by companies of which independent directors have control, those social rights may not reach one tenth of the capital, social funds or category of shares of the company; or

– acts of disposal in relation to those shares or the exercising of the rights attached hereto may not be subject to contractual stipulations or unilateral undertakings to which the independent member of the Board of Directors has subscribed.

c) may not in any way represent a shareholder that meets the conditions of the present point.

6) Independent directors may not have entered into or maintained a significant business relationship with Dexia or with a company or person associated with it in the meaning of Article 11 of the Companies Code over the last financial year, either directly or as a partner, shareholder, member of the Board of Directors or member of management staff of a company or person entering into such a relationship.

7) During the last three years, independent directors may not have been a partner or employee of a current or previous auditor of Dexia or an associated company or person associated with it in the meaning of Article 11 of the Companies Code.

8) Independent directors may not be an executive member of the Board of Directors of another company in which an executive director of Dexia is a non-executive member of the Board of Directors or a member of the supervisory body, and may not have other significant ties with the executive directors of Dexia through positions held in other companies or bodies.

9) Independent directors may not, either within Dexia or within a company or person associated with it in the meaning of Article 11 of the Companies Code, have either their spouse, or the person with whom they live under a common law marriage, or an immediate family member or a relative up to two removes exercising a mandate as member of the Board of Directors, member of the Management Board, delegate for day-to-day management or member of the management staff, or in one of the other cases defined in points 1 to 8.

Any of Dexia's independent directors who no longer meet any of the said criteria, particularly following a major change of their functions, will immediately inform the Chairman of the Board of Directors who will inform the Appointments Committee; the Appointment and Remuneration Committee will inform the Board of Directors and if necessary formulate an opinion.

Considering these criteria, Dexia's Board of Directors had three independent directors as at 31 December 2015, namely Mr Robert de Metz, Mr Bart Bronselaer and Mr Paul Bodart.

Non-executive directors

A non-executive member of the Board of Directors is a member who does not exercise management functions in a Dexia Group company. The internal rules of the Board of Directors of Dexia stipulate that at least one half of the Board of Directors must be non-executive directors and at least three of the non-executive directors must be independent. It is to be noted that with the exception of Mr Karel De Boeck and Mr Pierre Vergnes, respectively Chairman and member of the Management Board, all the members of the Board of Directors of Dexia are non-executive directors as at 31 March 2016.

The non-executive members of the Board of Directors are entitled to obtain any information necessary for them to perform their mandate properly and may ask management for that information.

Separation of the functions of Chairman of the Board of Directors and Chief Executive Officer

There is a separation of responsibilities at the head of the Group between on the one hand the responsibility to lead the Board of Directors by a French Director and on the other hand the executive responsibility to lead activities by a Belgian Chief Executive Officer. The articles of association of Dexia as well as the internal rules of the Board of Directors of Dexia expressly indicate that the Chief Executive Officer cannot perform the tasks of the Chairman of the Board.

Term of office

Members of the Board of Directors are appointed for a maximum term of office of four years. Board members can be re-elected.

The number of renewals of mandate for a non-executive director of the company is limited to two. The age limit for directors is 72. The directors concerned resign with effect from the date of the ordinary shareholders' meeting following their birthday.

Board of Director's remits and responsibilities

The Board of Directors is the corporate body which, subject to the powers expressly granted to the shareholders' meeting and within the limits of the corporate object, on a proposal or opinion received from the Management Board, sets the strategy and general policy of the company and the Dexia Group. It controls and directs the management of the company and of the Group and monitors risks. Regarding principles, the Board of Directors, within the context of the revised resolution plan, defines the strategy and Group standards and sees to the implementation of that strategy at Group level and in its main operating entities. The Board ensures that the principles of good governance are observed.

In particular, the Board:
a. Examines the major proposals made by the Management Board and presented to it by the Chief Executive Officer, as well as those proposed by the specialist committees;
b. Determines the strategy of Dexia and the Dexia Group, within the context of the orderly resolution plan, which is implemented by the Management Board, sets priorities, approves the annual budget and, more generally, ensures the balance between the strategy defined and the human and financial resources required.
c. Assesses the implementation, by the Group, of independent control functions, which in particular include risk management, internal audit and compliance procedures on a centralised basis;
d. Assesses compliance risks and validates reports from the Compliance and Permanent Control department. It validates compliance policy;
e. Takes the measures required to ensure the integrity of the financial statements;
f. At least once per annum, adopts and assesses the general principles of remuneration policy and ensures its implementation.
g. Sets the remuneration for Management Board members on the recommendation of the Remuneration Committee and the recommendation of the Chairman of the Management Board for Management Board members other than himself;
h. Justifies the individual and collective skills of the members of the specialist committees in the annual report;
i. Assesses the performance of the Management Board members; supervises the performance of the Statutory Auditor(s) and internal auditors;
j. Defines the organisation of advisory and specialist committees with regard to their composition, mode of operation and obligations;
k. Defines the organisation of the Management Board in terms of its composition, mode of operation and obligations on the recommendation of the Chairman of the Management Board;
l. Examines the governance mechanism, periodically assesses its effectiveness and ensures that corrective measures have been taken to remedy any shortcomings;
m. Ensures implementation of the Governance Memorandum and the transmission of updates to the supervisory authority;
n. Checks implementation by the Management Board of the company's general policy, which it determines.
The Board of Directors ensures that its obligations to all shareholders are understood and fulfilled, and reports to the shareholders on the exercising of its responsibilities at shareholders' meetings.

Operation of the Board of Directors

Articles of association

The company's articles of association set forth the following rules that govern the Board of Directors' operations:
• All deliberations require the presence or representation of at least half of the members of the Board;
• Decisions are adopted by a majority vote of all members present or represented;
• Decisions concerning the operations described below require the presence or representation of at least two thirds of the members of the Board, and a two thirds majority of all the members present or represented:
– Acquisition or disposal of assets with a gross unit value above EUR 500 million;
– Proposals to amend the company's articles of association, including with regard to the issuing of shares, bonds which are convertible or redeemable in shares, warrants or other financial instruments giving a future right to shares;
– Appointment and dismissal of the Chairman of the Board of Directors and the Chief Executive Officer;
– Decision to increase capital within the framework of the authorised capital;
– Appointment of directors within the Board of Directors of Dexia Crédit Local, to the extent that the decision might relate to the appointment of other persons than directors of the company and a different number of directors to that of the Board of Directors of Dexia; and
– Decisions to amend the internal rules of the Board of Directors.

The Board of Directors may, on an ad hoc basis or generally, invite observers to attend its meetings. These observers do not have a deliberative vote and are bound by the same obligations, particularly of confidentiality, as the directors.

Internal rules of Dexia's Board of Directors

The internal rules of Dexia's Board of Directors codify a set of rules intended to enable the Board to fully exercise its powers and enhance the efficiency of the contribution made by each director.

General organisational principles

The Board of Directors is organised to achieve the best performance of its expertise and responsibilities.
The Board's meetings are frequent enough to allow the Board to perform its tasks. Board members commit to participate actively in the work of the Board and the committees on which they sit. Attendance at meetings of the Board and committees is the first condition of this participation and effective attendance at three quarters of the meetings at least is expected.
The agenda lists the items to be discussed and states if they are listed for information purposes, for discussion, or for a vote.
The minutes report discussions and record the decisions made, specifying reservations issued by some directors, if applicable.

Duty of confidentiality

The information provided to the directors in the performance of their duties, during Board meetings, meetings of the specialist committees, or during private interviews, is given on an intuitu personae basis; they shall ensure that the confidentiality of such information is strictly maintained.

Training of Board members

The Chairman of the Board of Directors ensures that, as necessary, directors receive training on the Group's activities when they take up office and during the term of their mandate in order to be able to exercise their responsibilities properly.

Conflicts of interest

The directors ensure that their participation in the Board of Directors is not a source of any conflict of interests for them in the sense of the applicable regulations.
Directors submit their mandate to the Board if there is a significant change in their duties and the Board decides whether to accept their resignation in such cases, after an opinion from the Appointments Committee. They must resign if a change in their situation creates any incompatibility with their office as a director of Dexia.

If any directors directly or indirectly have a conflicting financial interest in a decision or operation to be decided by the Board of Directors, they must inform the other members of the Board before they deliberate. Their declaration, including the reasons for their conflicting financial interest, must be recorded in the minutes of the Board meeting that will make the decision. In addition, they must inform the company's statutory auditors. They may not participate in the Board of Directors' deliberations in relation to the transactions or decisions concerned, or vote on them.
For publication in the annual management report, the Board of Directors describes in the minutes the type of decision or operation in question and the reasons for the decision made and the financial consequences for the company. The management report contains a copy of the minutes described above.

Transactions on Dexia financial instruments

In order to promote the transparency of transactions in Dexia financial instruments, the internal rules stipulate that all Dexia directors have "permanent insider" status in view of their regular access to inside information on Dexia. Executive directors, as well as some non-executive directors, including the members of the Audit Committee, who have access to the estimated consolidated results of Dexia, are thus entered in the list of "estimated consolidated results insiders". Moreover, within the context of certain specific projects, directors may have access to inside information on Dexia in relation to its projects, and they are entered in the list of "occasional insiders".
In view of their "permanent insider" status, directors:
- Will refrain from deciding on any transaction on Dexia financial instruments during a one-month period prior to the announcement of the quarterly, half-year or annual results;
- Must obtain prior authorisation from the Chief Compliance Officer before any transaction on Dexia financial instruments.

Directors with the status of "estimated consolidated results insiders" are subject to a statutory restriction period associated with estimated results and will refrain from deciding on any transactions on Dexia financial instruments during a negative trading window commencing 15 days prior to the accounting closing date and ending on the date when the results are published. Moreover, they must obtain authorisation from the Chief Compliance Officer before any transaction in view of their "permanent insider" status.
Directors entered in the list of "occasional insiders" may not, during the time they are in the list, decide on any transaction on Dexia financial instruments.
Directors and persons who are closely associated with them are required to notify the FSMA of transactions on Dexia financial instruments carried out on their own behalf. Transactions notified are automatically published by the FSMA on its website.
Directors must declare to the Chief Compliance Officer:
- At the time of their entry into office, all the Dexia financial instruments they hold;
- At the end of each year, an update to the list of Dexia financial instruments they hold.

The rules and restrictions relating to transactions on Dexia financial instruments described above are applicable for directors and persons closely associated with them. They also apply to observers as defined in Dexia's articles of association.

Operation and activities of Dexia's Board of Directors during the 2015 financial year

Attendance by Board members

The Board met 9 times in 2015. The directors' attendance rate at Board meetings was 89%.

ATTENDANCE RATE FOR EACH DIRECTOR AT BOARD OF DIRECTORS MEETINGS

Corso Bavagnoli(4)	40%
Paul Bodart	88.9%
Bart Bronselaer	100%
Delphine d'Amarzit(5)	60%
Karel De Boeck	100%
Alexandre De Geest	100%
Robert de Metz	100%
Thierry Francq	77.8%
Koen Van Loo	100%
Pierre Vergnes	88.9%

(4) Mandate effective from 6 July 2015.
(5) Resigned with effect from 6 July 2015

Activities of the Board of Directors

In addition to matters falling within the ordinary remit of the Board of Directors (monitoring results, approving the budget, appointment and remuneration of Management Board members, convening of ordinary and extraordinary shareholders' meetings, minutes of specialist committee meetings), the Board dealt in particular with numerous subjects from the Audit and Risk Committee, and the following points:
- Revised orderly resolution plan and State commitments to the European Commission;
- Group liquidity, SREP, Pillar 2 of Basel III;
- Asset disposal programme;
- Reverse stock split;
- Policies related to compliance, internal audit, exercise of outside mandates;
- Disposals of operating entities;
- Outsourcing project;
- Governance Memorandum

Conflicts of interest

As already indicated, if any directors directly or indirectly have a financial interest conflicting with a decision or operation of the Board of Directors, they must inform the other directors prior to the Board of Directors' deliberations. Their declaration, as well as a substantiation of the conflict of interest on their part, must appear in the minutes of the meeting of the Board of Directors which has to take the decision.
During its meeting on 5 August 2015, the Board decided to grant a remuneration guarantee to Mr Corso Bavagnoli, director. As Mr Corso Bavagnoli was absent from the meeting of the Board of Directors held on 5 August 2015, the situation of a potential conflict of interests did not arise. The terms of the guarantee granted to each director are detailed in the remuneration report (see below).

Specialist committees set up by the Board of Directors

Specialist committees are responsible for preparing Board decisions, these remaining the Board's sole responsibility. Unless the Board gives special dispensation, specialist com-

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mittees have no decision-taking power. These committees are composed of directors appointed by the Board of Directors for a period of two years renewable. After each meeting, a report on the committee's work is presented to the Board of Directors.

Until 12 March 2015 the Board of Directors had three specialist committees, namely the Audit Committee and the Appointments and Remuneration Committee in accordance with the requirements of the Companies Code, and the Strategy Committee.

Since 12 March 2015, in order to take account of the transposition into Belgian law and French law of the European Banking Directive CRD IV, the Audit Committee was split into on the one hand an Audit Committee competent for Dexia and Dexia Crédit Local, and on the other hand a Risk Committee competent for Dexia and Dexia Crédit Local. It was also decided to split the Appointment and Remuneration Committee into an Appointment Committee on the one hand and a Remuneration Committee on the other hand, both also competent for Dexia and Dexia Crédit Local.

Since 19 November 2015, in order to meet the new requirements imposed on Dexia with regard to governance and the undertakings made by Dexia within the framework of the guarantee agreement concluded with the Belgian, French and Luxembourg States, the Board of Directors altered the composition of the specialist committees and decided to do away with the Strategy Committee.

As at 31 December 2015, the Board of Directors therefore had four permanent specialist committees, namely: (i) the Audit Committee, (ii) the Risk Committee, (iii) the Appointments Committee, and (iv) the Remuneration Committee. These committees are composed of at least three non-executive directors appointed by the Board of Directors.

Audit Committee

In accordance with Article 526bis of the Companies Code and Article 27 of the Banking Law[1] , the Audit Committee is composed of non-executive directors, among whom at least one independent director, including the committee chairman, meet the criteria set out by Article 526ter of the Companies Code.

The members of this committee have collective skills in the fields of activity of the Dexia Group and accounting and audit, and at least one member is skilled in audit and/or accounting.

As at 31 December 2015, the Audit Committee was composed of:

• Mr Paul Bodart, independent director and Chairman of the Audit Committee. He has sound professional experience in audit and accounting, acquired in particular as a member of the Audit Committee of Euroclear Bank for 5 years and the Audit Committee of the National Settlement Depository, the Russian central depository, for 2 years. He has chaired the Dexia Group Audit Committee since 2012 and is a member of the Audit Committee Institute (ACI). He held the post of CEO of Bank of New York Mellon's banking subsidiary in the euro zone for 4 years and has 35 years of experience in the banking and financial sector, including 17 years in an executive position.

• Mr Bart Bronselaer, independent director. Over the course of his professional career, particularly with Merrill Lynch International, where he held the post of Head of European Bond Markets, and Royal Park Investments as Chairman of the Board of Directors, he acquired experience in risk management and on the capital markets, skills essential for a good understanding of the activities of the Dexia Group.

• Mr Thierry Francq, non-executive director. He was General Secretary of the Financial Markets Authority (AMF) and had a long career in the French Treasury, enabling him to acquire skills in financial regulation, management, finance and risk management. In particular, he was responsible for banking sector regulatory matters, insurance and financial markets for 5 years at the Treasury (between 2004 and 2009). In office when the financial crisis arose in 2008, he played a key role in implementing the mechanisms to support the financial sector in France. From 2009 to 2012, in his position within the AMF, he acquired experience in corporate governance, financial communication and accounting. Previously, as Deputy Head of the French State holdings, he held posts as non-executive director in several companies, some of them listed.

Activities during the 2015 financial year

The Audit Committee met six times in 2015 and dealt in particular with the following matters:

- Group financial statements;
- Reports on risks, liquidity, audit, compliance and permanent control;
- Dealing with the risk associated with cyber-crime and risk reduction;
- The FED assessment of activities in the United States;
- ICAAP;
- IFRS 9;
- Pillar 2 of Basel III.

Attendance of each individual director

The individual attendance rate for directors at the Audit Committee's meetings was 92% in 2015.

ATTENDANCE RATE OF EACH DIRECTOR AT MEETINGS OF THE AUDIT COMMITTEE

Paul Bodart	100%
Bart Bronselaer	100%
Thierry Francq	83.3%
Koen Van Loo[1]	80%

(1) Following alteration of the composition of this committee, Mr Koen Van Loo has not been a member of the Audit Committee since 19 November 2015

Remit

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 as monitors the efficiency of the internal audit and risk management systems.

(1) Law of 25 April 2014 on the status and control of credit institutions.

Operation

The Audit Committee meets at least twice per year. Each meeting must take place before the meeting of the Board of Directors which analyses and if necessary approves the quarterly, half-yearly and annual accounts, as the case may be. It may meet at any time on the request of one of its members. The Audit Committee's remit and operations are described in the Board of Directors' internal rules.

The Audit Committee may if necessary ask for assistance from an internal or external expert. Moreover, in order to improve the reading of files by directors in the company's interest, the Board of Directors invites all the members of the Board of Dexia Crédit Local to attend meetings of the Audit Committee.

Risk Committee

In accordance with Article 27 of the Banking Law[1] , the Risk Committee is composed exclusively of non-executive directors, and at least one independent director, including the chairman of the Risk Committee, within the meaning of Article 526ter of the Companies Code. 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.

As at 31 December 2015, the Risk Committee was composed as follows:

- Mr Bart Bronselaer, independent director and Chairman of the Risk Committee. He has sound expertise in market risk and risk management acquired during his career, particularly with Merrill Lynch International, where he held the post of Head of Strategic Solutions for Europe, and Royal Park Investments as Chairman of the Portfolio Management Committee.
- Mr Corso Bavagnoli, non-executive director. He has run the department for Economy Financing at the French Treasury since May 2015. Mr Bavagnoli began his career as Deputy Finance Inspector from 2001 and then Inspector from 2002. He served as Deputy Head of Unit at the Directorate General of the Treasury and Economic Policy Office from 2005, then Head of the "International financial system & summit preparation" unit. From 2008, he served as Head of the "EDF and other participations" unit at the French Agence des participations de l'Etat. He has served as Adviser on Economic and Financial Affairs in the Office of the Prime Minister. He was also director of the SFIL between 2013 and 2015. In 2012 he became Deputy Head for "Banks and public interest financing" at the Directorate General of the Treasury. He was an active member of the Supervisory Commission of the Caisse des dépôts et consignations" between 2012 and 2015. He is also Censor of the Banque de France. He has been a director of Dexia since 6 July 2015.
- Mr Alexandre De Geest, non-executive director. He has sound expertise in financial regulation, corporate governance, finance and risk management. Adviser to the Cabinet of the Belgian Federal Minister of Finance for 11 years, he was a member of the Strategy Committee of the Debt Agency. He monitored various financial subjects, including Dexia, KBP, RPI, Arco and so on, and was a member of the committee monitoring financial guarantees granted to financial institutions. For three years, he was Government Commissioner to the Fund for Protection of Deposits and Financial Instruments. Since 2012, he has been an Executive Director of the State Financing and Financial Markets department to the Belgian Treasury and on that basis runs the State Dent Agency and is a member of its Strategy Committee. He is also a member of the Management Committee responsible for loans and guarantees granted by the State to financial institutions. He represents the Belgian Federal Government on Financial Services Committees and the European Banking Committee.

(1) Law of 25 April 2014 on the status and control of credit institutions.

Activities during the 2015 financial year

The Risk Committee met five times in 2015[2] and dealt in particular with the following matters:

- The risk associated with cyber-crime;
- IT security;
- SREP;
- Quarterly risk reports (market, credit, operational and legal risks) ;
- Work of permanent control and compliance.

Attendance of each individual director

The individual attendance rate for directors at the Risk Committee's meetings was 100% in 2015.

ATTENDANCE RATE OF EACH DIRECTOR AT MEETINGS OF THE RISK COMMITTEE

Paul Bodart [1]	100%
Bart Bronselaer	100%
Alexandre De Geest [2]	NA
Thierry Francq [3]	100%
Koen Van Loo [4]	100%

(1) Not a member of the Risk Committee since 19 November 2015..
(2) Member of the Risk Committee since 19 November 2015.
(3) Not a member of the Risk Committee since 19 November 2015.
(4) Not a member of the Risk Committee since 19 November 2015..

Remit

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.

Operation

The Risk Committee determines the nature, volume, form and frequency of information concerning risks to be sent to it. It has direct access to the Chief Risk Officer and may take the advice of external experts.

The remit and operations of the Risk Committee are described in the internal rules of the Board of Directors.

The Chief Executive Officer may attend meetings of the Risk Committee, without being a member. The Risk Committee may invite members of the Management Board to take part in its work. If necessary, it may also be assisted by an expert. The Chairman of the Risk Committee ensures that its members can meet in the absence of any representative of management. In order to improve the reading of files by directors

(2) Including meetings of the Audit Committee before the effective demerger of that committee into an Audit Committee and a Risk Committee.

in the company's interest, the Board of Directors invites all the members of the Board of Dexia and of Dexia Crédit Local to attend meetings of the Risk Committee.

Joint meetings of the Audit and Risk Committees

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.
Such joint meetings are chaired by the Chairman of the Audit Committee.

Appointments Committee

Composition

The Appointments Committee is composed 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.
As at 31 December 2015, the composition of the Appointments Committee was as follows:
• Mr Robert de Metz, independent director and Chairman of the Committee. He has sound expertise in banks, finance and asset management, enhanced by experience in corporate management at an international level. After 4 years in the General Finance Inspectorate of the Ministry of Finance, he held managerial positions for 17 years in business banks and 5 years in asset management, as head of several teams of differing sizes. In particular, between 1997 and 1999, he was a member of the Management Board of Paribas (before the merger with BNP), responsible for bond and derivative transactions, whilst holding executive positions with Paribas in the United Kingdom (2,000 employees), responsible for monitoring relations with the Financial Services Authority. He acquired experience of corporate management by attending Paribas Management Board and Board of Directors meetings from 1994 to 1999. Then, as Deputy Director responsible for strategy and mergers and acquisitions at Vivendi Universal from 2002 to 2007, and in that regard a member of the team responsible for corporate recovery, he not only took part in meetings of the Vivendi Board of Directors but also those of the main entities in the group including external shareholders, like NBC Universal, majority held by General Electric, for 3 years, Maroc Télécom, for 5 years, and its Audit Committee, Canal + France for 7 years and other subsidiaries held 100% by the group, including a large number of international staff, such as in Universal Music or Vivendi Games.
• Mr Thierry Francq, non-executive director. He has sound judgement in matters of appointments, acquired over his career as a senior executive with the French Treasury. In managing the French State's holdings, he had to rule on many appointments to highly responsible posts in several companies. As General Secretary to the AMF, he supervised the corporate governance of companies listed in Paris.
• Mr Koen Van Loo, non-executive director. He has been a member of the Dexia Appointments Committee since 2013. As CEO of the Federal Holding and Investment Company (FHIC), which manages all the holdings of the Belgian Federal State, and as former Head of the Cabinet of the Vice-Prime Minister and the Minister of Finance, he acquired experience in the organisation and composition of boards of directors, as well as such subjects as appointments and human resources management. He also gained experience in corporate management as a non-executive director of several companies held by the Belgian Federal State or the FHIC.

Remit

The Appointments Committee prepares decisions of the Board of Directors concerning:
• Proposals for the appointment or renewal of directors by the Board of Directions 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.

