Financial report
H1 2015

DEXIA

CONTENTS

MANAGEMENT REPORT[1]

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF INCOME – ANC FORMAT			
in millions of EUR	H1 2014	H1 2015	Variation
Net banking income	**-155**	**437**	**+592**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	-204	-243	-39
Gross operating income	**-359**	**194**	**+553**
Cost of risk and net gains or losses on other assets	-41	-161	-120
Pre-tax income	**-400**	**34**	**+434**
Income tax	-9	-19	-10
Result from discontinued operations, net of tax	87	0	-87
Net income	**-322**	**15**	**+337**
Minority interests	7	11	+4
Net income Group share	**-329**	**4**	**+333**

BALANCE SHEET KEY FIGURES – ANC FORMAT			
in millions of EUR	31/12/14	30/06/15	Variation
Total assets	**247,120**	**240,944**	**-2%**
of which			
Cash and central banks	3,104	8,278	+167%
Financial assets at fair value through profit or loss	24,215	22,032	-9%
Hedging derivatives	8,374	6,802	-19%
Financial assets available for sale	26,641	23,685	-11%
Customer loans and advances	135,311	132,360	-2%
Accruals and other assets	38,256	36,980	-3%
Total liabilities	**243,992**	**237,086**	**-3%**
of which			
Central banks	33,845	26,312	-22%
Financial liabilities at fair value through profit or loss	25,731	23,872	-7%
Hedging derivatives	33,832	30,250	-11%
Interbank borrowings and deposits	44,604	47,482	+6%
Debt securities	89,518	92,755	+4%
Total equity	**3,128**	**3,858**	**+23%**
of which			
Equity, Group share	2,711	3,421	+26%

(1) The management report data are unaudited.

DEXIA GROUP CONSOLIDATED RESULTS FOR 1H 2015

- **Net income Group share for H1 2015 positive at EUR 4 million**
  - Recurring net income of EUR -292 million, impacted by the EUR -197 million provision on Heta Asset Resolution AG and the weight of contributions and taxes (EUR -44 million)
  - Positive contribution of accounting volatility elements of EUR 317 million over the half-year, principally associated with the valuation of collateralised derivatives, despite the impact of the first application of the Funding Valuation Adjustment (EUR -140 million)
  - Non-recurring income of EUR -22 million, including the voluntary multiannual contribution to the support funds for local authorities and the hospital sector in France (EUR -28 million)

- **EUR 6 billion reduction of the balance sheet total at EUR 241 billion as at 30 June 2015; important movements over the half-year, due to the volatile financial environment**
  - EUR 6.4 billion asset portfolio reduction over the half-year at a constant exchange rate, of which EUR 2.4 billion in asset disposals
  - Strong quarterly variation of cash collateral paid to derivative counterparties; outstanding fairly stable between the end of December 2014 and the end of June 2015

- **Favourable evolution of the Group's liquidity structure, marked by a reduced recourse to central bank funding**
  - Sustained guaranteed issue activity, short and long term, combined with continuing development of the use of secured funding
  - Liquidity reserve of EUR 13.2 billion at the end of June 2015

- **Dexia's Common Equity Tier 1 ratio at 15.0%**
  - Impact of the 20% additional deduction of the non-sovereign AFS reserve from regulatory capital, in line with the schedule provided by the CRD IV Directive
  - Account taken of an Additional Valuation Adjustment of EUR -165 million in the calculation of the regulatory capital
  - Risk-weighted assets relatively stable, at EUR 54.2 billion as at 30 June 2015

INTRODUCTION

The economic recovery of the euro zone was confirmed during the first half-year 2015, aided in particular by the weakening of the euro and the accommodating monetary policy of the European Central Bank. As from Q2, the acceleration of the recovery resulted in a strengthening of the euro as well as a slight increase of interest rates. Despite this positive trend, the zone's financial stability is still weakened by the uncertainty associated with the Greek crisis.

During the first half-year 2015, the volatility of the macroeconomic environment was a central theme explaining the severe variation of funding requirements and the size of Dexia's balance sheet. It was also reflected in the Group's half-yearly results, particularly via the considerable variation from one quarter to the next in accounting volatility elements.

INFORMATION RELATED TO THE PRESENTATION OF THE DEXIA GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2015

The condensed consolidated financial statements of Dexia as at 30 June 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 is based on the market environment observed at the end of September 2012. The underlying macroeconomic assumptions are revised semi-annually.
  In particular, the end of 2014 review of the plan takes account of the evolution of the interest and foreign exchange rate parameters based on market conditions observed as at 31 December 2014 and reflects the Group's active balance sheet management, particularly the successful execution of the funding programme, resulting in a positive evolution of the net interest margin. The plan revision also incorporates regulatory developments to date, such as the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard, and the impact of using an OIS curve for OTC derivatives valuation. Finally, the revised plan takes into account the Group's decision to increase the use of market data for the valuation of illiquid securities classified as