Operation and activities during the 2015 financial year

The Appointments Committee met six times in 2015 and dealt in particular with the following matters.
• Governance: composition of the Board of Directors, specialist committee and the Management Board of Dexia and Dexia Crédit Local;
• The appointment of new directors or members of the Management Board;
• Legislative developments regarding the obligations of good governance in France and Belgium (cf. Banking Law);
• The annual report and the remuneration report;
• Assessing the skills of members of the Board of Directors;
• Updating the internal rules of the Board of Directors.

Attendance of each individual director

The individual attendance rate of directors at meetings of the Appointment Committee was 97% in 2015.

ATTENDANCE RATE OF EACH DIRECTOR AT MEETINGS OF THE APPOINTMENTS COMMITTEE

Paul Bodart (1)	100%
Bart Bronselaer (2)	100%
Robert de Metz	100%
Thierry Francq	83.3%
Koen Van Loo	100%

(1) Not a member of this committee since 19 November 2015.
(2) Not a member of this committee since 19 November 2015.

The Remuneration Committee

Composition

In accordance with Article 526quater of the Companies Code and Article 27 of the Banking Law[1], the Remuneration Committee is composed 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 Appointments Committee must have the necessary expertise enabling it to make pertinent and independent judgments on remuneration policies and practices.

The Remuneration Committee meets at least twice per annum, including in principle at least once prior to the meeting of the Board of Directors validating the management report for the financial year. It may also meet more frequently during the year, on the substantiated request of one of its members.

As at 31 December 2015, the Remuneration Committee was composed as follows:

- Mr Robert de Metz, independent director and Chairman of the Committee (see above).
- Mr Paul Bodart, independent director. He ran the Belgian branch of the Bank of New York Mellon for 13 years. The branch had up to 1,200 members of staff. He was also CEO of Bank of New York Mellon's banking subsidiary in the euro zone for 4 years. With branches in 6 countries, this entity has up to 1,700 members of staff. During those 17 years with the Bank of New York Mellon, he was constantly involved in discussions with executives on questions of staff remuneration under his responsibility and negotiations undertaken with the regulators on the levels and parameters of remuneration in the financial crisis. As CEO of the banking subsidiary in the euro zone and responsible for global operations of the Asset Servicing department in the EMEA zone, he was involved in the changes required by developments of the regulatory remuneration framework.
- Mr Alexandre De Geest, non-executive director. He has experience in remuneration policy, acquired in performing mandates for various companies. Furthermore, the State Financing and Financial Markets department, of which he is a director, employs 85 staff members. In his work as Adviser to the Federal Minister of Finance and Foreign Affairs, he worked on the transposition of European Directives into Belgian Law, including those relating to remuneration policy.

Remit

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 and the members of the Management Board.

The Remuneration Committee passes an opinion on the company's remuneration policy and any amendments made to it. 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.

Operation and activities during the 2015 financial year

The Remuneration Committee met six times in 2015 and dealt in particular with the following matters:

- Remuneration of executives and composition of governance bodies;
- Remuneration report;
- Updating the internal rules of the Board of Directors.

Attendance of each individual director

The individual attendance rate of directors at meetings of the remuneration committee was 100% in 2015.

ATTENDANCE RATE OF EACH DIRECTOR AT MEETINGS OF THE REMUNERATION COMMITTEE

Paul Bodart	100%
Bart Bronselaer (1)	100%
Alexandre De Geest (2)	N/A
Robert de Metz	100%
Thierry Francq (3)	100%
Koen Van Loo (4)	100%

(1) Not a member of this committee since 19 November 2015.
(2) A member of this committee since 19 November 2015.
(3) Not a member of this committee since 19 November 2015.
(4) Not a member of this committee since 19 November 2015.

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.

(1) Law of 25 April 2014 on the status and control of credit institutions.

The Management Board, from left to right, in the foreground: Benoît Debroise, Karel De Boeck, Johan Bohets; in the background: Pierre Vergnes, Claude Piret.

The Dexia Management Board

The Management Board is instructed by the Board of Directors, which delegates powers to it for that purpose, in accordance with Article 524bis of the Companies Code, for the effective management of the company.

Composition

The Management Board members, other than the Chief Executive Officer, are appointed and dismissed by the Board of Directors based on proposals from the Chief Executive Officer. They are appointed for a renewable four-year period unless the Board of Directors decides otherwise.
As at 31 December 2015, the Management Board is composed of the following members:
- **Karel De Boeck**, Chief Executive Officer
- **Pierre Vergnes**, Chief Financial Officer
- **Claude Piret**, Head of "Assets"

Supporting the Management Board, the Board of Directors created an enlarged Board, meeting each week 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.

Remit

In accordance with Article 524bis of the Companies Code, the Management Board is entrusted with the management of the company and of the Dexia Group, for which it manages and coordinates the various business lines, in the context of the strategic objectives and the general policy defined by the Board of Directors. In addition, it ensures the execution of the decisions taken by the Board of Directors.

Operation

Since the creation of Dexia in 1999, the Management Board has had its own internal rules (the "Rules"), amended on several occasions, determining its responsibilities and how it operates. In addition to rules governing the composition of the Management Board (see above), the Rules include the following points.

Rules relating to the responsibilities of the Management Board in its dealings with the Board of Directors

The Regulations first define the Management Board's responsibilities in its dealings with the Board of Directors. The Management Board may formulate a preliminary opinion regarding any proposals debated by the Board of Directors or the specialist committees relating to the Group's strategy or general policy, whether these proposals are made by the Chief Executive Officer or other directors. It may make recommendations to the Board of Directors through the Chief Executive Officer.
If the Chief Executive Officer takes part in discussions by the Board of Directors or its specialist committees, for which the Management Board has an acknowledged right of opin-

ion or initiative, the Chief Executive Officer presents to and defends within the Board of Directors the points of view previously debated by the Management Board.

Rules relating to decision-taking

The Management Board operates on a collegial basis and its decisions result from a consensus of its members. It assumes joint responsibility for such decisions. If applicable, the Chairman of the Management Board may, on his own initiative or on request from two other members, submit the issue under debate to a vote. Resolutions are passed by a majority vote of all members present or represented. In the event of a tied vote, the Chairman will cast the deciding vote. In exceptional cases, decisions may be taken by the Management Board in writing with the unanimous consent of its members.

Rules relating to meetings

Management Board meetings are convened by its Chairman, in principle once a week. If necessary, meetings can be convened at any time by the Chairman or if two or more members so desire. Any member of the Management Board who is unable to attend, may be represented by another member of the Board, but a member may not represent more than one other member. Each member of the Board may propose an item for the agenda, which is set by the Chairman.

Conflicts of interest

Notwithstanding any legal or regulatory obligations, a member of the Management Board who directly or indirectly has a conflicting financial interest in a decision or operation to be decided by the Board must inform the other members of the Board before they deliberate. The member in question's declaration, including the reasons for the conflicting financial interest, must be recorded in the minutes of the Management Board meeting scheduled to take the decision. The Management Board member must inform the company's statutory auditors. This member cannot participate in the Management Board's deliberations in relation to the transactions or decisions concerned, or vote on them.

Transactions on Dexia financial instruments

The Management Board's internal rules were amended in order to update the rules relating to the prevention of insider trading in relation to Dexia financial instruments.

Group Committee

The Group Committee is an exchange platform that meets twice a month and consists of the members of the Management Board of Dexia and the Heads of the Communication, Operations and Information Systems, Financial Management, Risk Quantification and Reporting, Human Resources divisions and Transformation divisions, namely:

- **Véronique Hugues**, in charge of Financial Management;
- **Caroline Junius**, in charge of Communication;
- **Christine Lensel Martinat**, in charge of Operations and Information Systems;
- **Gaëtane Albert**, in charge of Human Resources;
- **Wim Ilsbroux**, in charge of Transformation;
- **Thomas Guittet**, in charge of Risk Quantification and Reporting;
- **Rudolph Sneyers,** in charge of Audit, who attends but is not a member.

The Group Committee meets in enlarged form with the Heads of the major international entities or branches which are Dexia Crediop, Dexia Sabadell, Dexia Kommunalbank Deutschland, Dexia Israel and Dexia Crédit Local New York Branch and Dublin branch.

Transaction Committee

Within the framework of the company project and to simplify the operational conduct of the Dexia Group, on 3 April 2014 Group management approved the creation of a new transversal committee called the "Transaction Committee".
In accordance with the delegations made by the Management Board, the task of the Transaction Committee is to approve each individual transaction which might have a significant impact on the risk and/or financial profile of the Group and its entities, including international subsidiaries and branches. It replaces the Credit committee and the Finance and Liquidity Committee. The Transaction Committee meets on a weekly basis and includes the heads of the "Assets", "Funding and Markets", "Finance", "Risk" and "General Secretariat" support lines.

Remuneration report

Remuneration of Dexia directors for 2015

Review of the principles applied

Dexia's 2006 ordinary shareholders' meeting decided to pay an annual maximum global remuneration amount of EUR 1,300,000 to the directors for their services, effective as from 1 January 2005.
The shareholders' meeting also authorised the Board of Directors to determine the practical procedures of this remuneration, which comprises a fixed amount and attendance fees.
At its meeting on 16 December 2014, the Board of Directors decided that as from 1 January 2015 the remuneration of non-executive directors (excluding the Chairman of the Board of Directors) consists of a fixed remuneration of EUR 3,000 per quarter (consolidated at the level of the Board of Dexia Crédit Local as mentioned in the table below) and attendance fees of (EUR 2,000 for meetings of the Board of Dexia and Dexia Crédit Local and the Audit Committee and EUR 1,500 for meetings of the Appointments and Remuneration Committee). The Chairman of the Audit Committee is remunerated for his position (attendance fees would be raised to EUR 3,000 per meeting).
From 12 March 2015, the date of introduction of the demerger of the existing specialist committees, attendance fees are EUR 1,000 for meetings of the Audit Committee and the Risk Committee, and EUR 750 for the meetings of the Appointments Committee and the Remuneration Committee.
In addition, in order to improve the consideration of files by directors, all members of the Board of Dexia Crédit Local (including the representatives of the Belgian and French authorities and the two non-concerned directors of Dexia

Crédit Local) would be convened to meetings of the Audit Committee and the Risk Committee and would be remunerated for their attendance.
Lastly, attendance fees are reduced by 50% for any meeting of the Board of Directors organised at the same time as a meeting of another Board. Furthermore, an annual global ceiling is defined in the sense that a maximum number of meetings will be remunerated.
Non-executive directors receive no performance-related remuneration, such as bonuses or long-term incentives, or any benefits in kind or benefits associated with pension plans.

Remuneration paid to the Chairman of the Board of Directors

On 2 August 2012, the Board of Directors set the gross remuneration of the Chairman of the Board of Directors, on a proposal from the Appointment and Remuneration Committee, at a fixed global annual remuneration of EUR 250,000.

Remuneration paid to the Chief Executive Officer

The Chief Executive Officer does not receive any remuneration for his position as a director. However, he is remunerated for his responsibilities as Chief Executive Officer and Chairman of the Management Board (see hereafter).

Payment of social security contributions for certain directors

In Belgium, all Dexia directors are considered to be self-employed workers and must therefore join an independent workers' pension scheme and, in principle pay social security contributions. Some directors already benefit from social insurance under another system and may therefore be required to pay contributions in Belgium simply because of their office held with Dexia without benefiting from increased social insurance protection.
For instance, this is the case for directors not resident in Belgium who already benefit from social insurance in their country of residence, and who are required to contribute in Belgium to an unrecovered annuity. Likewise, a director resident in Belgium who is subject to the salaried employee system or to the system applicable for public servants as a principal activity and who is required to contribute as an independent worker additionally because of their office held in Belgium without benefiting from increased social insurance compared with what they already qualify for because of their principal activity.
In order to offset the unrecovered social security cost paid by directors who are in this position (subject to an annual review in order to reflect changes in status), the ordinary shareholders' meeting held on 10 May 2006 decided that Dexia will pay the unrecovered social security contributions and the other amounts owed for serving as a director of Dexia and, therefore, raised the maximum limit for directors' remuneration from EUR 700,000 to EUR 1,300,000.
To qualify for this payment, directors must meet the conditions required. The amount of the contributions paid by Dexia in 2015 totalled EUR 18,841.24.

REMUNERATION FOR SERVING AS A DIRECTOR OF DEXIA AND OTHER GROUP ENTITIES

(gross amount in EUR)	BoD (Fixed rem. paid by Dexia SA)	BoD (Fixed rem. paid by Dexia Crédit Local)	BoD (attendance fees paid by Dexia SA)	BoD (attendance fees paid by Dexia Crédit Local	Audit Committee	Risk Committee	Appointments Committee	Remuneration Committee	Total 2015 (3)	Total 2014 (3)
Directors										
R. de Metz(2)	250,000	0	0	0	0	0	0	0	250,000	250,000
K. De Boeck	0	0	0	0	0	0	0	0	0	0
P. Vergnes	0	0	0	0	0	0	0	0	0	0
C. Bavagnoli (1) (Appointment on 6 July 2015)	0	3,000	1,000	2,000	0	0	0	0	6,000	NA
P. Bodart(2)	0	12,000	7,000	14,000	13,500	2,500	7,500	1,500	58,500	61,000
B. Bronselaer(2)	0	12,000	7,000	14,000	9,000	2,000	7,500	1,500	53,000	61,000
A. De Geest	0	12,000	7,000	14,000	9,000	1,000	0	0	43,500	45,000
Th. Francq(1)	0	12,000	5,000	10,000	7,000	2,000	6,000	1,500	43,000	57,000
K. Van Loo	0	12,000	7,000	14,000	7,000	2,000	7,500	1,500	51,000	63,000

(1) In accordance with Article 139 of the French Law on the new economic regulations, attendance fees for mandates performed by representatives of the French government are to be paid to the French government account.
(2) Independent directors.
(3) Including the remuneration received for the director's mandate in Dexia Crédit Local.

Remuneration of members of the Dexia Management Board for 2015

Composition of the remuneration

Remuneration for Management Board members 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 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.
Since then, no variable remuneration has been or will be awarded to the Management Board in relation to 2015.
Moreover, in accordance with the undertakings made by Dexia within the framework of the 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 indemnities and benefits indexed to performance, or deferred remuneration to the following: Chairman of the Board of Directors, Chief Executive Officer(s) 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

Fixed 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 CHAIRMAN OF THE MANAGEMENT BOARD IN 2015

(in EUR)	Basic remuneration	Other benefits
Karel De Boeck	600,000	0

SUMMARY TABLE OF THE BASIC REMUNERATION AND OTHER BENEFITS FOR OTHER MANAGEMENT BOARD MEMBERS IN 2015 (1)

(in EUR)	Basic remuneration	Other benefits
Other members of the Management Board	895,075	96,000

(1) Messrs Claude Piret and Pierre Vergnes.

Discretionary pensions for members of the Management Board

Management Board members linked to Dexia by a management agreement benefit from a discretionary complementary pension scheme set up by Dexia.

Characteristics of applicable discretionary pension schemes

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.

Amounts paid within the framework of complementary pension schemes

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 members of the Management Board

SUMMARY TABLE OF BENEFITS AWARDED TO THE CHAIRMAN OF THE MANAGEMENT BOARD	(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 OTHER MANAGEMENT BOARD MEMBERS(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 members of the Management Board.

Conditions relating to departure

Provisions of the Dexia remuneration policy relating to severance payments

Under Dexia's remuneration policy for members of the Management Board, 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 with members of the Management Board

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 must give Dexia three months' notice.
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 of members of the Management Board

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.

Internal control and risk management system

Principal characteristics of the internal control system

Nature and objectives of internal control

Internal control is a process which provides reasonable assurance that the objectives of the organisation, the effectiveness and efficiency of its operations, the reliability of its financial information and compliance with the laws and regulations reach the desired level. As with any control system, it is conceived to reduce the residual risk to a level accepted by Dexia's requirements.
The Group's internal control charter defines the fundamental principles governing the internal control function. Approved by the Board of Directors on 19 November 2015, this charter applies to all Group entities.
The control function contributes to:
• The effectiveness of the risk management process: the aim of the internal control function is to guarantee that the bank's activities are conducted with a degree of control over risks compatible with the level of risks accepted by the Board of Directors;
• Compliance with laws and regulations: internal control contributes to guaranteeing that Dexia fulfils its legal and regulatory obligations;
• The effectiveness and security of operational processes: internal control contributes to the proper functioning of operational processes and the effectiveness of operations, the integrity of information and compliance with decisions taken;
• The accuracy of accounting and financial information: internal control contributes to giving an assurance of the pertinence, accuracy, regularity, exhaustiveness and transparency of the production of accounting and financial information.

(1) As agreed on the entry into force of his mandate as a Management Board member.

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.

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).

• **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.

• **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 responsibilities of the Board of Directors and the Management Board

The Board of Directors is responsible for defining the bank's general strategy and risk appetite. It is also ultimately responsible for the management of risks and relations with shareholders. As for internal control, this includes:

• Assessing the introduction of independent control functions;

• Assessing the correct evaluation of the risks run by the bank and the proper balance between the strategy and the human and financial resources allocated to ensuring the control of such risks;

• Examining the policies in place to ensure compliance with laws and regulations, including regularly examining the Compliance Charter, the Internal Audit Charter and the remuneration policy;

• Examining reports from internal control presented at least once per annum by the Head of Internal Audit (including the internal audit plan) and the Head of Compliance and Permanent Control (including the results of second level controls).

Specialist committees (the Risk Committee and the Audit Committee) advise the Board of Directors on the bank's global strategy and risk appetite. As for internal control, these committees assist the Board of Directors in its task of assessing the bank's level of risk and in the introduction of an appropriate internal control system. They also assist the Board in examining reports from internal control.

The Management Board is responsible for the operational establishment and maintenance of an appropriate internal control system. It is entirely responsible for providing the resources and skills appropriate to the internal control functions. It sets the deadlines for implementation and allocates the means to internal control actions decided. Finally, it adjusts these requirements in relation to internal and external developments observed.

The Internal Control Committee is the body dedicated to dealing with internal control problems. The members of the Management Board, the General Auditor, the Head of Compliance and Permanent Control, the Chief Risk Officer and the General Secretary are members of this Committee. The Director of Internal Audit, the Deputy Head of Compliance and Permanent Control, the Head of Operational Risks and the Deputy Head of Risks assist this Committee.

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.

Operational principles

Internal control activities are guided by the following principles:

• Risk-based approach: internal control within Dexia adopts a risk-based approach. The internal control functions determine their control programmes and their activities on the basis of a prior risk assessment.

• Coordination: 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.

The internal control participants

Internal Audit

Role

Internal audit is an independent and objective activity giving the Board of Directors and the Management Board of the Dexia Group assurances concerning the quality and effectiveness of its internal control 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 in 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, Dexia'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 to 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 for 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 Bank of 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.

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.

The Compliance function

The Compliance function is independent. It carries out its activities without any influence, interference or restrictions likely to affect its independence, its integrity, its impartiality and its objectivity.
The Compliance function is an integral part of the internal audit mechanism of credit institutions and investment companies. The Compliance department 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 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 interest vis-à-vis clients and counterparties;
• External mandates;
• Independence of the statutory auditors;
• Observing the principles stated by 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;
• 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'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 business lines in the development and implementation of compliance procedures and other documents. For example, it helps with the drafting of compliance manuals, internal codes of conduct and practical guides. 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 business 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 regulations so require.
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 status attributed to staff members according to the access to inside/sensitive information which they have or are liable to have through the performance of their tasks, and set the restrictions/obligations associated with each status. These obligations were recalled on several occasions during the Group restructuring operations.
Training sessions were organised in all the entities in the compliance fields, 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 committee meetings with various compliance officers.

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. 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 regulators. 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 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 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.

Characteristic of internal control within the context of producing accounting and financial information

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 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.

Dexia statutory financial statements

Dexia accounting is kept in Brussels and also in the permanent establishment in Paris. On a monthly basis, all transactions recorded in the financial statements of the branches are integrated at the registered office in Brussels.
Additional checks are made by teams in the Accounting department when drawing up the quarterly or annual financial statements. Balances and the principal changes must be justified.

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Dexia consolidated financial statements

In order to prepare their contribution to the Dexia 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 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 service. 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 of Dexia.

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.

Periodic prudential reporting

Standardised Common Reporting or COREP and the calculation of solvency margins have been sent to the European Central Bank via the national supervisory authorities four times a year since 4 November 2014.

On the other hand, since 2011 Dexia has been subject quarterly to the Financial Reporting or FINREP of financial companies. The FINREP was subject to in-depth modification in 2014 and contains new appendices.

Management information

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

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

Risk Management

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

The monitoring of all of these risks is detailed in the chapter "Risk Management" of this annual report.

External control

Statutory auditor

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.

In accordance with Article 14 of the articles of association of Dexia, the auditing of the company's financial position and annual financial statements is entrusted to one or more auditors who are appointed by the shareholders' meeting for a maximum of three years on the recommendation of the Board of Directors and after approval by the works council.

The statutory auditing of Dexia's financial statements has been entrusted to Deloitte Reviseurs d'Entreprises SC s.f.d. SCRL, the mandate of which was renewed by the ordinary shareholders' meeting in May 2014 for a term of three years closing at the end of the ordinary shareholders' meeting in May 2017. The company is represented by Mr Yves Dehogne, chartered auditor.

Auditor's remuneration

This table gives a summary of the remuneration paid to the statutory auditor for its services in 2015 for Dexia and the whole Group.

DELOITTE (in EUR)	**Services provided for Dexia**	**Services provided for the Dexia Group (consolidated amounts)**
a) Audit of the financial statements	395,000	2,172,000
b) other tasks (non-certification)	4,000	149,000
TOTAL	**399,000**	**2,321,000**

Protocol for the Dexia Group's prudential structure

In application of Regulation EU 1024/2013 of the Council dated 15 October 2013 entrusting the European Central Bank (ECB) with specific tasks concerning policies for the prudential supervision of credit institutions, the European Central Bank decided that the Dexia Group was an important group within the meaning of article 6 §4 of the Regulation, and that all of its subsidiaries subject to prudential supervision on a consolidated basis in accordance with Regulation 575/2013 were important entities subject to prudential supervision by the ECB.
With the assistance of national supervisory authorities, the ECB supervises institutions classified as important[1]. Daily supervision is by joint supervisory teams (JST), which include the staff of the various national supervisory authorities and the ECB.

General information

Overview of Dexia's direct holdings as at 31 December 2015

Dexia's direct holdings as at 31 December 2015 are as follows:
- 100% in Dexia Crédit Local (France);
- 100% in Dexia Nederland BV (Netherlands);
- 100% in Dexiarail S.A. (France).

Dexia has a permanent establishment in France[2].

Agendas for shareholders' meetings

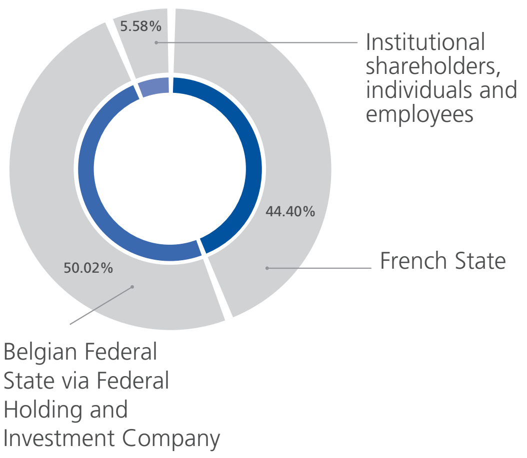
The agendas for the ordinary shareholders' meeting and the extraordinary shareholders' meeting to be held on Wednesday 18 May 2016 in Brussels are available on Dexia's website: *www.dexia.com*.

Notifications under the legislation on transparency

Under the terms of the Law of 2 May 2007 (the "Law"), relating to the disclosure of major holdings in issuers whose shares are admitted for trading on a regulated market, and the Royal Decree dealing with its execution dated 14 February 2008, which came into force on 1 September 2008, and on the basis of Article 5 of the articles of association of Dexia, shareholders are required to notify their holdings to the Financial Services and Markets Authority (FSMA) and to Dexia, whenever these reach a threshold of 1%, 3%, then 5% or a multiple of 5%.
To calculate percentages of holdings, the numerator consists of the number of voting rights attached to shares conferring voting rights, associated or not with shares, reduced or increased by the number of voting rights which may be acquired on the exercising of similar financial instruments held by the person making the declaration. The denominator consists of the total number of existing voting rights in Dexia as published on the website.
Dexia received no notification in 2015.

(1) Approximately 120 groups representing approximately 1,200 supervised entities are concerned.
(2) The permanent establishment in Luxembourg was closed with effect as from 31 October 2015.

To Dexia's knowledge, the breakdown of the shareholder structure as at 31 December 2015 is as follows:



Legislation on tender offers

Publication in accordance with Article 34 of the Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted for trading on a regulated market

Capital structure as at 31 December 2015

The shareholder structure is detailed on page 39, and the information relating to the share capital is provided on page 31 of the Annual Report.

Legal or statutory restriction on the transfer of shares

Not applicable.

Holders of any securities bearing special control rights

No special rights are attached to securities representing the company's share capital.

Control mechanisms provided in an employee share ownership plan when control rights are not exercised directly

Not applicable.

Legal or statutory restriction on the exercising of voting rights

The voting rights on own shares held by Dexia or its subsidiaries are not exercised during the shareholders' meetings of Dexia.

Agreements between shareholders known by the issuer and which may involve restrictions for the transfer of securities and/or the exercising of voting rights

Not applicable.

Rules applicable for the appointment and replacement of members of the Board of Directors as well as the amendment of the articles of association of the issuer

The rules relating to the appointment and replacement of members of the Board of Directors are detailed on page 44 of the Declaration of Corporate Governance, as well as in the Corporate Governance Charter published on the company's website.

The company's articles of association may be amended in accordance with the provisions of the Companies Code.

Powers of the Board of Directors, particularly concerning the power to issue or repurchase shares

The Board of Directors was authorised by the shareholders' meeting, in accordance with statutory provisions and Articles 607 and 620 of the Companies Code, to issue and repurchase shares on the basis of authorisations granted by the shareholders' meeting.

- The authorisation to increase the capital granted by the shareholders' meeting on 14 May 2014 is valid for a five-year period ending in 2019. The authorisation to acquire and dispose of own shares granted by the shareholders' meeting on 8 May 2013 is valid for a five-year period ending in 2018.

Major agreements to which Dexia is a party and which take effect, are amended or terminated in the event of a change of control of Dexia as the result of a public tender offer

Dexia is not party to any major agreement liable to enter into force, be amended or terminated as a result of a change of control over the company within the context of a public tender offer.

Agreements between Dexia and members of its Board of Directors or its staff which provide remuneration if members of the Board resign or must leave their positions without valid reason or if the employment of members of staff ends by virtue of a public tender offer

Not applicable.

Consolidated Financial Statements as at 31 December 2015

Consolidated balance sheet

ASSETS (in EUR million)		Note	31/12/2014	31/12/2015
I.	Cash and central banks	2.0	3,104	4,835
II.	Financial assets at fair value through profit or loss	2.1 & 4.1	24,215	20,176
III.	Hedging derivatives	4.1	8,374	6,672
IV.	Financial assets available for sale	2.2	26,641	22,257
V.	Interbank loans and advances	2.3	8,563	7,815
VI.	Customer loans and advances	2.4	135,311	127,876
VII.	Fair value revaluation of portfolio hedges		1,910	1,696
VIII.	Financial assets held to maturity	2.5	306	200
IX.	Current tax assets	2.6	32	41
X.	Deferred tax assets	2.6	41	35
XI.	Accruals and other assets	2.7	38,256	38,346
XII.	Non current assets held for sale	4.6	13	12
XV.	Tangible fixed assets	2.8	331	293
XVI.	Intangible assets	2.9	23	27
TOTAL ASSETS			247,120	230,281

The notes on pages 76 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	22,779
III.	Hedging derivatives	4.1	33,832	29,978
IV.	Interbank borrowings and deposits	3.2	44,604	48,780
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	152	159
X.	Accruals and other liabilities	3.6	7,272	6,135
XIII.	Provisions	3.7	353	376
XIV.	Subordinated debt	3.8	498	492
	Total liabilities		**243,992**	**225,734**
XV.	**Equity**	3.9	**3,128**	**4,547**
XVI.	Equity, Group share		2,711	4,118
XVII.	Capital stock and related reserves		2,486	2,486
XVIII.	Consolidated reserves		7,470	6,907
XIX.	Gains and losses directly recognised in equity		(6,639)	(5,438)
XX.	Net result of the period		(606)	163
XXI.	Minority interests		417	429
TOTAL LIABILITIES AND EQUITY			**247,120**	**230,281**

The notes on pages 76 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	11,463	10,751
II.	Interest expense	5.1	(11,283)	(10,492)
III.	Commission income	5.2	21	21
IV.	Commission expense	5.2	(31)	(16)
V.	Net gains (losses) on financial instruments at fair value through profit or loss	5.3	(343)	524
VI.	Net gains (losses) on financial assets available for sale	5.4	43	85
VII.	Other income	5.5	41	51
VIII.	Other expenses	5.6	(158)	(90)
IX.	**NET BANKING INCOME**		**(247)**	**834**
X.	Operating expenses	5.7	(355)	(447)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.8	(27)	(23)
XII.	**GROSS OPERATING INCOME**		**(629)**	**364**
XIII.	Cost of risk	5.9	(62)	(174)
XIV.	**OPERATING INCOME**		**(691)**	**190**
XVI.	Net gains (losses) on other assets	5.10	(1)	14
XVIII.	**NET RESULT BEFORE TAX**		**(692)**	**204**
XIX.	Income tax	5.11	(8)	(18)
XX.	Result from discontinued operations, net of tax		87	(17)
XXI.	**NET INCOME**		**(613)**	**169**
XXII.	Minority interests		(7)	6
XXIII.	**NET INCOME, GROUP SHARE**		**(606)**	**163**
	Earnings per share, Group share (in EUR)	5.12		
	Basic		(0.31)	0.08
	- from continuing operations		*(0.35)*	*0.09*
	- from discontinued operations		*0.04*	*(0.01)*
	Diluted		(0.31)	0.01
	- from continuing operations		*(0.35)*	*0.01*
	- from discontinued operations		*0.04*	*(0.00)*

The notes on pages 76 to 159 are an integral part of these consolidated financial statements.

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			**(613)**			**169**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	86		86	100		100
Revaluation of financial assets available for sale or reclassified in loans and advances	235	(14)	221	903	(10)	893
Revaluation of hedging derivatives	(508)		(508)	225		225
Other comprehensive income from disposal groups held for sale	3	(1)	2			
Elements that will never be reclassified or likely to be subsequently reclassified in net income						
Actuarial gains and losses on defined benefit plans	(6)	(2)	(8)	6		6
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(190)**	**(17)**	**(207)**	**1,234**	**(10)**	**1,224**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(820)**			**1,393**
of which, Group share			(774)			1,366
of which, Minority interests			(46)			27
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY FROM CONTINUING ACTIVITIES	**(885)**	**(24)**	**(909)**	**1,438**	**(28)**	**1,410**
of which, Group share			(862)			1,383
of which, Minority interests			(47)			27

The notes on pages 76 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	
	Capital stock	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	**500**	**1,990**	**(4)**	**2,486**	**8,556**	**(5,482)**	**(935)**
Movements during the period							
Appropriation of net income 2013					(1,083)		
Subtotal of shareholders related movements					**(1,083)**		
Translation adjustments [(2)]							
Changes in fair value of financial assets available for sale through equity [(2)]						70	
Changes in fair value of derivatives through equity [(2)]							(504)
Changes in fair value of financial assets available for sale or reclassified in loans and advances through profit or loss [(2)]						196	
Changes in fair value of derivatives through profit or loss [(2)]							(11)
Changes in actuarial gains and losses on defined benefit plans							
Subtotal of changes in gains and losses directly recognized in equity						**266**	**(515)**
Net income for the period							
Other variations [(1)]					(3)		
AS AT 31 DECEMBER 2014	**500**	**1,990**	**(4)**	**2,486**	**7,470**	**(5,216)**	**(1,450)**
Movements during the period							
Appropriation of net income 2014					(606)		
Subtotal of shareholders related movements					**(606)**		
Translation adjustments							
Changes in fair value of financial assets available for sale through equity						690	
Changes in fair value of derivatives through equity							254
Changes in fair value of financial assets available for sale or reclassified in loans and advances through profit or loss						189	
Changes in fair value of derivatives through profit or loss							(28)
Changes in actuarial gains and losses on defined benefit plans							
Subtotal of changes in gains and losses directly recognized in equity						**879**	**226**
Net income for the period							
Other variations [(3)]					43		
AS AT 31 DECEMBER 2015	**500**	**1,990**	**(4)**	**2,486**	**6,907**	**(4,337)**	**(1,224)**

(1) Other variations are explained by the sale of Dexia Asset Management, in particular, actuarial gains and losses on defined benefit plans have been recognized in Consolidated reserves.
(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 amortized 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 + 37 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 pages 76 to 159 are an integral part of these consolidated financial statements.

directly recognised in equity				Net income, Group share	EQUITY, GROUP SHARE	Minority interests			EQUITY
Change in unrealised or deferred gains and losses related to non current assets held for sale	Actuarial gains and losses on defined benefit plans	Translation adjustments	Total			Capital and reserves	Gains and losses directly recog-nised in equity	Total	
(1)	**0**	**(53)**	**(6,471)**	**(1,083)**	**3,488**	**470**	**1**	**471**	**3,959**
				1,083	0				
				1,083	**0**				**0**
		85	85		85		1	1	86
			70		70		(44)	(44)	26
			(504)		(504)		6	6	(498)
			196		196				196
			(11)		(11)				(11)
	(5)		(5)		(5)		(2)	(2)	(7)
	(5)	**85**	**(169)**		**(169)**		**(39)**	**(39)**	**(208)**
				(606)	(606)	(7)		(7)	(613)
1			1		(2)	(8)		(8)	(10)
0	**(5)**	**32**	**(6,639)**	**(606)**	**2,711**	**455**	**(38)**	**417**	**3,128**
				606	0				0
				606	**0**				**0**
		93	93		93		7	7	100
			690		690		14	14	704
			254		254				254
			189		189				189
			(28)		(28)				(28)
	5		5		5				5
	5	**93**	**1,203**		**1,203**		**21**	**21**	**1,224**
				163	163	6		6	169
		(2)	(2)		41	(15)		(15)	26
0	**0**	**123**	**(5,438)**	**163**	**4,118**	**446**	**(17)**	**429**	**4,547**

Consolidated cash flow statement

(in EUR million)	31/12/2014	31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(613)	169
Adjustment for:		
- Depreciation , amortization and other impairment	27	23
- Impairment losses (reversal impairment losses) on bonds , equities, loans and other assets	(262)	196
- Net (gains) or losses on investments	(94)	(33)
- Net increases (net decreases) in provisions	101	(64)
- Unrealised (gains) or losses	292	(489)
- Deferred taxes	3	24
Changes in operating assets and liabilities	2,307	136
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**1,761**	**(38)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(14)	(23)
Sale of fixed assets	0	50
Acquisitions of unconsolidated equity shares	(1)	(4)
Sales of unconsolidated equity shares	69	37
Sales of subsidiaries and of business units	341	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**395**	**60**
CASH FLOW FROM FINANCING ACTIVITIES		
Reimbursement of subordinated debts	(134)	(9)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(134)**	**(9)**
NET CASH PROVIDED	**2,022**	**13**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**2,848**	**5,133**
Cash flow from operating activities	1,761	(38)
Cash flow from investing activities	395	60
Cash flow from financing activities	(134)	(9)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	263	321
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,133**	**5,467**
ADDITIONAL INFORMATION		
Income tax paid	133 (1)	(7)
Dividends received	2	2
Interest received	11,758	10,983
Interest paid	(11,798)	(11,095)

(1) Tax receivable cashed in 2014.

The notes on pages 76 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)	3,104	4,835
Interbank loans and advances (note 2.3)	2,029	632
TOTAL	**5,133**	**5,467**

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 at other central banks.

The notes on pages 76 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

The Group's parent company is Dexia, a limited company under Belgian law with its shares listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange. Its registered office is located at Place du Champ de Mars 5 – B-1050 Brussels (Belgium).

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'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'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 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 macro-economic 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 the Group's ability to raise secured funding.

In this respect, the Group's 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. The Group 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 proctecting 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.

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

• The financial characteristics of Dexia since its entry in resolution do not allow it 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 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. The Group'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'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 presented in millions of euro (EUR) unless otherwise stated.

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'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 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 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'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 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 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 recognised a provision covering its total 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'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.

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 does not expect this amendment to have a material impact on its financial statements, due to limited impact of defined benefit plans at Dexia's group 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 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.

• 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.

• 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.

• Amendment to IAS 1 "Disclosure Initiative". This amendment is effective as from 1 January 2016 and the impact on the notes to Dexia'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.

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'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.

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's financial statements is currently being assessed.

Being aware that IFRS 9 is a major issue for banking institutions, Dexia 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 reviews the characteristics and the classification and measurement method of all its financial assets;
- on the second phase of the standard, Dexia 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's hedge relationships.

Dexia also reviews new disclosure requirements.

As permitted by IFRS 9, Dexia 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.

1.1.2.5. Changes in presentation of consolidated financial statements of Dexia

There has been no change in presentation of consolidated financial statements of Dexia during the current year.

As a reminder, since 1 January 2013, the consolidated financial statements of Dexia have been prepared in accordance with the ANC (Autorité des Normes Comptables, Authority for Accounting Standards) presentation. Since 31 December 2013, they have been 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.

1.1.3. CONSOLIDATION

1.1.3.1. Subsidiaries and structured entities

Subsidiaries are those entities over whose Dexia 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 is particularly involved in securitisation vehicles and investment funds. Dexia 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 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 and are no longer consolidated as of the date on which Dexia's control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia'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.

Changes in the Dexia'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 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 has significant influence, but does not exercise control. This is usually the case, when Dexia 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 and its "equity method investments" are eliminated to the extent of Dexia's interest. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia 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.

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 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 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's presentation currency are translated into Dexia'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 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 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 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 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.

Dexia 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 recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia 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 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 intends to sell immediately or in the near term, which are classified as held for trading, and those that Dexia, upon initial recognition, designates as being at fair value through profit or loss;

• those that Dexia, upon initial recognition, designates as available-for-sale; or

• those for which Dexia may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Dexia 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 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 initially recognises trading securities at fair value and subsequently remeasures them at fair value. All realised and unrealised gains and losses are recorded under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest earned is recognised in net interest income, and dividends received under "Net gains (losses) on financial instruments at fair value through profit or loss".

1.1.6.3.2. Liabilities held for trading

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

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

In some cases and if appropriately documented, Dexia 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, 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 reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Dexia 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 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 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 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 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 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 recognises dividend income from variable-income securities under "Net gains (losses) on financial assets available for sale".
Dexia 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 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 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 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 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 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 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 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 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 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 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 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 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 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 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 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 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 recognises any difference between their initial car-

rying 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'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 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'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'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'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 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 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 inven-

tory 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 uses an OIS curve to determine the value of its collateralized derivatives.

Dexia 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's own credit risk.

When determining the CVA / DVA, Dexia 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 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 will continue to improve its models in the next periods following market practice.

For bonds and loans for which no active market exists, Dexia maximises the use of market data.

Dexia 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 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'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 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 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'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 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 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 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 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 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 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 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 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 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 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 recognises the hedging items at fair value with adjustments accounted for in the statement of income.

Dexia 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 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 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 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 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 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 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 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 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 is the lessee

Dexia 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. 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 is the lessor

Dexia 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 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 has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia 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 and its employees.
In some cases, Dexia 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 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'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's obligations are limited to the contributions that Dexia agrees to pay into the fund on behalf of its employees.

The Belgian defined contribution pension plans are by law subject to minimum guaranteed return.
As a consequence of the Belgian law of 18 December 2015, minimum returns are guaranteed by the employer as follows : (i) for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%, (ii) for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants. In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

The rates set for employer contributions and employee contributions apply as an average over the entire career. They may be modified by Royal Decree and in this case the new rate(s) apply to both the accumulated past contributions and the future contributions as from the date of modification. In theory these plans qualify as defined benefit plans. However, when taken into account the historical discussions at the level of the IFRS IC on how to account for these specific type of plans where the contributions paid are subject to a minimum guaranteed return, Dexia believes the application of the projected unit credit method to these plans is troublesome and will not provide a faithful representation of the liability with respect to these promises.
Therefore, at each reporting date the "walk away liability" or the vested rights at reporting date are compared with the fair value of the plan assets. If the vested rights are higher as compared to the fair value of the plan asset, a provision is recognised for the difference.

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 can no longer withdraw the offer of those benefits; and
- when Dexia recognises costs for a restructuring that involves the payment of termination benefits.

1.1.21.5. Share-based payment

Dexia 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 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's ordinary shares

Dexia 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.

1.1.23.3. Preferred shares

Dexia classifies preferred shares that are non-redeemable and upon which dividends are declared at the discretion of the directors as equity.

1.1.23.4. Treasury shares

Where Dexia or its subsidiaries purchase Dexia's share capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, the consideration paid, including any attributable transaction costs net of income taxes, is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account in equity.

1.1.24. FIDUCIARY ACTIVITIES

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these financial statements in cases where Dexia acts in a fiduciary capacity such as nominee, trustee or agent.

1.1.25. 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.

1.1.26. 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.

1.1.27. 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 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 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 2.3 billion and EUR 6.21 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 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.

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									100
Dexia S.A.	Belgium								
Dexia S.A. Etablissement Stable France	France	FC	100	100		FC	100	100	
Dexia S.A. Etablissement Stable Luxembourg	Luxembourg	FC	100	100					S1
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 Crédit Local SA	France	FC	100	100		FC	100	100	
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 Nederland BV	Netherlands	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	
White Rock Insurance (Gibraltar) PCC Limited, CELL DSA - SPV	Gibraltar	FC	100	100		FC	100	100	
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	Méthod	Control rate	Interest rate	Ref	Méthod	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 Certificaten Nederland BV	Netherlands	not FC	100	100		not FC	100	100	
Dexia Crédito Local México SA de CV Sofom Filial	Mexico	FC	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	FC	100	100		not FC	100	100	S2
Dexiarail	France	not FC	100	100		not FC	100	100	
European public infrastructure managers	Luxembourg	not EM	20	20		not EM	20	20	
Genebus Lease	France	not FC	100	100		not FC	100	100	
Hyperion Fondation Privée	Belgium	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	
Nederlandse Standaard I.J. (en liquidation)	Netherlands	not FC	100	100		not FC	100	100	
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 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 did not provide, financial or other support to a consolidated structured entity when Dexia was not contractually obliged to do so, nor has an intention to do so in the future.

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

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

Pursuant to the European Commission Decision of 28 December 2012, there is a general ban on the payment of any form of dividend by any subsidiary controlled directly or indirectly by Dexia, in particular when such a payment would entail mandatory payment of a coupon on Tier 1 hybrid instruments or Tier 2 instruments held by persons other than Dexia and its subsidiaries.

Regulated entities are required to comply with regulatory requirements applicable to them.

Furthermore, some regulators limit the ability of a subsidiary or branch under their supervision, to finance the parent company above a certain threshold.

The preferential rights of class B shares are presented in note 4.8.

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
Loans and advances		23	23
TOTAL	**471**	**499**	**970**
Total assets of unconsolidated structured entities	**750**	**416**	**1166**

The maximum exposure to loss is the fair value of derivatives and the amortised costs of other instruments.

Dexia 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, 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) Guarantee contracts with monolines (or with banks acting as intermediary for monolines) 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.

1.3 Significant items included in the statement of income

WEIGHT OF NEW CONTRIBUTIONS AND LEVIES PAID TO PUBLIC AUTHORITIES

Dexia's results for 2015 were impacted by EUR -127 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 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 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 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 85 million, included an adjustment of EUR +102 million following the inventory process for the cancellation of bearer shares in 2015, causing an over-valuation to appear in the item "Other debts" 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 -174 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.
The *Result from discontinued operations*[1] *net of tax* amounted to EUR -17 million, corresponding to the provisioning of a risk related to potential guarantee calls following the disposal by the Group of international entities.

1.4. Post-balance-sheet events

The Board of Directors of Dexia SA has decided to implement the reverse stock split of the shares of Dexia SA (Class A and Class B), in accordance with the resolution passed by the Extraordinary Shareholders' Meeting on 20 May 2015, with a ratio of one new share (ISIN BE 0974290224) for one thousand existing shares (ISIN BE 0003796134). It will take effect on 4 March 2016.
Additional information in relation to the reverse stock split is available on Dexia's website (http://www.dexia.com/EN/shareholder_investor/shareholder_information/reverse/Pages/default.aspx)

In February 2016, after a market research, it was decided to sell 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 (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.

(1) The standard IFRS 5 "Non-current assets held for sale and discontinued operations" specifies that adjustments in the current period to amounts previously presented in discontinued operations and directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations.

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	**3,104**	**4,835**
of which included in cash and cash equivalents	*3,104*	*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	1,376
Derivatives (see note 4.1.b)	22,400	18,800
TOTAL	**24,215**	**20,176**

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	1	1,376
TOTAL	**1,787**	**27**	**1,814**	**1,375**	**1**	**1,376**

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

(in EUR million)	31/12/2014 Held for trading	Designated at fair value	Total	31/12/2015 Held for trading	Designated at fair value	Total
Other bonds and fixed-income instruments	1 787	27	1 814	1 375	0	1 375
Equities and other variable-income instruments	0	1	1	0	1	1
TOTAL	**1 787**	**28**	**1 814**	**1 375**	**1**	**1 376**

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 et 7.4.

f. Analysis of the fair value

See note 7.1.

g. Reclassification of financial assets (IAS39 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	7,728	5,278
Other	4,494	3,413
Performing assets	**26,510**	**22,059**
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	72	212
Impaired equities and other variable-income instruments	139	130
Impaired assets	**211**	**342**
TOTAL ASSETS BEFORE IMPAIRMENT	**26,721**	**22,401**
Specific impairment	(80)	(144)
TOTAL ASSETS AFTER IMPAIRMENT	**26,641**	**22,257**

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	14,875	11,265
Equities and other variable-income instruments	297	296
TOTAL ASSETS BEFORE IMPAIRMENT	**26,721**	**22,401**
Specific impairment	(80)	(144)
TOTAL ASSETS AFTER IMPAIRMENT	**26,641**	**22,257**

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 (IAS39 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	653	644
Reverse repurchase agreements *(reverse repo)*	1,573	2,618
Other interbank loans and advances	3,112	1,703
Debt instruments	3,239	2,874
Performing assets	**8,577**	**7,839**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**8,577**	**7,839**
Collective impairment	(14)	(24)
TOTAL ASSETS AFTER IMPAIRMENT	**8,563**	**7,815**
of which included in cash and cash equivalents	*2,029*	*632*

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 (IAS39 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	88,853	80,626
Other	46,095	46,786
Performing assets	**134,948**	**127,412**
Impaired loans and advances	885	1,074
Impaired debt instruments	277	246
Impaired assets	**1,162**	**1,320**
TOTAL ASSETS BEFORE IMPAIRMENT	**136,110**	**128,732**
Specific impairment	(309)	(458)
Collective impairment	(490)	(398)
TOTAL ASSETS AFTER IMPAIRMENT	**135,311**	**127,876**
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	80,884	73,793
Debt instruments	54,064	53,619
Performing assets	**134,948**	**127,412**
Impaired loans and advances	885	1,074
Impaired debt instruments	277	246
Impaired assets	**1,162**	**1,320**
TOTAL ASSETS BEFORE IMPAIRMENT	**136,110**	**128,732**
Specific impairment	(309)	(458)
Collective impairment	(490)	(398)
TOTAL ASSETS AFTER IMPAIRMENT	**135,311**	**127,876**
of which included in finance leases	*1,533*	*1,455*

c. Analysis by maturity and interest rate

See notes 7.6 et 7.4.

d. Analysis of fair value

See note 7.1.

e. Analysis of quality

See note 2.11.

f. Reclassification of financial assets (IAS39 amended)

See note 2.12.

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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
Banks	50	0
Other	29	26
Performing assets	**306**	**200**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**306**	**200**
Specific impairment	0	0
Collective impairment	0	0
TOTAL ASSETS AFTER IMPAIRMENT	**306**	**200**

b. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Bonds issued by public bodies	208	158
Other bonds and fixed-income instruments	97	42
TOTAL ASSETS AFTER IMPAIRMENT	**306**	**200**

c. Analysis by maturity and interest rate

See notes 7.6 et 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	32	41
Deferred tax assets (see note 4.2)	41	35

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

(in EUR million)	31/12/2014	31/12/2015
Other assets	1,223	1,456
Cash collateral	37,033	36,891
TOTAL	**38,256**	**38,346**

Other assets

Analysis by nature (in EUR million)	31/12/2014	31/12/2015
Accrued income	7	6
Deferred expense	26	7
Other accounts receivable	1,184	1,425
Other taxes	6	17
Performing assets	**1,223**	**1,456**
Impaired assets	**2**	**2**
TOTAL ASSETS BEFORE IMPAIRMENT	**1,225**	**1,457**
Specific impairment	(2)	(2)
TOTAL ASSETS AFTER IMPAIRMENT	**1,223**	**1,456**

2.8. Tangible fixed assets (Items XV - Assets)

a. Net book value

	Land and buildings	Office furniture and other equipment		Total
(in EUR million)	Own use owner	Own use owner	Operating lease	
Acquisition cost as at 1 Jan. 2014	**395**	**79**	**1**	**475**
- Acquisitions	0	3	0	3
- Disposals	0	(3)	0	(3)
- Transfers and cancellations	0	(2)	0	(2)
- Translation adjustments	0	2	0	2
Acquisition cost as at 31 Dec. 2014 (A)	**396**	**78**	**1**	**474**
Accumulated depreciation and impairment as at 1 Jan. 2014	**(69)**	**(65)**	0	**(134)**
- Depreciation booked	(7)	(4)	0	(12)
- Disposals	0	3	0	3
- Transfers and cancellations	0	3	0	3
- Translation adjustments	0	(2)	0	(2)
Accumulated depreciation and impairment as at 31 Dec. 2014 (B)	**(77)**	**(66)**	**0**	**(143)**
Net book value as at 31 Dec. 2014 (A)+(B)	**319**	**12**	**1**	**331**

	Land and buildings	Office furniture and other equipment	Total
(in EUR million)	Own use owner	Own use owner	
Acquisition cost as at 1 Jan. 2015	**396**	**78**	**474**
- 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**	**59**	**406**
Accumulated depreciation and impairment as at 1 Jan. 2015	**(77)**	**(66)**	**(143)**
- Depreciation booked	(7)	(4)	(11)
- Disposals	19	23	42
- Translation adjustments	0	(2)	(2)
Accumulated depreciation and impairment as at 31 Dec. 2015 (B)	**(66)**	**(48)**	**(114)**
Net book value as at 31 Dec. 2015 (A)+(B) (1)	**282**	**10**	**293**

(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 (Item XVI - Assets)

(in EUR million)	2014			2015		
	Internally developed software	Other intangible assets [1]	Total	Internally developed software	Other intangible assets [1]	Total
Acquisition cost as at 1st January	**164**	**127**	**291**	**158**	**136**	**294**
- Acquisitions	3	7	11	18	3	21
- Disposals	(2)	0	(2)	(85)	(28)	(113)
- Transfers and cancellations	(7)	(2)	(9)	0	0	0
- Translation adjustments	0	2	2	0	2	2
Acquisition cost as at 31 December (A)	**158**	**136**	**294**	**91**	**113**	**204**
Accumulated depreciation and impairment as at 1st January	**(146)**	**(118)**	**(264)**	**(146)**	**(125)**	**(271)**
- Booked	(9)	(6)	(16)	(6)	(6)	(12)
- Disposals	2	0	2	78	29	107
- Transfers and cancellations	7	2	9	0	0	0
- Translation adjustments	0	(2)	(2)	0	(2)	(2)
Accumulated depreciation and impairment as at 31 December (B)	**(146)**	**(125)**	**(271)**	**(74)**	**(103)**	**(178)**
Net book value as at 31 December (A)+(B)	**12**	**11**	**23**	**17**	**10**	**27**

(1) Other intangible assets include primarily purchased software.

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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	2	5
1 year to 5 years	7	2
Over 5 years	1	1
TOTAL	**10**	**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	8	8
1 year to 5 years	27	22
Over 5 years	1	0
TOTAL	**35**	**30**
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	1	1
Sublease payments	0	(1)
TOTAL	**4**	**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	8,577	7,839
Customer loans and advances	134,948	127,412
Financial assets held to maturity	306	200
Financial assets available-for-sale	26,511	22,059
Fixed revenue instruments	*26,353*	*21,893*
Variable revenue instruments	*158*	*166*
Other accounts receivable (note 2.7)	1,184	1,425
TOTAL PERFORMING FINANCIAL ASSETS	**171,525**	**158,935**
Collective impairment	(503)	(422)
NET TOTAL PERFORMING FINANCIAL ASSETS	**171,022**	**158,513**

	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	1,161	1,320	(309)	(458)	852	862
Financial assets available-for-sale	211	342	(80)	(144)	131	198
Fixed revenue instruments	*72*	*212*	*(43)*	*(98)*	*29*	*114*
Variable revenue instruments	*139*	*130*	*(37)*	*(47)*	*102*	*83*
Other accounts receivable (note 2.7)	2	2	(2)	(2)	0	0
TOTAL IMPAIRED FINANCIAL ASSETS	**1,374**	**1,664**	**(391)**	**(604)**	**983**	**1,060**
Analysis of performing and impaired financial assets						
Interbank loans and advances	8,577	7,839	0	0	8,577	7,839
Customer loans and advances	136,109	128,732	(309)	(458)	135,801	128,274
Financial assets held to maturity	306	200	0	0	306	200
Financial assets available-for-sale	26,721	22,401	(80)	(144)	26,641	22,257
Fixed revenue instruments	*26,425*	*22,105*	*(43)*	*(98)*	*26,381*	*22,007*
Variable revenue instruments	*297*	*296*	*(37)*	*(47)*	*260*	*249*
Other accounts receivable (note 2.7)	1,186	1,427	(2)	(2)	1,184	1,425
TOTAL PERFORMING AND IMPAIRED FINANCIAL ASSETS	**172,899**	**160,599**	**(391)**	**(604)**	**172,509**	**159,995**
Collective impairment					(503)	(422)
NET TOTAL	**172,899**	**160,599**	**(391)**	**(604)**	**172,006**	**159,573**

2.12. Reclassification of financial assets (IAS 39 amended)

On 1 October 2008, the Dexia Group 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, the Dexia Group 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		1,726	1,589	(137)		2	
From "Financial assets available for sale" to "Loans and advances"	64,396	2,544	47,313	44,320		(2,993)		177

	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	1,630	1,542	(88)		4	
From "Financial assets available for sale" to "Loans and advances"	65,013	47,320	43,674		(3,646)		206

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 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 19 million income was recorded as collective impairment (a charge of EUR -18 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 held 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 Group enters into transactions as repurchase agreements, securities lending agreements or total return swaps, in which the Group transfers financial assets, mainly loans and advances or debt securities, but retains substantially all of the risks and rewards.

Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

	31/12/2014		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	1,987
Derivatives (see note 4.1)	23,509	20,792
TOTAL	**25,731**	**22,779**

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	1,987
TOTAL	**2,222**	**1,987**

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	14,752	14,035
TOTAL	44,604	48,780

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**	**2,031**
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 (EUR 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 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 considers this allegation to be without merit and will contest it vigorously.

b. Analysis by maturity and interest rate

See note 7.4 and 7.6.

c. Analysis of fair value

See note 7.1.

3.5. Tax liabilities (Items VIII and IX - Liabilities)

(in EUR million)	31/12/2014	31/12/2015
Current tax liabilities	2	2
Deferred tax liabilities (see note 4.2)	152	159

3.6. Accruals and other liabilities (Item X - Liabilities)

(in EUR million)	31/12/2014	31/12/2015
Other liabilities	1,416	1,323
Cash collateral	5,856	4,812
TOTAL	**7,272**	**6,135**

Other liabilities

(in EUR million)	31/12/2014	31/12/2015
Accrued costs	39	38
Deferred income	33	46
Grants	76	70
Other assistance received	1	1
Salaries and social charges (payable)	16	13
Liabilities related to dividends	94	4
Other taxes	24	21
Other accounts payable and other liabilities	1,133	1,130
TOTAL	**1,416**	**1,323**

3.7. Provisions (Item XIII - Liabilities)

a. Analysis by nature

(in EUR million)	31/12/2014	31/12/2015
Litigation claims [1]	284	329
Restructuring	31	27
Defined benefit plans	16	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	**353**	**376**

(1) This item includes a provision related to desensitisation of structured credits in France.

b. Movements

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 01/01/2014	**194**	**53**	**10**	**52**	**3**	**2**	**313**
Additions	124	4	6	0	0	9	143
Unused amounts reversed	(67)	(24)	(3)	(1)	0	(1)	(96)
Amounts utilized during the year	(17)	(2)	(1)	0	(1)	0	(21)
Actuarial gains and losses	0	0	6	0	0	0	6
Other transfers	44	0	0	(44)	0	0	0
Translation adjustment	6	0	0	0	1	0	7
AS AT 31/12/2014	**284**	**31**	**18**	**7**	**4**	**10**	**353**

(in EUR million)	Litigation claims [1]	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 01/01/2015	**284**	**31**	**18**	**7**	**4**	**10**	**353**
Additions	93	3	2	0	0	0	99
Unused amounts reversed	(47)	(8)	(1)	(1)	0	(1)	(58)
Amounts utilized during the year	(6)	(6)	(1)	0	(1)	0	(15)
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	5	0	0	0	0	0	5
AS AT 31/12/2015	**329**	**27**	**11**	**6**	**3**	**0**	**376**

(1) We refer to the section Litigation in the chapter Risk management of the Management report.

c. Provisions for pension and other long term benefits

After the sale of most of its operating subsidiaries, Dexia holds only several subsidiaries with significant staff number in a few countries. Except commitments for legal pension and for defined contribution plans subject to a minimum guaranteed return in Belgium, commitments for defined benefit plans are limited.
They mainly concern retirement allowances in France, pension plans in Italy and pension plans for Belgian staff of the holding with less than 100 people.
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.

d. Defined contribution plan

The Belgian defined contribution plans are subject by the law to a minimum guaranteed return. As a consequence of the Belgian law of 18 December 2015, minimum returns are guaranteed by the employer as follows :
(i) for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%, (ii) for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants. In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

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**

Detailed list is available on request from Investor Relations Department- E-mail: investor.relations@dexia.com -
Tel. Brussels: + 32 2 213 57 39 - Tel. Paris: + 33 1 58 58 82 48

b. Analysis by maturity and interest rate
See notes 7.4 and 7.6.

c. Analysis of fair value
See note 7.1.

3.9 Information on Equity

a. Capital stock

The subscribed capital of Dexia SA amounts to EUR 500,000,000 represented by 30,896,352,895 shares, of which 1,948,984,474 no per value class A shares and 28,947,368,421 no per value class B shares.

b. Super-subordinated perpetual note

In 2012, Dexia Credit Local repurchased EUR 644 million of Deeply Subordinated Non-Cumulative Notes issued on 18 November 2005 for EUR 700 million at the price of 24% (expressed in percentage of nominal), generating a result of EUR 486 million net of costs. The notes were booked in minority interests. The result has been booked in shareholders' equity, in accordance with the IFRS standards. Henceforth, the outstanding is EUR 56 million, booked in minority interest.

Moreover, in 2012, Dexia purchased Deeply Subordinated Non-Cumulative Notes issued on october 2006 by Dexia Funding Luxembourg (91,84 % of the outstanding) acquired by Belfius (previously DBB) pursuant to the tender offer it launched on 20 February 2012. The original issue amount was EUR 498 million, of which Belfius purchased EUR 458 million. Following the merger of Dexia and DFL, as at the 1st January 2012, since 2012, the notes still hold by the investors (EUR 40 million) are booked in shareholders' equity, and no longer in minority interests.

c. Other movements

In 2014, other movements in equity amounted to EUR -10 million and are due to deconsolidation of the Dexia Asset Management Group.
In 2015, other movements in equity amounted to EUR +26 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	2,799	669	2,486
Hedging derivatives	**8,374**	**33,832**	**6,672**	**29,978**
TOTAL DERIVATIVES	**30,775**	**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**	**20,071**	**22,484**	**207,905**	**207,443**	**16,971**	**19,760**
OTC options	1,019	798	324	21	736	481	28	19
OTC other	235,844	235,439	19,747	22,463	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**	**1,551**	**634**	**182**	**4,999**	**1,537**	**699**	**166**
Credit default swap	5,385	1,551	634	182	4,999	1,537	699	166
TOTAL	**274,280**	**269,256**	**22,400**	**23,509**	**230,366**	**226,332**	**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**	**97,188**	**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**	**8,806**	**799**	**3,412**	**8,996**	**9,007**	**207**	**1,137**
OTC other	9,015	8,806	799	3,412	8,996	9,007	207	1,137
TOTAL	**107,251**	**106,874**	**7,270**	**29,734**	**106,429**	**106,305**	**5,774**	**26,364**

(1) This position includes hedging derivatives for securities with revenues partly linked to the evolution of a basket of equity 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	2,799	30,196	30,196	669	2,486
TOTAL	**24,855**	**24,855**	**914**	**2,799**	**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	4,511	3,376
Unrecognised deferred tax assets	(4,470)	(3,341)
Recognised deferred tax assets (see note 2.6) (1)	**41**	**35**
Deferred tax liabilities (voir note 3.5) (1)	**(152)**	**(159)**
TOTAL	**(111)**	**(124)**

(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	**(93)**	**(111)**
Charge/credit recognised in the income statement : "Income tax"	(2)	(24)
Movements directly recognized in shareholders' equity	(14)	(13)
Translation adjustment	(3)	(3)
Other movements (1)	1	27
AS AT 31 DECEMBER	**(111)**	**(124)**

(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	4,511	3,376
Deferred tax liabilities	(152)	(159)
DEFERRED TAXES	**4,359**	**3,217**

Deferred taxes coming from assets	**2014**		**2015**	
(in EUR million)	**Total**	**of which, change through profit or loss**	**Total**	**of which, change through profit or loss**
Loans (and loan loss provisions)	(1,408)	(1,006)	(1,382)	107
Securities	(1,458)	(634)	(1,351)	223
Derivatives	(1,157)	1,134	(1,522)	(185)
Tangible fixed assets and intangible assets	(10)	0	(10)	1
Accruals and other assets	15	(6)	23	2
TOTAL	**(4,018)**	**(512)**	**(4,241)**	**148**

Deferred taxes coming from liabilities	2014		2015	
(in EUR million)	Total	of which, change through profit or loss	Total	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	75	(13)	229	153
Pensions	4	(1)	5	1
Non-deductible provisions	22	45	0	(22)
Accruals and other liabilities	(79)	(11)	(126)	(24)
TOTAL	**5,294**	**404**	**5,171**	**(52)**

Deferred taxes coming from other elements	2014		2015	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Tax losses carried forward	3,098	188	2,295	(835)
Entity with special tax status	(15)	13	(6)	9
TOTAL	**3,083**	**201**	**2,288**	**(826)**
TOTAL DEFERRED TAXES	**4,359**		**3,217**	

d. Expiry date of unrecognised deferred tax assets

(in EUR million)	31/12/2014		
Nature	Between 1 to 5 years	Unlimited maturity	Total
Temporary difference	0	(1,450)	(1,450)
Tax losses carried forward	(1,444)	(1,576)	(3,020)
TOTAL	**(1,444)**	**(3,026)**	**(4,470)**

(in EUR million)	31/12/2015		
Nature	Between 1 to 5 years	Unlimited maturity	Total
Temporary difference	0	(1,057)	(1,057)
Tax losses carried forward	(1,535)	(750)	(2,285)
TOTAL	**(1,535)**	**(1,806)**	**(3,341)**

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 valuation methods". Amounts set off are related to Dexia's derivative instruments and repurchase agreements traded with clearing houses and the amounts are non-significant.
The column "Impact of Master Netting agreements and similar agreements" includes the amounts of financial instruments that are subject to an enforceable master netting arrangement or similar agreement but which do not meet the offsetting criteria defined by IAS 32. This is the case of Dexia's transactions that are subject to ISDA Master Netting Agreements and Global Master Repurchase Agreements for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the counterparties.
The Dexia Group Master Netting Agreement ("DGMNA") dated as of 2 November 2009 had been concluded between Dexia SA/NV, Banque Internationale à Luxembourg S.A. (formerly known as Dexia Banque Internationale à Luxembourg S.A.), Belfius Bank SA/NV (formerly known as Dexia Bank Belgium SA/NV), Dexia Crédit Local S.A. and Dexia Crediop SpA. The DGMNA permits netting or "Set-Off" amounts owed under transactions governed by different agreements, including one or more ISDA Master agreements or other trading agreements ("Principal Agreements") between the parties to the DGMNA. The DGMNA essentially aims at allowing netting in the event of a default on behalf of one of the parties, and therefore permits netting only when the transactions under the Principal Agreements are accelerated, terminated, liquidated or canceled (a so-called "Close Out" situation).
When a party is in default under the DGMNA, each other non-defaulting Party may elect to Close Out all of the transactions under each Principal Agreement to which such non-defaulting Party is a party.
Banque Internationale à Luxembourg 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'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 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

Since 31 December 2012, as a result of the capital increase subscribed by the Belgian and French States, these shareholders have become the only two shareholders having a significant influence on Dexia.

Group transactions with these shareholders are described in 4.4.c. below. Pursuant to IAS 24 § 25, the detail of loans, borrowings or commitments with the State Shareholders are not subject to a separate disclosure.
As a result of the ongoing restructuring plan of the Group, Dexia does not have any transactions with related parties anymore.

b. Compensation of key management personnel (*)

(in EUR million)	2014	2015
Short-term benefits [1]	3	3

(*) key management personnel are members of the Board of Directors and of the Management Board
(1) Includes salaries and other benefits

Details per person are reported in the section Compensation report in the chapter Declaration of corporate governance of the Management Report.

c. Transactions with the Belgian, French and Luxembourg States

Guarantee mechanism in favour of Dexia's financing

2011 Temporary Guarantee Agreement
On 16 December 2011, the French, Belgian and Luxembourg States and Dexia 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 no. 2011-1416 of 2 November 2011 (the "French Enabling Law"), and the Luxembourg law concerning the state's budget of revenues and expenses for the 2012 financial year of 16 December 2011 (the "Luxembourg Enabling Law").

Pursuant to this Temporary Guarantee Agreement, the three States guarantee severally, but not jointly, the performance by Dexia and DCL of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued (with a maturity of up to three years) between 21 December 2011 and 31 May 2012. This initial deadline has been extended (i) until 30 Septem-ber 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 Assis-tance) 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 at 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 17June 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 pre-existing 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 paid a total monthly remuneration of EUR 34 million to the States for these guarantees.

2008 Guarantee Agreement
As at 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. Acquisitions and disposals of consolidated companies

a. Acquisitions

There were no significant acquisitions in 2014 and 2015.

b. Disposals

On 3 February 2014, Dexia sold all of its shares in Dexia Asset Management (DAM) to New York Life Investments.
On 19 February 2014, Dexia sold its holding in Popular Banca Privada to Banco Popular Espanol.
With these two sales, Dexia reaches the target scope as set out in the Group's orderly resolution plan.
No disposal took place in 2015.

The assets and liabilities disposed of were as follows:	As at 31 December 2014	
(in EUR million)	Dexia Asset Management	Popular Banca Privada
Cash and cash equivalents	47	0
Financial assets available for sale	221	0
Deferred tax assets	25	0
Accruals and other assets	78	0
Investments in associates	0	32
Intangible assets and goodwill	70	0
Intercompany accounts : net position	(1)	0
Other liabilities	(109)	0
Provisions	(14)	0
NET ASSETS	**317**	**32**
Sale price	380	49
Less: cost of the transaction	(1)	0
Less: cash and cash equivalents in the subsidiary sold	(47)	0
NET CASH INFLOW ON SALE	332	49

4.6. Information on disposals groups held for sale and discontinued operations

a. Assets and liabilities included in disposal groups held for sale

The Goup reached the target scope as set out in the Group's orderly resolution plan in the first quarter 2014. There was no disposal group held for sale as at 31 december 2014 and as at 31 December 2015.

b. Income Statement

31/12/2014 (in EUR million)	BIL	Dexia Asset Manage-ment	Popular Banca Privada	Total
Result on disposal	8	58	21	87
Income from discontinued operations, net of tax	**8**	**58**	**21**	**87**
Group share				87
Earning per share				
- basic				0.04
- diluted				0.04

31/12/2015 (in EUR million)	Denizbank
Result on disposal	(17)
Income from discontinued operations, net of tax	**(17)**
Group share	(17)
Earning per share	
- basic	(0.01)
- diluted	(0.00)

c. Net cash flow

(in EUR million)	31/12/2014
Net cash inflows from investing activities	(47)
TOTAL	**(47)**

4.7. Share-based payments

Dexia stock option plans (number of options)	2014	2015
Outstanding at the beginning of the period	52,320,686	42,088,083
Expired during the period	(10,232,603)	(9,991,281)
Outstanding at the end of the period	**42,088,083**	**32,096,802**
Exercisable at the end of the period	**42,088,083**	**32,096,802**

2014				2015			
Range of exercise prices (EUR)	**Number of outstanding options**	**Weighted-average exercise price (EUR)**	**Weighted-average remaining contractual life (years)**	**Range of exercise prices (EUR)**	**Number of outstanding options**	**Weighted-average exercise price (EUR)**	**Weighted-average remaining contractual life (years)**
9.12-10.27	7,553,684	9.12	3.50	9.12-10.27	7,553,684	9.12	2.49
10.74-12.35	3,531,624	12.05	3.50	10.74-12.35	3,531,624	11.44	2.49
16.30-16.46	9,991,281	16.30	0.49		0		
16.47-19.21	10,128,349	16.87	1.73	16.47-19.21	10,128,349	16.87	0.51
19.21-21.02	10,883,145	21.02	2.50	19.21-21.02	10,883,145	21.02	1.50
TOTAL	**42,088,083**			**TOTAL**	**32,096,802**		

Since 2008 no option has been exercised as they are out of the money.

4.8. Capital stock

	2014		2015	
	Class A	**Class B** (1)	**Class A**	**Class B** (1)
Number of shares authorized	1,948,984,474	28,947,368,421	1,948,984,474	28,947,368,421
Number of shares issued and fully paid	1,948,984,474	28,947,368,421	1,948,984,474	28,947,368,421
Number of shares issued and not fully paid				
Value per share	**no nominal value**	**no nominal value**	**no nominal value**	**no nominal value**
Outstanding as at 1 Jan.	30,896,352,895		30,896,352,895	
Outstanding as at 31 Dec.	30,896,352,895		30,896,352,895	
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital		28,947,368,421		28,947,368,421
Number of treasury shares	324,633		324,633	
Number of shares reserved for issue under stock options and contracts for the sale of shares	324,633		324,633	

(1) see below the description of Class B Shares

See note 4.4.c. Transactions with the Belgian, French and Luxembourg States
See note 4.7. Share-based payments

Class B shares

The preferential rights of class B share can be summarized as follows:

• Voting rights: The new preference shares have the same voting rights as existing shares.
• Dividends: All dividend distributions made by Dexia will be allocated in priority to the holders of preference shares, up to an amount per preference share corresponding to 8% per annum of the subscription price paid for such share. Any potential surplus will then be allocated to the holders of ordinary shares up to an amount per share corresponding to the amount distributed to the preference shares and any remainder will then be distributed on a pari passu basis to the holders of both classes of shares.
• Liquidation Supplement: Any potential shortfall, in respect of the preference shares, between the amount corresponding to the 8% of the subscription price paid for such share and the effective amount of any yearly distribution, will not be carried forward to future annual distributions, but this difference and any other differences in subsequent years will constitute a liquidation supplement (the "Liquidation Supplement") payable in priority, in accordance with the terms set forth below, to the holders of preference shares.
• Liquidation distributions: Upon a subsequent liquidation of Dexia, any distributions in connection therewith will be allocated in priority to the holders of preference shares up to an amount per preference share equal to the subscription price paid for such share, increased by any Liquidation Supplement and reduced by any amounts already repaid in connection with a share capital reduction. Any remainder would then be allocated to the holders of ordinary shares up to an amount representing their right to a capital reimbursement in respect of such shares and then up to an amount corresponding to the Liquidation Supplement and, any remaining amount will then be allocated on a pari passu basis to holders of both classes of shares.
• Share capital reductions in kind, share buy-backs: The product of future share capital reduction operation by Dexia carried out by repayments to shareholders, will be booked in priority against the part of the share capital represented by the preference shares and will be allocated in priority to the holders of preference shares up to an amount equal to the subscription price paid for such share, reduced by any amounts already repaid pursuant to any share capital reductions.
Subject to the occurrence of the proposed share capital increase, future share buy-backs by the Company will be carried out in priority on preference shares.
Subject to the occurrence of the proposed share capital increase, no share capital reduction operation or share buy-back transactions may be carried out in respect of ordinary shares without the prior approval of at least 75% of votes attached to the preference shares.
• Share capital reductions in order to set-off losses or create reserves: Future share capital reduction operations of the Company with a view to setting of losses or to create reserves will be booked in priority against the ordinary shares, meaning that any right to the reimbursement of share capital in respect of each ordinary share will be reduced by the same amount. However, such share capital reduction transactions shall be carried out in such a way as to ensure that the total amount of the right to the repayment of share capital of all the shares of a given class shall remain strictly positive. For the rest, the rights attached to the shares shall not be affected.
A full description of the terms and conditions of the preference shares issued at the occasion of the December 2012 capital increase reserved for the Belgian and French State is included in article 4 of the articles of association of Dexia SA (available on http://www.dexia.com/EN/shareholder_investor/regulated_information).

Dematerialisation of bearer shares

In accordance with Article 11 of the law of 14 December 2005, amended by the law of 21 December 2013, concerning the abolishment of bearer shares (the "Law"), a forced sale of bearer securities whose holders were still indefinitely unknown was organised under the legal conditions applicable. This sale has been announced on 14 August 2015 in a public notice made available on Dexia's website www.dexia.com, in the Belgian Official Gazette and on Euronext, allowing any holders to come forward before it takes place. Shares for which the holder did not come forward before 16 September 2015, or a total of 710,092 actions, were sold on 13 October 2015 on the regulated market, Euronext Brussels. After deduction of the costs incurred by the issuer and referred to in Article 11, § 3 of the Law, the sale proceeds were lodged with the Belgian "Caisse des dépôts et consignations" where the holders of bearer securities may, from 1 January 2016 until 31 December 2024, ask for reimbursement for their shares. In accordance with Article 11 § 5 of the Law, Dexia's statutory auditor carried out the additional task which was assigned to him by Dexia and enabled him to confirm, on 25 November 2015, that all provisions referred to in Article 11 of the Law have been complied with in 2015.

Implementation of the Reverse Stock split of the Dexia SA shares

The Board of Directors of Dexia SA has decided to implement the reverse stock split of the shares of Dexia SA (Class A and Class B), in accordance with the resolution passed by the extraordinary shareholders' meeting on 20 May 2015, with a ratio of one new share (ISIN BE0974290224) for one thousand existing shares (ISIN BE0003796134). It will take effect on 4 March 2016.
All the information on the reverse stock split is available on the Dexia website: http://www.dexia.com/EN/shareholder_investor/shareholder_information/reverse/Pages/default.aspx

4.9. 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
Japenese 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.

4.10. Management of capital

The information regarding the management of capital is provided in the chapter Information on capital and liquidity of the Management Report.

4.11. Minority interests - Core equity

AS AT 1 JANUARY 2014	470
- Net income for the period	(7)
- Variation of scope of consolidation	(8)
AS AT 31 DECEMBER 2014	455
AS AT 1 JANUARY 2015	455
- Net income for the period	6
- Other	(15)
AS AT 31 DECEMBER 2015 (1)	**446**

(1) This amount includes EUR 56 million of undated subordinated non-cumulative Notes issued by Dexia Crédit Local, EUR 325 million of minority interests in Dexia Crediop and EUR 65 million of minority interests in Dexia Israel.

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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 - Income statement)

(in EUR million)	2014	2015
Interest income	**11,463**	**10,751**
a) Interest income on assets not measured at fair value	**4,746**	**4,441**
Cash and central banks	22	15
Interbank loans and advances	172	151
Customer loans and advances	3,556	3,503
Financial assets available for sale	910	719
Financial assets held to maturity	12	11
Impaired assets	4	4
Other	71	38
b) Interest income on assets measured at fair value	**6,717**	**6,225**
Loans and securities held for trading	34	69
Loans and securities designated at fair value	1	0
Derivatives held for trading	4,378	4,137
Hedging derivatives	2,304	2,019
c) Positive interests on financial liabilities		**85**
Positive interests on financial liabilities (2)		85
Interest expense	**(11,283)**	**(10,492)**
a) Interest expense on liabilities not measured at fair value	**(2,468)**	**(2,088)**
Interbank borrowings and deposits	(518)	(469)
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	**180**	**259**

(1) This item includes fees paid to the States for the guarantees they granted to Dexia's debt (except the fees for setting up of the Guarantee Agreement which was 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 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.

5.2. Fees and Commissions (Items III and IV - Income statement)

	2014			2015		
(in EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	10	(4)	6	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	(1)	(1)	0	(1)	(1)
Services on securities other than custodial services	0	(2)	(2)	0	(2)	(2)
Custodial services	4	(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	4	(4)	0	5	(3)	3
TOTAL	**21**	**(31)**	**(10)**	**21**	**(16)**	**5**

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 - Income statement)

(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)**	**524**
(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 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)**	**496**
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 - Income statement)

(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)]	27	54
Impairment of variable-income securities available for sale	(8)	(6)
Net gain (loss) on disposals of loans and advances	(10)	(6)
Net gain (loss) on redemption of debt securities [(2)]	31	41
TOTAL	**43**	**85**

(1) except for gains and losses on impaired fixed-income securities, which are included in cost of risk
(2) of which EUR +102 million as adjustment following the inventory process for the cancellation of bearer shares in 2015, causing an over-valuation to appear in the item "Other debts" and 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 - Income statement)

(in EUR million)	2014	2015
Rental income	4	3
Other banking income	1	0
Litigations [(1)]	35	45
Other income	1	2
TOTAL	**41**	**51**

(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 - Income statement)

(in EUR million)	2014	2015
Provisions for litigations [(1)]	(143)	(86)
Operating taxes	(1)	(1)
Other expenses	(14)	(4)
TOTAL	**(158)**	**(90)**

(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 - Income statement)

(in EUR million)	2014	2015
Payroll costs	(167)	(172)
General and administrative expenses	(187)	(276)
TOTAL	(355)	(447)

a. Payroll Costs

(in EUR million)	2014	2015
Compensation and salary expense	(129)	(116)
Social security and insurance expense	(35)	(37)
Employee benefits	(13)	(11)
Restructuring costs	21	4
Other	(11)	(12)
TOTAL	(167)	(172)

b. Employee information

	2014	2015
(Average full time equivalent)	Fully consolidated	Fully consolidated
Executive staff	40	36
Administrative staff	1,246	1,157
Non-administrative and other personnel	4	10
TOTAL	1,290	1,203

	2014							
(Average full time equivalent)	Belgium	France	Italy	Spain	Other Europe	USA	Other non Europe	Total
Executive staff	14	7	2	1	6	6	4	40
Administrative staff	67	670	174	34	123	134	44	1,246
Non-administrative and other personnel	0	0	0	0	0	4	0	4
TOTAL	81	677	176	35	129	144	48	1,290

	2015							
(Average full time equivalent)	Belgium	France	Italy	Spain	Other Europe	USA	Other non Europe	Total
Executive staff	14	7	2	1	5	3	4	36
Administrative staff	67	668	119	36	108	116	43	1,157
Non-administrative and other personnel	0	0	0	1	0	9	0	10
TOTAL	81	675	121	38	113	128	47	1,203

General and administrative expenses

(in EUR million)	2014	2015
Cost of premises	(4)	(5)
Rent expense [1]	(8)	(7)
Fees	(70)	(49)
Marketing, advertising and public relations	(5)	(1)
IT expense	(46)	(39)
Software, research and development	(12)	(5)
Maintenance and repair	(3)	(4)
Restructuring costs	0	3
Insurance (except related to pensions)	(10)	(9)
Stamp duty	(1)	0
Other taxes [2]	(28)	(134)
Other general and administrative expenses	1	(25)
TOTAL	**(187)**	**(276)**

(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 Dexia 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 - Income Statement)

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)	(4)
Amortization of intangible assets	(16)	(12)
TOTAL	**(27)**	**(23)**

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	**(27)**	**(23)**

5.9. Cost of risk (Item XIII - Income Statement)

(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)	22	(53)	91	(152)	(61)
Fixed-income securities available for sale		(9)	(9)		(113)	(113)
TOTAL	**(75)**	**13**	**(62)**	**91**	**(265)**	**(174)**

Detail of collective and specific impairments

Collective impairement	2014			2015		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Loans and securities held to maturity	(155)	80	(75)	(82)	173	91
TOTAL	**(155)**	**80**	**(75)**	**(82)**	**173**	**91**

Specific impairment	2014				
(in EUR million)	Additions	Recoveries	Losses	Collections	Total
Customer loans and advances	(118)	380	(248)	0	13
Accruals and other assets	0	8	(1)	1	8
Off-balance sheet commitments	0	1	0	0	1
TOTAL CREDIT	**(118)**	**389**	**(249)**	**1**	**22**
FIXED-INCOME SECURITIES AVAILABLE FOR SALE	**(9)**	**0**	**0**	**0**	**(9)**
TOTAL	**(127)**	**389**	**(249)**	**1**	**13**

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**	**(152)**
FIXED-INCOME SECURITIES AVAILABLE FOR SALE	**(107)**	**54**	**(60)**	**0**	**(113)**
TOTAL	**(289)**	**99**	**(76)**	**0**	**(265)**

5.10. Net gains (losses) on other assets (Item XVI - Income statement)

(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 - Income statement)

Detail of tax expense (in EUR million)	2014	2015
Income tax on current year	(8)	0
Deferred taxes on current year	(22)	(24)
TAX ON CURRENT YEAR RESULT (A)	**(30)**	**(24)**
Income tax on previous year	(15)	0
Deferred taxes on previous year	20	0
Provision for tax litigation	17	6
OTHER TAX EXPENSE (B)	**22**	**6**
TOTAL (A) + (B)	**(8)**	**(18)**

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2014 and 2015 was 33.99%.

Dexia effective tax rate was respectively -4.33 % in 2014 and 11.93% for 2015.

The difference between the standard and the effective tax rate can be analysed as follow:

(in EUR million)	2014	2015
Net income before tax	**(692)**	**204**
Tax base	**(692)**	**204**
Statutory tax rate	33.99 %	33.99 %
Theoretical corporate income tax at the standard rate	**235**	**(69)**
Impact of differences between foreign tax rates and the standard Belgian tax rate	(16)	35
Tax effect of non-deductible expenses	(143)	(150)
Tax effect of non-taxable income	136	195
Impact of items taxed at a reduced rate	(18)	(35)
Other additional taxes or tax savings [1]	(128)	(835)
Tax effect from reassessment of unrecognised deferred tax assets	(95)	836
Tax on current year	**(30)**	**(24)**
Effective tax rate	**- 4.33 %**	**11.93 %**

(1) In 2014, this item includes the impact of the difference between tax basis and accounting value related to the merger of Dexia Kommunalkredit Bank and Dexia Crédit Local
In 2015, the closing of Dexia Etablissement Stable Luxembourg led to the decrease of deferred tax assets related to recoverable tax losses to EUR 838 million. This element has no impact on the result as these deferred tax assets were unrecognised.

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 (EUR million)	(606)	163
Weighted average number of ordinary shares (million)	1,949	1,949
Basic earnings per share (in EUR)	(0.31)	0.08
- of which, related to continuing activities	*(0.35)*	*0.09*
- of which, related to discontinued activities	*0.04*	*(0.01)*

b. Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all dilutive potential ordinary shares resulting from share options granted to employees and from class B shares . For stock options, the calculation of the number of shares that could have been acquired at fair value (calculated as the average annual share price) is based on the monetary value of the subscription rights attached to the outstanding options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shares options.

The potential ordinary shares 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.

So, in 2014, the result beeing negative, the Class B shares were not considered for the calculation of diluted earnings per share. However, in 2015, they are taken into account because of the positive result.

No adjustment is made to net income attributable to equity holders of the parent.

	2014	2015
Net income, Group share (EUR million)	(606)	163
Weighted-average number of ordinary shares (million)	1,949	1,949
Adjustment for stock-options (million)	0	28,947
Weighted average number of ordinary shares used for the calculation of diluted earnings per share (million)	1,949	30,896
Diluted earnings per share (in EUR)	(0.31)	0.01
- of which, related to continuing activities	*(0.35)*	*0.01*
- of which, related to discontinued activities	*0.04*	*0.00*

6. Notes on off-balance sheet items

6.1. Regular way trade

(EUR million)	31/12/2014	31/12/2015
Assets to be delivered	95	68
Liabilities to be received	313	3,405

6.2. Guarantees

(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

(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

(EUR million)	31/12/2014	31/12/2015
Financial instruments given as collateral and other commitments given	89,632	78,594
Financial instruments received as collateral other commitments received	12,364	14,003

7. Notes on risk exposure

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

7.0. Risk exposure and hedging strategy

We also refer to the chapter Risk Management of the 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	3,104	3,104	0
Interbank loans and advances	8,563	8,280	(283)
Customer loans and advances	135,311	129,950	(5,362)
Financial assets held to maturity	306	322	16
Central banks	33,845	33,845	0
Interbank borrowings and deposits	44,604	44,597	(8)
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	7,815	7,834	19
Customer loans and advances	127,876	119,102	(8,774)
Financial assets held to maturity	200	191	(9)
Central banks	15,932	15,932	0
Interbank borrowings and deposits	48,780	48,801	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. 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	3,104	0	3,104	0	4,835	0	4,835
Financial assets at fair value through profit and loss	1	19,958	4,256	24,215	1	15,102	5,073	20,176
** Loans and securities held for trading*	*0*	*0*	*1,787*	*1,787*	*0*	*0*	*1,375*	*1,375*
** Financial assets designated at fair value - equities*	*1*	*0*	*0*	*1*	*1*	*0*	*0*	*1*
** 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	14,208	9,687	2,747	26,641	19,124	621	2,513	22,257
** Financial assets available for sale - bonds*	*14,091*	*9,687*	*2,604*	*26,381*	*19,019*	*614*	*2,375*	*22,007*
** Financial assets available for sale - equities*	*117*	*0*	*143*	*260*	*105*	*7*	*138*	*249*
Interbank loans and advances	0	4,845	3,436	8,280	5	3,327	4,502	7,834
Customer borrowings and deposits	53	4,875	125,022	129,950	626	0	118,476	119,102
Financial assets held to maturity	21	25	276	322	21	0	171	191
TOTAL	**14,282**	**49,632**	**136,972**	**200,886**	**19,776**	**29,357**	**131,934**	**181,067**

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	1	23,069	2,662	25,731	1	17,814	4,964	22,779
** Financial liabilities designated at fair value*	*1*	*1,417*	*805*	*2,222*	*1*	*1,491*	*495*	*1,987*
** 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	23,189	21,408	44,597	0	21,996	26,806	48,801
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	**1**	**184,053**	**52,859**	**236,913**	**1**	**129,972**	**89,461**	**219,433**

d. Transfer between level 1 and level 2

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

(in EUR million)	31/12/2014		31/12/2015	
	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**	**7,177**	**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 decided to discontinue the use of external and internal data in its valuation methods and to maximise the use of external market data. 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 the closing date.

e. Level 3 reconciliation

(in EUR million)	2014									
	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	225					450	(94)	3	1,236
Financial assets available for sale - bonds	7,297	221	206	29	(95)	(1,376)	623	(4,520)	220	2,604
Financial assets available for sale - equities	274	(1)	(124)		(13)	(3)	1		8	143
TOTAL FINANCIAL ASSETS	**11,444**	**518**	**82**	**29**	**(318)**	**(1,406)**	**2,142**	**(4,615)**	**363**	**8,238**
Financial liabilities designated at fair value	1,097	(15)				(409)	19		112	805
Derivatives held for trading	1,122	(39)					861	(86)	1	1,857
Hedging derivatives	1,418	830				(1)	7,513	(99)	5	9,666
TOTAL FINANCIAL LIABILITIES	**3,637**	**776**	**0**	**0**	**0**	**(410)**	**8,393**	**(186)**	**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 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 arround 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 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	Unrealised or deferred gains/ losses	Purchase	Sale	Settlement	Transfer into level 3 [(1)]	Transfer out of level 3	Other movements [(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**	**19,340**

(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 to level 3 or out of level 3 are the amounts of fair value at the closing date.

f. Sensitivity of level 3 valuations to alternative assumptions

Dexia 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 decided to elaborate alternative assumptions on the following unobservable parameters:
• credit spreads, depending on availability of credit spreads for the same counterparty, or credit spreads based on similar counterparties, similar sectors or by using credit risk indexed on liquid CDS indexes;
• the basis Cash – CDS that allows to deduct bonds spreads from CDS spreads.

Tests have been performed on all bonds and CDS classified in level 3. The main impacts are the following:
• For level 3 bonds in AFS, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR 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 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'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 amount was booked as deferred DOP.

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 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 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 maximun 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 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 amounts to EUR 182 billion as at 31 December 2015.

a. Exposure by geographical region and by category of counterparty

Exposure by geographic region

(in EUR million)	31/12/2014	31/12/2015
France	29,087	26,617
Belgium	3,765	2,204
Germany	26,111	22,308
Greece	168	153
Ireland	297	160
Italy	30,663	27,244
Luxembourg	150	125
Spain	20,041	16,933
Portugal	4,343	4,193
Hungary	1,094	946
Austria	1,577	1,575
Central and Eastern Europe	3,609	2,895
Netherlands	621	499
Scandinavian countries	1,171	1,471
Great Britain	23,206	25,821
Switzerland	604	520
Turkey	508	496
United States and Canada	32,023	31,470
South and Central America	585	552
Southeast Asia	1,005	845
Japan	6,962	7,560
Other (1)	6,573	7,203
TOTAL	**194,160**	**181,792**

(1) Includes supranational entities

Exposure by category of counterparty

(in EUR million)	31/12/2014	31/12/2015
Central governments	29,858	29,511
Local public sector (1)	100,118	94,426
Financial institutions	31,080	24,781
Corporates	6,857	8,463
Monoline	4,210	1,837
ABS/MBS	6,278	8,039
Project finance	15,756	14,734
Individuals, SME, self-employed	3	2
TOTAL	**194,160**	**181,792**

(1) as at 31/12/2015, this category includes: EUR 63 million on Greece, EUR 26 million on Hungary, EUR 11,112 million on Italy, EUR 1,825 million on Portugal and EUR 7,796 million on Spain and as at 31/12/2014, this category includes : 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

	31/12/2014			31/12/2015		
(in EUR million)	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure
Financial assets available for sale (excluding variable income securities)	26,423	0	26,423	22,105	0	22,105
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	305	0	305	200	0	200
Loans and advances (at amortised cost)	148,912	1,557	147,354	144,014	2,264	141,750
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	**230,574**	**36,415**	**194,160**	**224,514**	**42,722**	**181,792**

Dexia holds financial collaterals composed of cash collaterals and term deposits, and to a lesser extent, of investment grade bonds (mainly AAA- AA sovereign or banking issuers).
Only financial collaterals eligible under Basel and directly held by Dexia 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 II standard) or external ratings. Indeed, Dexia applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel, except for ABS positions for which credit risk is calculated within the Ratings based Approach, based on external ratings (Fitch, Standard &Poors or Moody's) and for part of its portfolio where credit risk exposure is calculated in accordance with the Basel Standard Method.

	31/12/2014				
(in EUR million)	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	4,734	17,721	3,896	0	26,351
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	258	0	0	305
Loans and advances (at amortised cost)	66,036	62,125	16,825	486	145,473
Loans commitments granted	1,234	590	111	0	1,935
Guarantee commitments granted	1,135	6,742	351	26	8,254
TOTAL	**75,243**	**93,862**	**22,144**	**545**	**191,794**

	31/12/2015				
(in EUR million)	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	3,805	15,123	2,965	0	21,893
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	200
Loans and advances (at amortised cost)	62,146	62,114	15,046	300	139,606
Loans commitments granted	939	615	112	5	1,671
Guarantee commitments granted	1,582	6,096	192	9	7,879
TOTAL	**69,641**	**89,842**	**19,425**	**341**	**179,250**

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 amortized cost)	183	28	501	1,161
Other financial instruments	0	0	212	2
TOTAL	**183**	**28**	**712**	**1,235**

	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 amortized cost)	57	4	436	1,320
Other financial instruments	0	0	13	2
TOTAL	**57**	**4**	**449**	**1,534**

Forbearance

Regarding Dexia activities, restructured loans include 3 different types of restructuring:
1. Restructuring related to commercial relationships with customers, which represented almost all restructuring until 2011 except litigations in The Netherlands;
2. Restructuring related to litigations, mainly on structured loans, with customers without any financial difficulties;
3. Restructuring related to financial difficulties of the counterparty both under normal relationship or under litigations.

In accordance wih the EBA's definition of Forbearance, only the 3rd case is considered as forborne loan in the context of this analysis. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.
Total assets include around EUR 1 billion of forborne assets as at 31/12/2014 and as at 31/12/2015.

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 Jan.	Additions	Reversals	Utilisation	Other adjustments (1)	As at 31 Dec.	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific impairment	**(624)**	**(135)**	**366**	**31**	**(28)**	**(391)**	**1**	**(249)**
Customer loans and advances	(545)	(118)	357	20	(24)	(309)	0	(248)
Available for sale securities	(70)	(17)		11	(4)	(80)	0	0
Fixed revenue instruments	*(32)*	*(9)*			*(2)*	*(43)*	*0*	*0*
Variable revenue instruments	*(38)*	*(8)*		*11*	*(2)*	*(38)*	*0*	*0*
Accruals and other assets	(9)		8		(1)	(2)	1	(1)
Collective impairment	**(419)**	**(155)**	**80**	**0**	**(9)**	**(503)**		
Interbank loans and advances	(5)	(11)	2			(14)		
Customer loans and advances	(414)	(144)	78		(9)	(490)		
TOTAL	**(1,043)**	**(290)**	**446**	**31**	**(38)**	**(894)**	**1**	**(249)**

(1) Other adjustments include notably the impact of changes in exchange rates during the year.

(in EUR million)	2015 As at 1 Jan.	Additions (1)	Reversals	Utilisation	Other adjustments (2)	As at 31 Dec.	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific impairment	**(391)**	**(311)**	**61**	**55**	**(18)**	**(604)**	**0**	**(70)**
Customer loans and advances	(309)	(198)	61		(12)	(458)	0	(11)
Available for sale securities	(80)	(113)		55	(6)	(144)	0	(54)
Fixed revenue instruments	*(43)*	*(107)*		*54*	*(1)*	*(98)*	*0*	*(54)*
Variable revenue instruments	*(38)*	*(6)*			*(4)*	*(48)*	*0*	*0*
Accruals and other assets	(2)					(2)	0	(5)
Collective impairment	**(503)**	**(82)**	**173**	**0**	**(10)**	**(422)**		
Interbank loans and advances	(14)	(17)	10		(3)	(24)		
Customer loans and advances	(490)	(65)	163		(6)	(398)		
TOTAL	**(894)**	**(393)**	**234**	**55**	**(28)**	**(1,026)**	**0**	**(70)**

(1) The impairment on Hypo Alpe Adria Bank (HETA) is accounted for in Customers 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 advances designated at fair value through profit or loss

Dexia 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 amount contractually required to be paid at maturity(1)
As at 31 December 2014	2,222	(21)	(125)	485
As at 31 December 2015	1,987	(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

(in EUR million)	31/12/2014		31/12/2015	
	Fair values of collateral held	Fair value of collateral sold or repledged	Fair values of collateral held	Fair value of collateral sold or repledged
Debt securities	1,641	1,628	2,591	1,606
TOTAL	**1,641**	**1,628**	**2,591**	**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)	31/12/2014	31/12/2015
Carrying amount of financial assets pledged as collateral for liabilities	120,812	111,383

The amount of EUR 121 billion in 2014 and of EUR 111 billion in 2015 represent the amount of liquidity paid over as collateral for derivatives and assets pledged as collateral for funding received from the Eurosystem, the European Investment Bank, agreements for the temporary lending of stocks or other secured funding. This amount includes neither the assets guaranteeing the covered bonds issued by Dexia Kommunalbank Deutschland and Dexia Luxembourg 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**	**Undetermined maturity**	**Accrued interest**	**Fair value adjustment**	**Impairment**	**Total**
Cash and central banks	3,104	0	0	0	0	0	0			3,104
Financial assets at fair value through profit or loss	0	1,324	92	26	20	0	1,148	21,604	,	24,215
of which Trading derivatives							*1,142*	*21,258*		*22,400*
Hedging derivatives							677	7,697		8,374
Financial assets available for sale	17	3,371	1,366	4,481	12,522	853	422	3,690	(80)	26,641
Interbank loans and advances	799	2,967	727	2,375	910	0	30	769	(14)	8,563
Customer loans and advances	133	30,597	28,968	11,168	43,795	46	795	20,606	(798)	135,311
Fair value revaluation of portfolio hedge								1,910		1,910
Financial assets held to maturity	0	3	100	200	0	0	2		0	306
Accruals and other assets	6	1,054	134	0	0	37,063	0	0	(2)	38,256
of which paid cash collateral						*37,033*	*0*			*37,033*
Subtotal financial assets used to calculate the gap	*4,059*	*39,317*	*31,387*	*18,250*	*57,247*	*37,963*				
Non-financial assets						442		(1)	0	440
TOTAL	**4,059**	**39,317**	**31,387**	**18,250**	**57,247**	**38,404**	**3,074**	**56,276**	**(894)**	**247,120**

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	22,941	25,731
of which Trading derivatives							*1,055*	*22,455*	*23,509*
Hedging derivatives							1,385	32,447	33,832
Interbank borrowings and deposits	66	36,201	4,573	2,724	958	0	67	14	44,604
Customer borrwings and deposits	2,164	1,996	2,433	757	519	0	31	59	7,958
Debt securities	1	24,799	21,957	22,014	14,529	0	703	5,515	89,518
Fair value revaluation of portfolio hedge								227	227
Subordinated debts	0	399	0	59	32	0	4	5	498
Accruals and other liabilities	11	1,163	40	30	60	5,967	1		7,272
of which received cash collateral						*5,855*	*1*		*5,856*
Subtotal financial liabilities used to calculate the gap	*2,242*	*98,073*	*29,313*	*25,764*	*17,312*	*5,967*			
Non-financial liabilities						506			506
TOTAL	**2,242**	**98,073**	**29,313**	**25,764**	**17,312**	**6,473**	**3,609**	**61,207**	**243,992**

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**
	1,817	(58,756)	2,075	(7,514)	39,935	31,996

Balance-sheet sensitivity gap is hedged through derivatives.

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a. Analysis of assets

	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	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	1,020	49	26	13	0	1,062	18,007	,	20,176
of which Trading derivatives							*1,056*	*17,744*		*18,800*
Hedging derivatives							671	6,001		6,672
Financial assets available for sale	1	2,025	1,013	3,542	11,538	262	356	3,663	(144)	22,257
Interbank loans and advances	706	1,675	1,004	2,897	857	0	26	673	(24)	7,815
Customer loans and advances	93	27,237	28,790	10,442	41,573	22	784	19,790	(856)	127,876
Fair value revaluation of portfolio hedge								1,696		1,696
Financial assets held to maturity	0	20	42	136	0	0	2		0	200
Accruals and other assets	17	1,340	81	0	0	36,909	0	0	(2)	38,346
of which paid cash collateral						*36,890*	*0*			*36,891*
Subtotal financial assets used to calculate the gap	*3,672*	*35,297*	*30,980*	*17,043*	*53,982*	*37,193*				
Non-financial assets						408		0	0	408
TOTAL	**3,672**	**35,297**	**30,980**	**17,043**	**53,982**	**37,601**	**2,901**	**49,831**	**(1,026)**	**230,281**

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		15,932
Financial liabilities at fair value through profit and loss	0	65	0	180	1,307	0	993	20,235	22,779
of which Trading derivatives							*979*	*19,813*	*20,792*
Hedging derivatives							1,270	28,708	29,978
Interbank borrowings and deposits	109	21,894	21,950	3,092	1,655	0	62	17	48,780
Customer borrwings 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	1,155	38	36	45	4,850	0		6,135
of which received cash collateral						*4,811*	0		*4,812*
Subtotal financial liabilities used to calculate the gap	*2,241*	*63,324*	*46,478*	*29,812*	*21,642*	*4,850*			
Non-financial liabilities						537			537
TOTAL	**2,241**	**63,324**	**46,478**	**29,812**	**21,642**	**5,387**	**3,054**	**53,795**	**225,734**

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
	1,431	(28,027)	(15,498)	(12,768)	32,340	32,344

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 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 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 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 et 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 et 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 Group'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.

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 of the income statement.

c. Dexia bond portfolio exposure

(in 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 of 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.

(in EUR million)	2014	2015
Sensitvity	(20)	(18)

7.6. Liquidity risk

A. Analysis by term to maturity

A large part of the balance sheet constits of the revaluation of assets, liabilities and derivatives. As such revaluations vary constantly and cannot therefore be linked to the maturity of the financial instruments, they are presented under a separate column.
Demand deposits and saving deposits are included in the "Demand" column, even though they have no fixed repayment date.

a. Analysis of assets

	31/12/2014									
(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			3,104
Financial assets at fair value through profit or loss	0	6	139	133	1,185	0	1,148	21,604		24,215
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	1,304	4,998	14,023	853	422	3,690	(80)	26,641
Interbank loans and advances	799	1,262	395	3,471	1,851	0	30	769	(14)	8,563
Customer loans and advances	38	2,960	5,109	21,322	85,233	46	795	20,606	(798)	135,311
Fair value revaluation of portfolio hedge								1,910		1,910
Financial assets held to maturity	0	3	100	200	0	0	2		0	306
Accruals and other assets	6	381	134	0	673	37,063	0		(2)	38,256
of which paid cash collateral						*37,033*	*0*			*37,033*
Subtotal financial assets used to calculate the gap	*3,495*	*6,495*	*7,181*	*30,123*	*102,965*	*37,963*				
Non-financial assets						442		(1)	0	440
TOTAL	**3,495**	**6,495**	**7,181**	**30,123**	**102,965**	**38,404**	**3,074**	**56,276**	**(894)**	**247,120**

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	31/12/2014								
	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Central banks	0	33,505	0	0	0	0	340		33,845
Financial liabilities at fair value through profit and loss	0	10	309	171	1,222	0	1,078	22,941	25,731
of which Trading derivatives							*1,055*	*22,455*	*23,509*
Hedging derivatives							1,385	32,447	33,832
Interbank borrowings and deposits	103	10,000	1,882	24,691	7,847	0	67	14	44,604
Customer borrowings and deposits	2,164	1,842	2,107	883	871	0	31	59	7,958
Debt securities	1	16,169	18,243	30,592	18,295		703	5,515	89,518
Fair value revaluation of portfolio hedge								227	227
Subordinated debts	0	0	0	436	54	0	4	5	498
Accruals and other liabilities	11	848	39	30	63	6,280	1		7,272
of which received cash collateral						*5,855*	*1*		*5,856*
Subtotal financial liabilities used to calculate the gap	*2,279*	*62,375*	*22,581*	*56,804*	*28,351*	*6,280*			
Non-financial liabilities						506			506
TOTAL	**2,279**	**62,375**	**22,581**	**56,804**	**28,351**	**6,786**	**3,609**	**61,207**	**243,992**

Net liquidity gap as at 31/12/2014 (in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
	1,216	(55,879)	(15,400)	(26,680)	74,614	31,683

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	18,007		20,176
of which Trading derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*1,056*	*17,744*		*18,800*
Hedging derivatives							671	6,001		6,672
Financial assets available for sale	1	918	1,215	3,586	12,399	262	356	3,663	(144)	22,257
Interbank loans and advances	706	47	813	3,880	1,693	0	26	673	(24)	7,815
Customer loans and advances	93	2,711	4,706	20,362	80,264	22	784	19,790	(856)	127,876
Fair value revaluation of portfolio hedge								1,696		1,696
Financial assets held to maturity	0	20	60	118	0	0	2		0	200
Accruals and other assets	17	302	81	0	1,038	36,909	0	0	(2)	38,346
of which paid cash collateral						*36,890*	*0*			*36,891*
Subtotal financial assets used to calculate the gap	*3,672*	*5,984*	*6,881*	*28,063*	*96,373*	*37,193*				
Non-financial assets						408		0	0	408
TOTAL	**3,672**	**5,984**	**6,881**	**28,063**	**96,373**	**37,601**	**2,901**	**49,831**	**(1,026)**	**230,281**

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	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	0	70	118	1,364	0	993	20,235	22,779
of which Trading derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*979*	*19,813*	*20,792*
Hedging derivatives							1,270	28,708	29,978
Interbank borrowings and deposits	49	4,943	34,096	7,782	1,771	59	62	17	48,780
Customer borrwings 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 debts	0	0	0	462	23	0	3	3	492
Accruals and other liabilities	11	917	37	36	284	4,850	0		6,135
of which received cash collateral						*4,811*	*0*		*4,812*
Subtotal financial liabilities used to calculate the gap	*2,080*	*36,321*	*60,106*	*41,151*	*23,780*	*4,909*			
Non-financial liabilities						537			537
TOTAL	**2,080**	**36,321**	**60,106**	**41,151**	**23,780**	**5,446**	**3,054**	**53,795**	**225,734**

Net liquidity 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	Undeter-mined maturity
	1,592	(30,337)	(53,224)	(13,088)	72,593	32,285

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 Group's liquidity

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

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7.7. Currency risk

We also refer to the chapter Risk Management of the Management Report.

Classification by original currency

	31/12/2014						
(in EUR million)	EUR	GBP	Other EU currencies	U.S. dollars	JPY	Other currencies	Total
Total assets	169,197	26,137	572	35,105	8,500	7,611	247,120
Total liabilities and shareholders' equity	174,984	18,481	81	43,626	5,561	4,387	247,120
NET BALANCE SHEET POSITION	**(5,788)**	**7,655**	**490**	**(8,521)**	**2,939**	**3,224**	**0**

Classification by original currency

	31/12/2015						
(in EUR million)	EUR	GBP	Other EU currencies	U.S. dollars	JPY	Other currencies	Total
Total assets	153,694	26,023	132	37,053	7,773	5,606	230,281
Total liabilities and shareholders' equity	155,482	24,514	51	40,605	5,315	4,314	230,281
NET BALANCE SHEET POSITION	**(1,788)**	**1,509**	**80**	**(3,552)**	**2,458**	**1,292**	**0**

8. Segment and geographic reporting

a. Segment reporting

Having completed its commercial entity disposal program at the beginning of 2014 as required under the resolution plan, Dexia is now focused on managing its 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'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'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)	Belgium	France	Germany	Spain	Ireland	Italy	United States	Israel	Other	Total
As at 31 December 2014										
NET BANKING INCOME	**8**	**(287)**	**41**	**47**	**(85)**	**14**	**(25)**	**30**	**10**	**(247)**
As at 31 December 2015										
NET BANKING INCOME	**90**	**267**	**14**	**61**	**193**	**70**	**120**	**33**	**(14)**	**834**

Management report

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Additional information

Dexia SA
Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2015, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion with emphasis of matter paragraph on the application of the valuation rules in going concern

We have audited the consolidated financial statements of Dexia SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated balance sheet shows total assets of 230,281 million EUR and the consolidated statement of income shows a consolidated profit (group share) for the year then ended of 163 million EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.
We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Dexia SA give a true and fair view of the group's net equity and financial position as of 31 December 2015, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter paragraph on the application of the valuation rules in going concern

Without modifying the above unqualified opinion, we draw your attention to note 1 of the notes to the consolidated financial statements which states that the consolidated financial statements of Dexia SA as of 31 December 2015 have been prepared using the going concern principle in accordance with the criteria of IAS 1.

The justification of the going concern assumption is supported by a revised business plan approved by the group's board of directors on 19 November 2015 and which is taking into account a.o. the following assumptions:

- The revised business plan is based on different underlying macroeconomic assumptions (including the expected evolution of interest rates and credit environment). These assumptions were reviewed within the framework of the revised business plan ratified by the board of directors on 19 November 2015 and based on the observable market conditions on 30 June 2015 as well as the regulatory developments known at that date. 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 the regulatory capital required.
- The revised business plan assumes that the different entities maintain their banking licence and also relies on the maintenance of the rating of Dexia Crédit Local SA.
- The revised business plan relies on a robust funding program based on Dexia's ability to issue debt guaranteed by the Belgium, France and Luxembourg states and to raise secured funding. If market demand for government-guaranteed debt would decline, the group 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 at risk in the context of greater exchange rate volatility and very low interest rates.
- The revised business plan is also sensitive to regulatory and accounting developments. Moreover, the group's balance sheet still exhibits structural imbalances and the limited resources available since the beginning of its resolution to remedy this situation may not allow compliance with certain regulatory ratios during its resolution process.

With respect to the realisation of the revised business plan, taking into account the numerous exogenous variables, uncertainties remain as of the date of this report.

The going concern assumption is only justified to the extent that the group succeeds in realizing its revised business plan based on the underlying assumptions described in note 1 of the notes to the consolidated financial statements. No adjustments have been recorded with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 30 March 2016

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Yves Dehognee

Annual financial statements as at 31 December 2015

Balance sheet
(before income appropriation)

ASSETS (in EUR)		31/12/2014	31/12/2015
FIXED ASSETS		**2,096,841,349**	**2,096,345,399**
II.	Intangible fixed assets	660,096	591,329
III.	Tangible fixed assets	930,304	513,604
	B. Plant, machinery and equipment	25,921	18,942
	C. Furniture and vehicles	426,758	316,541
	E. Other tangible fixed assets	477,625	178,121
IV.	Financial fixed assets	2,095,250,949	2,095,240,466
	A. Affiliated enterprises	2,093,083,258	2,093,141,349
	1. Participating interests	2,093,083,258	2,093,141,349
	C. Other financial assets	2,167,691	2,099,117
	1. Shares	2,001,000	2,001,000
	2. Amounts receivable and cash guarantees	166,691	98,117
CURRENT ASSETS		**1,025,541,750**	**1,030,106,352**
V.	Amounts receivable after more than one year	143,026,913	105,359,861
	B. Other amounts receivable	143,026,913	105,359,861
VII.	Amounts receivable within one year	10,801,400	48,564,048
	A. Trade debtors	4,661,128	412,088
	B. Other amounts receivable	6,140,272	48,151,960
VIII.	Current Investments	854,930,760	849,011,263
	B. Other investments and deposits	854,930,760	849,011,263
IX.	Cash at bank and in hand	15,057,793	25,715,180
X.	Deferred charges and accrued income	1,724,884	1,456,000
TOTAL ASSETS		**3,122,383,099**	**3,126,451,751**

SHAREHOLDERS' EQUITY AND LIABILITIES (in EUR)		31/12/2014	31/12/2015
EQUITY		**2,912,669,832**	**2,969,781,966**
I.	Capital	500,000,000	500,000,000
	A. Issued capital	500,000,000	500,000,000
II.	Share premium account	1,900,000,000	1,900,000,000
IV.	Reserves	322,880,172	322,880,172
	A. Legal reserve	50,000,000	50,000,000
	D. Available reserves	272,880,172	272,880,172
	Retained earnings	162,019,555	189,789,660
V. bis.	Profit (+) for the year (1)	27,770,105	57,112,134
PROVISIONS AND DEFERRED TAXES		**58,504,901**	**101,567,364**
VII.	A. Provisions for liabilities and charges	58,504,901	101,567,364
	4. Other liabilities and charges	58,504,901	101,567,364
AMOUNTS PAYABLE		**151,208,366**	**55,102,421**
VIII.	Amounts payable after more than one year	39,788,000	39,788,000
	A. Financial liabilities	39,788,000	39,788,000
	1. Subordinated loans	39,788,000	39,788,000
IX.	Amounts payable within one year	110,920,040	14,681,160
	B. Financial liabilities	96,655	-
	1. Credit institutions	96,655	-
	C. Trade debts	6,468,985	1,420,089
	1. Suppliers	6,468,985	1,420,089
	E. Taxes, remuneration and social security	6,388,281	6,438,237
	1. Taxes	3,584,690	3,293,770
	2. Remuneration and social security	2,803,591	3,144,467
	F. Other amounts payable	97,966,119	6,822,834
X.	Accrued charges and deferred income	500,326	633,261
TOTAL LIABILITIES		**3,122,383,099**	**3,126,451,751**

(1) See note 1 to the financial statements.

Off-balance-sheet items

(in EUR)	31/12/2014	31/12/2015
Miscellaneous rights and commitments:		
Guarantee given by the French and Belgian States for the Financial Products portfolio (1)	PM	PM
Guarantees given by third parties on behalf of the company	302,973	302,973
Personal guarantees given on behalf of third parties	7,500	7,500
Real guarantees given on own assets	150,323,723	150,324,529
Commitment to issue shares linked to stock options (exercise price)	671,807,946	508,950,066
Commitment to issue shares to the Belgian and French States	PM	PM
Commitment towards Dexia Bank Nederland NV	PM	PM
Commitment others (2)	PM	PM

(1) See note 4.4.c of the consolidated financial statement
(2) See note 4.4. Off-balance-sheet items - Commitments

Income statement

(in EUR)		31/12/2014	31/12/2015
I.	Operating income	12,521,603	14,118,122
	D. Other operating income	12,521,603	14,118,122
II.	Operating charges	(41,588,707)	(31,311,199)
	B. Services and other goods	(28,177,272)	(17,285,135)
	C. Remuneration, social security costs and pensions	(12,203,967)	(12,471,400)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(735,459)	(749,107)
	F. Increase (-); decrease (+) in provisions for liabilities and charges	(150,838)	(150,838)
	G. Other operating charges	(321,171)	(654,719)
III.	Operating loss (-)	(29,067,104)	(17,193,077)
IV.	Financial income	10,687,359	20,766,663
	B. Income from current assets	7,673,854	4,651,107
	C. Other financial income	3,013,505	16,115,556
V.	Financial charges	(57,219)	(226,442)
	A. Debt charges	(409,691)	(60,913)
	B. Amounts written off on current assets other than stocks, current orders and receivabes: increase (-)	553,250	0
	C. Other financial charges	(200,778)	(165,529)
VI.	Current loss (-) before taxes	(18,436,964)	3,347,144
VII.	Exceptional income	43,897,673	102,225,905
	B. Adjustments to amounts written off financial fixed assets	10,000,000	0
	C. Adjustments to provisions for extraordinary liabilities and charges: utilisation (+) / write back (-)	25,034,498	0
	D. Gains on disposal of fixed assets	420,556	0
	E. Other exceptional income	8,442,619	102,225,905
VIII.	Exceptional charges	(3,037,220)	(50,002,837)
	C. Provisions for exceptional liabilities and charges: utilisation (+) / write back (-)	11,782,913	(42,911,625)
	D. Loss on disposal of fixed assets	(1)	(27,123)
	E. Other exceptional charges	(14,820,132)	(7,064,089)
IX.	Profit for the period before taxes	22,423,489	55,570,212
X.	Income taxes	5,346,616	1,541,922
	A. Income taxes	(672,259)	(92,110)
	B. Adjustment of income taxes and write-back of tax provisions	6,018,875	1,634,032
XI.	Profit for the period	27,770,105	57,112,134
XIII.	Profit to be appropriated	27,770,105	57,112,134
	Profit brought forward of the previous period	162,019,555	189,789,660
	Profit for the period to be appropriated	27,770,105	57,112,134
	PROFIT TO BE APPROPRIATED	**189,789,660**	**246,901,794**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia presents its financial statements before appropriation. The 2015 financial year closed with a profit of EUR 57.1 million. The profit carried over from the previous period is EUR 189.8 million. As a result, the total profit to be appropriated is EUR 246.9 million.

2. Annual financial statements and chart of accounts

Dexia is a limited company and a financial firm governed by the Belgian law whose shares are traded on Euronext Brussels, Euronext Paris and on the Luxemburg Stock Exchange. Dexia is therefore subject to the obligation to publish yearly financial statements as prescribed by the Belgian Company Code and its decree of application dated 30 January 2001.
The chart of accounts conforms in its contents, presentation, and numbering with the chart of accounts described in the Royal Decree of 12 September 1983. The items provided for in the accounting plan that do not apply to Dexia have been excluded.
The financial statements are presented in EUR.

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

The accounting policies are in conformity with the Royal Decree of 30 January 2001, in application of the Belgian Company Code. If legislation allows options or authorises a waiver, the accounting policies hereafter shall mention the option chosen or whether such a waiver has been applied.

3.1.2. FOREIGN CURRENCY TRANSLATION INTO EUR

Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into EUR at the last day average year-end exchange rate.
Non-monetary items are translated into EUR at the exchange rate ruling in effect on the transaction date.
Foreign currency income and expense are translated into EUR at the exchange rate ruling in effect on the date on which the income or expense is recognised in the income statement.

3.2. Assets

3.2.1. FORMATION EXPENSES (ITEM I.)

As from the bookkeeping year 2012, all formation expenses are booked into charges for 100% during the period in which they are incurred.

3.2.2. INTANGIBLE FIXED ASSETS (ITEM II.)

License acquisitions, external costs linked to software definition and to the development of the Dexia Group website are recorded as intangible fixed assets when the acquisition price is at least equal to EUR 495.79 per item or, when delivery is broken down into partial shipments representing less than EUR 495.79 each but the total delivery is at least EUR 495.79. Intangible fixed assets are depreciated over a maximum of five years.
Furthermore, the internal costs related to the development of software and the website are entirely charged in the financial year in which they are exposed.
Exceptional amortizations will be recorded in order to align the accounting value of the intangible fixed assets to their utilisation value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.3. TANGIBLE FIXED ASSETS (ITEM III.)

If necessary, exceptional depreciations will be recorded in order to align the accounting value of fixed assets to their utilisation value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.4. FINANCIAL ASSETS (ITEM IV.)

Participating interests and shares are recorded on the balance sheet at their acquisition cost or contribution cost. Accessory acquisition fees are charged to the period of acquisition.
Impairments are recorded in the case of capital losses or lasting depreciation. They are determined by reference to the financial position, profitability, and prospects of the company in which shares and/or equity interests are held.
Participating interests and shares may also be revalued. It is therefore required that their value, determined on the basis of their usefulness to the company, presents a certain and lasting surplus in relation to their book value.
Debts appearing under financial fixed assets are valued according to the same principles as debts at more than one year and up to one year.

3.2.5. AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR AND WITHIN ONE YEAR (ITEMS V. AND VII.)

Receivables are stated on the balance sheet at their nominal value. Allowances are booked to cover any risk of non-recovery.

3.2.6. SHORT-TERM INVESTMENTS AND CASH ASSETS (ITEMS VIII. AND IX.)

Cash is stated at nominal value.
Securities are stated at acquisition cost, while accessorial acquisition costs are recorded in the income statement of the year in which they are incurred.
At balance sheet date, impairments are recorded on short-term investments and liquid assets if their realisation value is lower than their book value.
Additional impairments are recorded on these assets in order to reflect either a change in their realisation or market value, or the risks inherent in the nature of the products concerned or the activities carried out.
Nevertheless, own shares acquired to be cancelled are valued at their acquisition price as they may only be destroyed with the approval of the Shareholders' Meeting.

3.3. Liabilities

3.3.1. REVALUATION SURPLUSES (ITEM III.)

Shares and participating interests recorded as long-term investments may be revaluated in the case of a certain, permanent increase in their fair value for the company compared with their book value.
Revaluation surpluses are maintained under this heading until the realisation of the assets concerned or their inclusion in capital.

3.3.2. PROVISIONS FOR LIABILITIES AND CHARGES (ITEM VII.)

At balance-sheet date, the Board of Directors, acting with prudence, sincerity and good faith, examines the provisions to be built up in order to cover all possible risks or losses that might have occurred during the financial year or previous financial years.
Provisions relating to previous financial years are regularly reviewed and reversed if they have become irrelevant.

3.3.3. DEBTS OF OVER ONE YEAR AND UP TO ONE YEAR (ITEMS VIII. AND IX.)

Debts are stated for their nominal value on the balance sheet.

3.4. Off-balance sheet items

Off-balance sheet items are recorded for the nominal value of the rights and commitments mentioned in the agreement or for their assessed value.

4. Notes to the annual financial statements

Dexia is a cross-border holding company which had two permanent establishments in Paris and Luxembourg. Following the progress made in the implementation of the orderly resolution plan of the Group, the permanent establishment of Dexia in Luxemburg was closed on 31 October 2015. Dexia, the holding company, now only has one permanent establishment based in Paris. From an accounting point of view, the financial statements of Dexia include the accounts of Brussels, the Dexia head office, and those of the two permanent establishments in Paris and Luxembourg.

CONTINUITY OF OPERATIONS (GOING CONCERN)

The statutory and consolidated financial statements of Dexia SA 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 the Group's ability to raise secured funding.
  In this respect, the Group's 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. The Group 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 proctecting 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 since its entry in resolution do not allow it to ensure compliance with certain

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

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 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. The Group'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'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.

4.1. Balance sheet total (before income appropriation)

The balance sheet total of EUR 3,126.45 million as at 31 December 2015 is stable when compared to EUR 3,122.4 million as at 31 December 2014.

4.2. Assets

FIXED ASSETS

4.2.1. FORMATION EXPENSES

As from 2012, all expenses related to capital increases are directly booked in the income statement in the bookkeeping year wherein they were made.

4.2.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets totalled EUR 0.6 million and concerned the acquisition and the development of software as well as external costs related to the development of the Dexia website. These intangible fixed assets are depreciated on a straight-line method over a period of three years.

4.2.3. TANGIBLE FIXED ASSETS

Tangible fixed assets which have a net book value of EUR 0.5 million have a gross acquisition value of EUR 7.8 million. Property, plant and equipment contribute a gross acquisition value of EUR 1.5 million and are depreciated on a straight-line basis over a period of ten years.

Office, IT and audio-visual equipment represents a gross investment of EUR 4.7 million and is depreciated on a straight-line basis at a rate of 25%.
Vehicles acquired during the year 2013 (EUR 0.03 million) are linearly depreciated at a rate of 20%.
Other tangible fixed assets involving the installation of the leased premises, notably the premises located in the Bastion Tower in Brussels (gross acquisition value of EUR 1.6 million), are depreciated on a straight-line basis over the period of the lease contracts.

4.2.4. FINANCIAL FIXED ASSETS

Participation interests in affiliated companies

The item "Participating Interest" represents EUR 2,093.1 million as at 31 December 2015 with insignificant movements as compared to 31 December 2014.
It includes the following equity interests:
- EUR 2,000.0 million: 100% of **Dexia Crédit Local** (DCL), Paris, France.

The gross acquisition value of DCL is about EUR 16 953.8 million and total impairment recorded is EUR 14 953.8 million.
- EUR 93.0 million: 100% of **Dexia Nederland BV,** Amsterdam, The Netherlands.
- EUR 0.1 million : 100% of **Dexiarail SA**, Paris, France. In 2015 Dexia proceeded with a capital increase in Dexiarail, for an amount of EUR 0.1 million.

Other financial assets

Shares

In order to cover the responsibilities and risks incurred by its directors and officers, during 2012 Dexia has resorted to an alternative structure of insurance coverage including the creation of a cell (Protected Cell Company (PCC)) with a capital of EUR 2 million in an insurance company White Rock Insurance Ltd.

Receivables and cash guarantees

Dexia paid EUR 0.2 million by way of rental guarantee for the offices located in the Dexia Tower – CBX at Paris.

CURRENT ASSETS

4.2.5. RECEIVABLES AFTER MORE THAN ONE YEAR

Other amounts receivables

Since 2002, the permanent establishment of Dexia in Paris has headed the tax consolidation group in France. As at 31 December 2015, the group includes the following companies:
- CBX.GEST
- CBXIA1
- CBXIA2
- DCL Evolution
- Dexia CLF Banque
- Dexia CLF Régions Bail
- Dexia Crédit Local
- Dexia Établissement Stable Paris
- Dexia Flobail
- Dexiarail
- Genebus Lease.

Given that the commitments made by Dexia Crédit Local and its subsidiaries allow Dexia, through its permanent establishment, to lock in temporary tax savings, it was agreed that the economies produced by the permanent establishment would be lent to the tax consolidation Group's subsidiaries that made it possible to realise the tax savings through advances called "tax deferred advances".
The total of tax deferred advances granted by the permanent establishment with contractual maturity after 31 December 2016 amounted to EUR 85.3 million as at 31 December 2015.

In order to ensure the operational continuity of Dexia and carry out the imposed orderly resolution plan of the Group, a trust Hyperion was founded on 29 November 2012 with the objective to pay, on Behalf of Dexia, severance pay as provided for by the collective agreement on leaving conditions concluded on 21 December 2011, to all staff of Dexia who have accepted to stay at least until October 2014. A loan was granted to Hyperion to finance its activities, the outstanding amount of the loan, of which the maturity is more than 1 year, is EUR 20.1 million on 31 December 2015.

4.2.6. AMOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors

The item "Trade debtors" covers commercial receivables to be charged to subsidiaries from the Group (EUR 0.1 million), also receivables from outside the Group (EUR 0.3 million) for the balance.

Other amounts receivable

Dexia Funding Luxemburg (DFL), a 100% subsidiary of Dexia, issued in 2006 non-cumulative fixed-rate/floating-rate perpetual securities for an amount of EUR 500 million guaranteed by Dexia (DFL securities). The profit from the issuance of the DFL instruments, was lent to Dexia Bank Belgium SA (today Belfius Bank) in the context of a subordinated loan. Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB launched two public offers on the DFL securities and reimbursed the subordinated loan, for an amount equal to the nominal value of the DFL securities tendered and acquired by DBB. Dexia agreed to buy from DBB the DFL securities obtained under the offer. These repurchases have reduced the exposure of the Dexia Group on DBB. Following the merger by absorption of DFL by Dexia on 9 May 2012, the DFL securities acquired for the amount of EUR 460.2 million were cancelled by Dexia. There remains on 31 December 2015 in the accounts of Dexia a senior debt to Belfius Bank of EUR 39.8 million representing the balance of the DFL securities which have not been repurchased. This debt will mature on 2 November 2016 and results in an interest accrual of EUR 0.3 million on 31 December 2015.

The permanent establishment of Dexia in Paris is the head of the tax consolidation group in France. It is, as a result, solely liable for corporation tax from the Group in relation to its fiscal integration, given that taxes due from companies included in the tax consolidation must be paid to the permanent establishment. On 31 December 2015, the permanent establishment in Paris had a receivable of EUR 1.7 million to the French tax authorities as the lead company for French tax consolidation for the years 2010 to 2014.
Furthermore, as from 1 January 2007 until 31 December 2011, the permanent establishment of Dexia in Luxembourg was the head of the Group within the scope of tax integration in Luxembourg. As a consequence, it alone was also liable for corporation tax and local commercial tax on Group companies integrated in Luxembourg.
The companies forming part of the Group fiscally integrated in Luxembourg were:
- BIL Ré SA
- Dexia, Luxembourg Branch
- Dexia Participation Luxembourg SA
- Experta Corporate and Trust Services SA.

Also, as at 31 December 2015, the permanent establishment in Luxembourg still had a claim of EUR 2.7 million on the companies which were included in the tax consolidation in Luxembourg, which corresponds to the tax due from those companies on their share of the consolidated tax result.

Furthermore, Dexia has a receivable of EUR 2.9 million relating to a short-term loan issued to Hyperion. In addition to that, there are advance payments of EUR 0.5 million to the national social security and EUR 0.1 million for value added tax, the balance of other short term receivables consists of miscellaneous receivables (EUR 0.2 million).

4.2.7. CURRENT INVESTMENTS

Other investments and deposits

Cash surpluses of Dexia were deposited at short term with DCL (EUR 704 million).

In addition, Dexia holds securities for which the acquisition price is EUR 145 million, and which were pledged to the insurance company White Rock Insurance PCC Ltd.

4.2.8. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 25.7 million.

4.2.9. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 1.3 million and includes insurance (EUR 0.5 million) and also other general expenses (EUR 0.8 million).
The accrued income totalled EUR 0.1 million consists of interests on current investments and tax deferred advances.

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2015, the holding company's shareholders' equity including the 2015 net result before profit appropriation totalled EUR 2,969.8 million and is composed of the following items:

4.3.1. CAPITAL

The subscribed capital as at 31 December 2015 amounts to EUR 500 million.

As at 31 December 2015, the subscribed capital remains represented by 1,948,984,474 class A shares and 28,947,368,421 class B shares of which 1,723,451,603 dematerialised shares and 29,172,901,292 registered shares. (cfr. Note 4.8. in the consolidated financial statements).

In accordance with Article 11 of the law of 14 December 2005, amended by the law of 21 December 2013, concerning the abolishment of bearer shares (the "Law"), a forced sale of bearer securities whose holders were still indefinitely unknown was organised under the legal conditions applicable. This sale has been announced on 14 August 2015 in a public notice made available on Dexia's website www.dexia.com, in the Belgian Official Gazette and on Euronext, allowing any holders to come forward before it takes place. Shares for which the holder did not come forward before 16 September 2015, or a total of 710,092 actions, were sold on 13 October 2015 on the regulated market, Euronext Brussels. After deduction of the costs incurred by the issuer and referred to in Article 11, § 3 of the Law, the sale proceeds were lodged with the Belgian "Caisse des dépôts et consignations" where the holders of bearer securities may, from 1 January 2016 until 31 December 2024, ask for reimbursement for their shares.
In accordance with Article 11 § 5 of the Law, Dexia's statutory auditor carried out the additional task which was assigned to him by Dexia and enabled him to confirm, on 25 November 2015, that all provisions referred to in Article 11 of the Law have been complied with in 2015.

4.3.2. SHARE PREMIUM ACCOUNT

The previous capital increases generally involved an issue premium so the total of these premiums amount to EUR 1 900 million as at 31 December 2015.

4.3.3. RESERVES AND RETAINED EARNINGS

The item "Reserves" includes the legal reserves (EUR 50 million) and an available reserve amounting to EUR 272.9 million.

At the General Shareholders' meeting of 20 May 2015, the profit of the year 2014 of EUR 27.8 million as well as the retained earnings of 162 million on 31 December 2013 contributed to the reported earnings, bringing the total retained earnings to 189.8 million on 31 December 2014.

4.3.4. NET RESULT FOR THE YEAR

The profit for 2015 is EUR 57.1 million. This profit arises from the financial results (EUR +20.6 million), exceptional results (EUR + 52.2 million) and net tax income (EUR +1.5 million) from which the holding company's net operating expenses (EUR -17.2 million) are deducted.

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France on 1 January 2002, Dexia, through its permanent establishment, assumed vis-à-vis the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of tax leverage operations carried out in France with the approval of French tax authorities. Since then, new operations for the purpose of fiscal leverage were carried out by Dexia Credit Local, housed in subsidiaries of the consolidated tax group. These operations have as implications the realisation of a provision for EUR 0.2 million In total, these commitments amounted to EUR 1.2 million as at 31 December 2015.

Concerning the exceptional provisions of the guarantees granted on the sale of subsidiaries that were part of the Group on 31 December 2014 (EUR 33 million), an additional EUR 3.7 million of provisions were accrued in the accounts of Dexia in 2015 relating to its former subsidiary Dexia Holdings Inc. which was sold to Dexia Credit Local for an amount of EUR 36.7 million (Please refer to the section "Litigation" of the chapter "Risk Management"). Furthermore, provisions related to the sale of other subsidiaries were provided in 2015 for an amount of EUR 26.6 million as well concerning various risks (EUR 17 million).

The announcement of the dismantling of the Group in October 2011 resulted in an exceptional provision of EUR 55.5 million to cover the costs of severance payments. This provision still amounted to EUR 23.5 million on 31 December 2014 and was used for the amount of EUR 3.4 million, resulting in EUR 20.1 million as at 31 December 2015.

The exceptional provision of EUR 1 million set up in 2014 in order to cover the costs related to the restructuring of the Group was fully used in 2015.

Taking into account the above, the balance of provisions for other liabilities and charges amounts to EUR 101.6 million as at 31 December 2015 compared to EUR 58.5 million as at 31 December 2014.

LIABILITIES

4.3.6. AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR

Subordinated debt

As stated in item 4.2.6., Dexia Funding Luxembourg (DFL), a subsidiary held for 100% by Dexia, had issued fixed rate / floating rate perpetual non-cumulative securities in 2006 for an amount of EUR 500 million, guaranteed Dexia (DFL securities). The proceeds from the issuance of these DFL securities were lent to Dexia Bank Belgium SA (now Belfius Bank) as part of a subordinated loan. Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB has launched two public offers for DFL securities and Dexia has agreed to buy from DBB the DFL securities obtained under the offer. Following the merger by absorption of DFL by Dexia, approved by Extraordinary General Shareholders' meeting of 9 May 2012, the DFL securities bought from DBB for a total amount of EUR 460.2 million have been cancelled by Dexia. The securities which have not been offered by their owners amount to EUR 39.8 million at 31 December 2015, and remain in the accounts of Dexia.

4.3.7. AMOUNTS PAYABLE WITHIN ONE YEAR

Trade liabilities

Suppliers' invoices not yet paid amount to EUR 0.8 million, invoices to be received EUR 0.6 million.

Taxes, remuneration and social security

This item includes:

- Taxes on communities, commercial municipal tax and wealth tax payable by Dexia Participation Luxemburg and

DFL as these two subsidiaries were absorbed by Dexia on 9 May 2012 (EUR 1 million);
- the professional withholding tax and other taxes (EUR 2.3 million);
- liabilities for remuneration and social contributions (EUR 3.1 million).

Other amounts payable

As mentioned, the permanent establishment of Dexia in Paris is the head of the tax consolidation group in France. The permanent establishment is therefore solely liable to the French tax authorities for the corporate tax by the tax group in France.
For the subsidiaries, membership in the tax consolidation group is neutral with respect to the tax situation they would be subject to if there was no consolidation. In fact, subsidiary companies must pay the corporate tax to the permanent establishment of Dexia in Paris. The advances paid by subsidiaries in 2015 were above the estimated tax they owed the parent company (EUR 1.4 million). Moreover, concerning the financial years 2010 to 2014, the permanent establishment owed to its subsidiaries tax credits of a total of EUR 1.7 million.

Following the inventory procedures that took place in 2015 with respect to the removal of the bearer shares, the balance of dividends remaining to be paid for previous financial years amounts to EUR 3.6 million.

The remainder of EUR 0.1 million concerns other liabilities.

4.3.8. ACCRUED CHARGES AND DEFERRED INCOME

This item consists exclusively of expenses to be accrued as follows:
- Rent charges (EUR 0.4 million)
- Other general costs (EUR 0.2 million)

4.4. Off-balance-sheet items – commitments

Dexia has given guarantees in the context of the sale of its participations.
Dexia has significant commitments that are recorded off-balance sheet:

4.4.1. On 2 November 2006, Dexia issued a subordinated guarantee within the context of a subordinated "hybrid Tier 1" issue by Dexia Funding Luxembourg SA (DFL), a 100% subsidiary of Dexia (perpetual non-cumulative securities at a guaranteed fixed/floating rate, for a global amount of EUR 500 million). This subordinated guarantee was issued in favour of the security holders who subscribed to the said securities and cover the payment by DFL of (i) any coupon which has not been waived in accordance with the issue conditions and (ii) the redemption price in the case of liquidation or insolvency of DFL (or similar situations) or (iii) the redemption price in the case of purchase in accordance with the issue conditions. Following the merger of DFL and Dexia on 9 May 2012, the guarantee has automatically expired (Dexia becomes the issuer).

4.4.2. As at 31 December 2015, the number of options attributed to staff and management and not yet exercised stood at 32,096,802. Taking exercise prices into account, this operation generates an off-balance sheet of EUR 509 million.

In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the decisions of the Extraordinary Shareholder's Meetings of 12 May 2010 and 11 May 2011, the exercise price for the warrants has been reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Life. However, it should be noted that the value of the warrants is zero, given the quotation of Dexia's stock.

4.4.3. On 18 May 2005, Dexia purchased 100% of the shares of Dexia Nederland Holding NV (today called Dexia Nederland BV) held by Dexia Financière SA based on a valuation made of these at EUR 93 million subject to a return to better fortune clause granted to Banque Internationale à Luxembourg and Dexia Bank, also shareholders of Dexia Financière, for the case where the value of the former Dexia Nederland Holding, including Dexia Bank Nederland (DBnl), should be revised upwards as a consequence in favour of DBnl.

4.4.4. On 5 December 2002, Dexia committed to its former subsidiary Dexia Bank Nederland NV, and to each of the entities resulting from the split-up of Dexia Bank Nederland, excluding any other entity, to ensure that Dexia Bank Nederland or the entities are at any time, in a position to meet their commitments to third parties and to continue their activities, including maintenance of their relationships with account holders and other clients; in particular, the aim of this undertaking was to prevent third parties being prejudiced by the demerger of Dexia Bank Nederland. The amendment or withdrawal of this undertaking was subject to prior agreement of DNB (De Nederlandsche Bank). The sale of Kempen & Co NV to a group of financial investors and management was finalised on 15 November 2004. Within the context of this sale, Dexia reconfirmed by letter dated the same day its commitment towards Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclusion of any other entity.
In addition to the usual guarantees given to purchasers to which Dexia is also bound, Dexia will indemnify Kempen & Co against the risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and committed to compensate Kempen & Co for damage resulting from a limited and identified number of elements.

4.4.5. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

See note 4.4.C. "Transactions with the Belgian, French and Luxembourg states" of the consolidated financial statements.

4.4.6. LEASE GUARANTEES

The transfer of the registered office of Dexia to the Bastion Tower, Place du Champ de Mars 5, B-1050 Brussels required the deposit of an unconditional guarantee payable on first demand of EUR 0.3 million in favour of the owner of the premises.

4.4.7. REAL GUARANTEES ON OWN FUNDS

In order to cover its commitments, Dexia has pledged bonds which it holds in its treasury portfolio (EUR 145 million) to White Rock Insurance Company PCC Ltd, as well as cash collateral placed on an account for an amount of EUR 150 million. Otherwise cash frozen on ad hoc accounts is given as surety to Belfius Bank and third parties for lease guarantees (EUR 0.3 million).

4.4.8. GUARANTEE GIVEN BY DEXIA TO DEXIA CRÉDIT LOCAL ("DCL") WITHIN THE FRAMEWORK OF THE SALE OF DHI TO DCL

On 13 March 2014, Dexia irreversibly committed to DCL to compensate the latter for any amounts of damages, interests and/or fees that could be incurred by DCL, investigations that are ongoing in the United States related to the Guaranteed Investment Contracts concluded with issuers of American municipal bonds.

4.4.9. LITIGATION

See chapter Risk management in the Management Report.

4.5. Income statement

4.5.1. OPERATING RESULT

Other operating income (EUR +14.1 million) includes the services provided by Dexia in 2015 by the teams of the holding to other entities of the Group in the context of the steering mission of the departments to the new dimension of the Dexia Group (EUR +12.9 million). Also included in this item are the recovery of costs from Group companies, the insurance and tax reimbursements, as well as structural reductions regarding the professional withholding tax.

Services and other goods amounting to EUR 28.2 million as at 31 December 2014 were reduced to EUR 17.3 million as at 31 December 2015.

This item includes fees paid to consultants, experts, auditors, as well as compensations paid to the members of the Management Board and Board of Directors, has been significantly reduced to EUR 4.9 million against EUR 14.2 million in 2014. Though, in 2014, it should be noted that this item included all costs incurred by the Asset Quality Review (AQR) and the two stress tests performed by the European Central Bank and the European Banking Authority (EBA), which amounted to EUR 5.9 million.
The insurance costs, which are related to the D&O liability of the directors and officers of Dexia, also cover the consequences of frauds for Dexia committed by its employees as well as third party victims of certain losses caused by Dexia ("BBB/PI"). These covers incurred a reduced cost of EUR 1.4 million compared to EUR 2.7 million in 2014, after taking into account the last disposal of subsidiaries.
Other operating costs (rental of buildings, telecommunications, travel, trainings, etc.) were limited to EUR 10.1 million compared to EUR 10.3 million in 2014.
Printing and advertising costs linked to corporate publications totalled EUR 0.1 million in 2015 (same amount as in 2014), whilst costs associated with the Group transformation plan are no more than EUR 0.8 million in 2015, compared to EUR 0.9 million in 2014.

The **cost of remunerations and social charges** remained stable, from EUR 12.2 million in 2014 to EUR 12.5 million in 2015.

Amortisation of intangible assets amounts to EUR 0.3 million and depreciation of tangible fixed assets EUR 0.4 million.

Provisions for risks and charges are commented in note "4.3.5. Provisions for other liabilities and charges".

Other operating expenses (EUR 0.7 million) consist of the first annual contribution to the Single Resolution Fund (SRF) put in place by the European authorities in the context of the Single Supervisory Mechanism (SSM) (EUR 0.2 million), the annual contribution paid to the Financial Services and Markets Authority (FSMA) (EUR 0.2 million) as well as other various taxes (EUR 0.3 million).

4.5.2. FINANCIAL RESULT

Income from current assets (EUR 4.7 million) includes the interest generated from the long-term loan initially granted by DFL to Belfius Bank and recorded amongst the assets of Dexia following the merger by absorption of DFL by Dexia (EUR 2 million), short-term investments by Dexia Crédit Local (EUR 2.1 million), fixed-income instruments kept in portfolio (EUR 0.4 million) and tax deferred advances (EUR 0.2 million).

Other financial income (EUR 16.1 million) results from gains due to the reimbursement by the issuers of fixed-income instruments kept in the portfolio, mainly as a result of the recovery of the financial markets following their acquisition in the year 2012 (EUR 4.7 million). Included in this are the reimbursements of delayed and default interests (EUR 11.4 million).

Other financial charges (EUR 0.2 million) include charges linked to the quotation of the Dexia share, service costs related to management of shares, custodian fees, as well as foreign exchange changes.

4.5.3. EXCEPTIONAL RESULT

Other liabilities (EUR 102.2 million)

The item "other exceptional income" includes the adjustment made following the inventory procedures that took place in the context of the removal of the bearer shares in 2015. This exercise had revealed an overvaluation of "Other Liabilities" by EUR102.2 million.

Provisions for exceptional liabilities and charges (Net charge of EUR 42.9 million)

As at 31 December 2014, the provision for other risks and charges and charges to cover costs incurred by guarantees offered for the sale of Dexia Holdings Inc amounted to EUR 33 million. An additional accrual of EUR 3.7 million was made in 2015 following the weakness of the euro against the dollar.

The provision corresponding to the anticipated costs from lay-offs following the announcement of the dismantling in October 2011 was used for EUR 3.4 million, which is the equivalent of the severance pay costs.

Moreover, the provision of EUR 1 million that was booked in 2014 to cover costs related to the restructuration of the company, was fully used.

In addition new provisions were booked for an amount of EUR 43.6 million to face the costs linked to guarantees provided at the disposal of shareholdings (EUR 26.6 billion) and for various risks (EUR 17 million).

Other exceptional charges (EUR 7.1 million)

Termination benefits and similar charges related to dismantling have led to exceptional charges of EUR 5.8 million. These costs have resulted in the use of provisions previously booked to cover them for an amount of EUR 4.4 million. (See "Provisions for exceptional liabilities and charges" above).

Costs incurred following the disposal of participations and the restructuring amounted to EUR 1.3 million.

4.5.4. CORPORATE INCOME TAX

Taxes (EUR 0.1 million)

The taxes relative to tax regularisation of the permanent establishment in Paris for previous years.

Adjustments of income taxes (EUR 1.6 million)

The tax adjustments result from the fact that the permanent establishment in Paris is the head of the tax consolidation group in France, generating tax savings which represent an immediate gain of EUR 1.6 million for the year 2015.

4.5.5. PROFIT FOR THE FINANCIAL YEAR

Considering the above, the 2015 financial year closed with a profit of EUR 57.1 million.

4.6. Statement of intangible fixed assets (licences)

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/14	**14,258,812**
Movements during the period:	
- Acquisitions, including produced fixed assets	263,640
ACQUISITION VALUE AS AT 31/12/15	**14,522,452**
DEPRECIATION AS AT 31/12/14	**13,598,716**
Movements during the period:	
- Recorded	332,407
DEPRECIATION AS AT 31/12/15	**13,931,123**
NET BOOK VALUE AS AT 31/12/15	**591,329**

4.7. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
ACQUISITION VALUE AS AT 31/12/14	**288,348**	**5,947,498**	**1,604,450**
Movements during the period:	0	0	0
ACQUISITION VALUE AS AT 31/12/15	**288,348**	**5,947,498**	**1,604,450**
DEPRECIATION AS AT 31/12/14	**262,427**	**5,520,740**	**1,126,825**
Movements during the period:			
- Recorded	6,979	110,217	299,504
DEPRECIATION AS AT 31/12/15	**269,406**	**5,630,957**	**1,426,329**
NET BOOK VALUE AS AT 31/12/15	**18,942**	**316,541**	**178,121**

4.8. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES

(in EUR)	1. Affiliated	2. Other enterprises
ACQUISITION VALUE AS AT 31/12/14	**17,046,907,515**	**2,001,000**
Movements during the period:		
- Acquisitions	99,990	0
- Sales and disposals	(41,899)	0
ACQUISITION VALUE AS AT 31/12/15	**17,046,965,606**	**2,001,000**
	1. Affiliated	**2. Other enterprises**
AMOUNTS WRITTEN DOWN AS AT 31/12/14	**14,953,824,257**	**0**
Movements during the period:	**0**	**0**
AMOUNTS WRITTEN DOWN AS AT 31/12/15	**14,953,824,257**	**0**
NET BOOK VALUE AS AT 31/12/15	**2,093,141,349**	**2,001,000**

2. AMOUNTS RECEIVABLE

(in EUR)	1. Affiliated	2. Other enterprises
NET BOOK VALUE AS AT 31/12/14	**0**	**166,691**
Movements during the period:		
- Additions	0	85,500
- Reimbursement	0	(154,074)
NET BOOK VALUE AS AT 31/12/15	**0**	**98,117**
ACCUMULATED WRITING-OFF'S ON RECEIVABLES AT 31/12/15	**0**	**0**

4.9. Share in the capital and other rights in other companies

List of enterprises in which the enterprise holds a participating interest, and other enterprises in which the enterprise holds rights in the amount of at least 10% of the capital issued.

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	**Shares held by**			**Information from the most recent period for which annual accounts are available**			
	The enterprise (directly)		**Subsidia-ries**	**Primary financial statement**	**Mone-tary unit**	**Capital and reserve**	**Net result**
	Number	**%**	**%**			**(+) or (-) (in monetary unit)**	
Dexia Crédit Local SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	223,657,776	100.00	0.00	31/12/14	EUR	1,084,359,362	(747,087,791)
Dexia Nederland BV - FC [1] Parnassusweg 819 NL-1082 LZ Amsterdam Common shares	50,000	100.00	0.00	31/12/14	EUR	254,502,000	(7,284,000)
Dexiarail SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	9,166	100.00	0.00	31/12/14	EUR	17,839	(7,738)
White Rock Insurance PCC Ltd - FC [1] Cell Dexia 913 Europort Gibraltar Common shares	1	100.00	0.00	31/12/14	EUR	1,526,161	(145,653)

(1) FC: Foreign Company

4.10. Investments : other investments and deposits

(in EUR)	**Previous period**	**Period**
Fixed income	**144,930,760**	**145,011,263**
Fixed term deposits with credit institutions with a residual maturity or period of notice of:	**710,000,000**	**704,000,000**
- Within one year		
- More than one month but within one year	710,000,000	704,000,000

4.11. Deferred charges and accrued income from the assets

(in EUR)	**Period**
Deferred charges: Services and other goods	1,336,883
Accrued income: Interest	119,117

4.12. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amounts (in EUR)	Number of shares
ISSUED CAPITAL AS AT 31/12/14	**500,000,000**	**30,896,352,895**
Changes during the period	0	0
ISSUED CAPITAL AS AT 31/12/15	**500,000,000**	**30,896,352,895**

B. STRUCTURE OF THE CAPITAL

	Amounts (in EUR)	Number of shares
Different categories of shares		
Common shares class A without indication of nominal value, each representing 1/1,948,984,474 of the issued capital	1	1,948,984,474
Preferred shares class B without indication of nominal value, each representing 1/28,947,368,421 of the issued capital	499,999,999	28,947,368,421
- Registered shares		29,172,901,292
- Bearer shares and/or dematerialised		1,723,451,603

C. OWN SHARES HELD BY

	Amount of capital (in EUR)	Number of shares
- the company itself	0	0
- its direct subsidiaries	5,254	324,633

D. COMMITMENTS TO ISSUE SHARES

	Amount of capital (in EUR)	Number of shares
Following the exercising of subscription rights :		
- Number of outstanding subscription rights		32,096,804
- Amount of capital to be issued	519,427	
- Corresponding maximum number of shares to be issued		32,096,804

E. AMOUNT OF AUTHORISED CAPITAL, NOT ISSUED

Amounts (in EUR)
500,000,000

F. STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE AS AT THE ANNUAL BALANCING OF THE BOOKS, AS IT APPEARS FROM THE STATEMENT FROM THE STATEMENT RECEIVED BY THE ENTERPRISE

Société de Prise de Participation de l'Etat (SPPE): 44.397%

Federal Holding and Investment Compay (FHIC): 50.018%

4.13. Provisions for liabilities and charges

(in EUR)	Period
Provision for guarantees related to the sale of investments	63,295,564
Severance payments and related costs	20,115,375
Provision for several risks	17,000,000
Commitment as head of a fiscal consolidation (France)	1,156,425

4.14. Statements of debts

Analysis of debts with an original maturity of more than one year according to their residual maturity (in EUR)	**Amounts payable after more than 5 years**
Financial debts	**39,788,000**
Subordinated loans	39,788,000

4.15. Amounts payable for taxes, remuneration and social security

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	37,359
c) Estimated taxes payable	3,256,411
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	3,144,467

4.16. Accrued charges and deffered income in the liabilities

(in EUR)	Period
Accrued charges: rent	421,746
Accrued charges: other general operating expense	196,565
Accrued charges: insurance	14,950

4.17. Operating results

(in EUR)	Previous period	Period
OPERATING INCOME		
Other operating income		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	89,794	115,437
OPERATING CHARGES		
Employees for which the enterprise has declared a DIMONA-statement or employees recorded in a general personnel register in Belgium		
a) Total number at the closing date	83	77
b) Average number of employees in full-time equivalents	79.6	76.0
c) Number of actual working hours	111,017	109,617
Personnel charges		
a) Remuneration and direct social benefits [1]	8,554,918	8,901,525
b) Employers' contribution for social security	2,740,367	2,606,956
c) Employers' premium for extra statutory insurance	738,992	751,633
d) Other personnel charges	159,046	204,337
e) Old-age and widow's pensions	10,644	6,949
Provisions for liabilities and charges		
Increases	150,838	150,838
Other operating charges		
Taxes related to operations	311,345	236,653
Other charges	9,826	418,066
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	0	0
b) Average number of employees in full-time equivalents	0.0	0.0
c) Number of actual working hours	0	0
d) Charges to the enterprise	0	0

(1) The amounts of 2014 are adapted.

4.18. Financial and exceptional results

(in EUR)	Previous period	Period
Other financial income		
Exchange differences	34,563	2,467
Interests on late payments and moratory interests	2,978,940	4,663,063
Gain at refund of fixed-income securities	0	11,450,026
Other financial income	2	0
Amounts written off on currents assets		
- Write-back	553,250	0
Other financial charges		
Costs of payment dividends	1,754	0
Exchange differences	29,137	77,604
Service costs related to the management of actions	31,636	5,500
Charges in connection with the quotation of the Dexia share quota	54,439	45,088
Custodian fees	22,939	24,533
Other financial charges	60,873	12,804
Ventilation of other exceptional income		
Product linked to the inventory made in the context of the removal of the bearer securities		102,103,215
Refund insurance pension former leader		122,690
Ventilation of other exceptional charges		
Dismissal fees and costs related to the structural measures		5,795,375
Expenses related to the restructuration		1,268,714

4.19. Income taxes

(in EUR)	Period
Income taxes of the current period:	**10,742**
a) Taxes and withholding taxes due or paid	10,742
b) Excess of income tax prepayments and withholding taxes capitalised	0
Income tax of previous years	**81,368**
a) Additional tax due or paid	81,368
Principal sources of differences between the profit before taxes, mentionned in the accounts, and the estimated taxable profit	
a) Fiscal integration in France (PM)	1
b) Exempted income	102,103,215
c) Provisions fiscally non-deductible	43,600,000
Impact of the exceptional results in the taxes on the profit of the year	
Essentially the exceptional charges are taxable.	
Status of deferred taxes:	
a) Deferred taxes representing assets	835,270,741
Accumulated tax losses deductible from future taxable profits	551,109,794
Other deferred taxes representing assets	
- Surplus of revenues definitively taxed	283,866,515
- Surplus on depreciations	294,432

4.20. Value added tax and taxes borne by third parties

(in EUR)	Previous period	Period
Total amount of value added tax charged during the period:		
1. To the enterprise (deductible)	345,081	147,505
2. By the enterprise	5,872	2,330
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	3,507,000	3,953,114
2. Withholding taxes on investment income	0	0

4.21. Rights and commitments not reflected in the balance sheet

(in EUR)	Period
Personal guarantees, provided or irrevocably promised by the enterprise, as security for debt and commitments of third parties	7,500
Guarantees given or irrevocably promised by the enterprise on its own assets collateral for own debts and liabilities of the company	
Pledging of other assets - Book value of assets pledged	150,324,529

Information concerning important litigations and other commitments.

Dexia has given guarantees within the scope of the sale of its participations

See note 4.4. of the annual financial statements

If there is a supplementary retirement or survivor's pension plan in favour of the personnel or the executives of the enterprise, a brief description of such plan and of the measures taken by the enterprise to cover the resulting charges.

Members of staff benefit from a supplementary retirement and survival pension scheme for wich both employees and staff premiums have been paid to a group insurance. Some members of the Management Board also benefit from a supplementary scheme of which the contributions are paid to an external insurance company. (See section “Remuneration of members of the Dexia Management Board for 2015” in the chapter "Declaration of corporate governance" of the management report).

5. Financial relationships

5.1. Relationships with affiliated enterprises and enterprises linked by participating interests

	Affiliated enterprises	
(in EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**2,093,083,258**	**2,093,141,349**
Investments	2,093,083,258	2,093,141,349
AMOUNTS RECEIVABLE	**84,235,537**	**85,366,893**
After one year	79,732,408	85,262,692
Within one year	4,503,129	104,201
CURRENT INVESTMENTS	**710,000,000**	**704,000,000**
Amounts receivable	710,000,000	704,000,000
AMOUNTS PAYABLE	**4,091,640**	**3,196,325**
Within one year	4,091,640	3,196,325
FINANCIAL RESULTS		
Income from financial fixed assets		
Income from current assets	4,925,273	2,323,290
Debt charges	336,405	0
DISPOSAL OF FIXED ASSETS		
Realised gains	420,556	0
Realised losses	1	27,123

5.2. Transactions with related parties outside of normal market conditions

Nil.

5.3. Relationships with directors and managers, individuals or bodies corporate who control the enteprise without being associated therewith or other enterprises controlled by the mentioned persons without being associated therewith

Amount of direct and indirect remuneration and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To the directors	1,207,318
To the former directors	755,678

5.4. Relationships with affiliated auditor

Remuneration of the Statutory Auditor	395,000
Remuneration for exceptional tasks executed within the enterprise by the Statutory Auditor	
Other missions of control	0
Other missions external to the audit	45,610

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated financial statements and a consilidated management report.

7. Social report

Number of the joint commission of the company: 200

7.1. Statement of the persons employed in 2015

A. EMPLOYEES FOR WHICH THE ENTERPRISE HAS DECLARED A DIMONA-STATEMENT OR EMPLOYEES RECORDED IN THE GENERAL STAFF REGISTER

1. During the period	Total	1. Male	2. Female
a. Average number of employees			
full-time	70.8	43.9	26.9
part-time	9.2	7.2	2.0
TOTAL FULL-TIME EQUIVALENTS (FTE)	**76.0**	**47.3**	**28.7**
b. Number of actual working hours			
Full-time	101,582	63,322	38,260
Part-time	8,035	5,588	2,447
TOTAL	**109,617**	**68,910**	**40,707**
c. Personnel charges			
Full-time	11,801,284	8,354,934	3,446,350
Part-time	663,167	513,713	143,454
TOTAL	**12,464,451**	**8,868,647**	**3,595,804**

2. During the previous year	P. Total	1. P. Male	2. P. Female
Average number of employees in FTE	79.6	50.7	28.9
Number of actual working hours	111,017	71,387	39,630
Personnel charges	12,001,428	8,470,929	3,530,499

3. As at the closing date of the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register	70	6	73.7
b. By nature of the employment contract			
Contract of indefinite period	70	6	73.7
c. According to gender and by level of education			
Male	44	4	45.9
secondary education	4	0	4
higher non-university education	5	1	5.5
university education	35	3	36.4
Female	26	2	27.8
secondary education	2	0	2
higher non-university education	4	2	5.8
university education	20	0	20
d. By professional category			
Management staff	11	0	11
Employees	59	6	62.7

7.2. Table of personnel movements during the period

A. ENTRIES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise has declared a DIMONA-statement or employees recorded in the general staff register in Belgium during the period	13	0	13.0
b. By nature of the employment contract			
Contract for an indefinite period	10	0	10.0
Contract for an definite period	3	0	3.0

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise declared a DIMONA-statement or number of employees with a in the in Belgium general staff register listed date of termination of the contract during the period	18	2	18.9
b. By nature of the employment contract			
Contract for an indefinite period	14	2	14.9
Contract for an definite period	3	0	3.0
c. According to the reason for termination of the employment contract			
Pension			
Dismissal	2	0	2.0
Other reason	16	2	16.9
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed base	0	0	0.00

7.3. Information on training provided during the financial year to employees recorded on the staff register

Total of formal continuing vocational training initiatives for workers paid by the employer	**Male**	**Female**
Number of employees involved	36	19
Number of training hours	773	440
Net costs for the enterprise (in EUR)	141,038	56,294
- whereof gross costs directly associated with the company (in EUR)	116,071	46,174
	24,967	10,121
Total of less formal and informal continuing vocational training initiatives for workers paid by the employer		
Number of employees involved	3	7
Number of training hours	51	111
Net costs for the enterprise (in EUR)	17,107	29,946

8. Additional information

8.1. Dematerialisation of bearer shares

In accordance with Article 11 of the law of 14 December 2005, amended by the law of 21 December 2013, concerning the abolishment of bearer shares (the "Law"), a forced sale of bearer securities whose holders were still indefinitely unknown was organised under the legal conditions applicable. This sale has been announced on 14 August 2015 in a public notice made available on Dexia's website www.dexia.com, in the Belgian Official Gazette and on Euronext, allowing any holders to come forward before it takes place. Shares for which the holder did not come forward before 16 September 2015, or a total of 710,092 actions, were sold on 13 October 2015 on the regulated market, Euronext Brussels. After deduction of the costs incurred by the issuer and referred to in Article 11, § 3 of the Law, the sale proceeds were lodged with the Belgian "Caisse des dépôts et consignations" where the holders of bearer securities may, from 1 January 2016 until 31 December 2024, ask for reimbursement for their shares. In accordance with Article 11 § 5 of the Law, Dexia's statutory auditor carried out the additional task which was assigned to him by Dexia and enabled him to confirm, on 25 November 2015, that all provisions referred to in Article 11 of the Law have been complied with in 2015.

Dexia SA
Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2015

To the shareholders

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2015 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

Report on the annual accounts – Unqualified opinion with emphasis of matter paragraph on the application of the valuation rules in going concern

We have audited the annual accounts of Dexia SA ("the company"), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 3,126,452,(000) EUR and a profit for the year of 57,112,(000) EUR.

Board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of annual accounts in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the annual accounts of Dexia SA give a true and fair view of the company's net equity and financial position as of 31 December 2015 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Emphasis of matter paragraph on the application of the valuation rules in going concern

Without modifying the above unqualified opinion, we draw your attention to point 4 of the notes to the annual financial statements which states that the annual financial statements of Dexia SA as of 31 December 2015 have been prepared using the going concern principle in accordance with article 96, §1, 6° of the Companies Code.
The justification of the going concern assumption is supported by a revised business plan approved by the group's board of directors on 19 November 2015 and which is taking into account a.o. the following assumptions:
• The revised business plan is based on different underlying macroeconomic assumptions (including the expected evolution of interest rates and credit environment). These assumptions were reviewed within the framework of the revised business plan ratified by the board of directors on 19 November 2015 and based on the observable market conditions on 30 June 2015 as well as the regulatory developments known at that date. 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 the regulatory capital required.

• The revised business plan assumes that the different entities maintain their banking licence and also relies on the maintenance of the rating of Dexia Crédit Local SA.

• The revised business plan relies on a robust funding program based on Dexia's ability to issue debt guaranteed by the Belgium, France and Luxembourg states and to raise secured funding. If market demand for government-guaranteed debt would decline, the group 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 at risk in the context of greater exchange rate volatility and very low interest rates.

• The revised business plan is also sensitive to regulatory and accounting developments. Moreover, the group's balance sheet still exhibits structural imbalances and the limited resources available since the beginning of its resolution to remedy this situation may not allow compliance with certain regulatory ratios during its resolution process.

With respect to the realisation of the revised business plan, taking into account the numerous exogenous variables, uncertainties remain as of the date of this report.

The going concern assumption is only justified to the extent that the group succeeds in realizing its revised business plan based on the underlying assumptions described in point 4 of the notes to the annual financial statements. No adjustments have been recorded with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, as well as for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

As part of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

• The directors' report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

• Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.

• The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association.

• There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies Code that we have to report to you.

Diegem, 30 March 2016

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Yves Dehogne

Additional information

Certificate from the responsible person

I the undersigned, Karel De Boeck, Chief Executive Officer and Chairman of the Management Board of Dexia, certify that to the best of my knowledge:

a) the financial statements, established in accordance with applicable accounting standards, present a true and fair view of the assets, the financial situation and the earnings of the company and of all the companies included in the consolidation;

b) the management report contains a true and fair view of changes in the revenues, earnings and financial position of the company and of all the companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Brussels, 29 March 2016

For the Management Board

Karel De Boeck
Chief Executive Officer and Chairman of the Management Board
Dexia

General data

Name

The company is called "Dexia".

Registered office

The registered office of the company is in Belgium at Place du Champ de Mars, 5, 1050 Brussels (RPM Brussels VAT BE 0458.548.296).

Legal form, incorporation, duration

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on 15 July 1996 for an indefinite period. The company has one permanent office located in Paris.

Corporate object

Article 3 of the articles of association reads as follows:

"The company has the object, both in Belgium and in other countries, of:
1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;
2. the provision of assistance or administrative, commercial and financial services and accomplishment of all research on behalf of third parties and in particular on behalf of companies and other legal entities, whatever their legal form, in which it holds a direct or indirect equity interest, as well as the provision of loans, advances, guarantees or securities, in whatever form;
3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realisation of its corporate object or likely to contribute to such realisation."

Places where the public may consult documents

The articles of association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company's registered office. The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company's registered office. Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appendix to the Belgian Official Journal. Financial notices concerning the company are published on its website (www.dexia.com). The convocations to Shareholders' Meetings are published on the website and in the financial newspapers, the daily press and periodicals.

Dexia's annual report 2015 has been published by the Financial Communication Department.
This report is also available in Dutch and French and may be obtained from the Dexia head office in Brussels or in Paris or via the company website: www.dexia.com.
In case of discrepancy between the English, the French and the Dutch versions of the Annual Report, the text of the French version shall prevail.

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FINANCIAL CALENDAR

Ordinary shareholders' meeting for the 2015 financial year
18 May 2016

Results as at 31 March 2016
18 May 2016

Results as at 30 June 2016
10 August 2016

Results as at 30 September 2016
17 November 2016

Results as at 31 December 2016
16 February 2017

Ordinary shareholders' meeting for the 2016 financial year
17 May 2017

Results as at 31 March 2017
17 May 2017

DEXIA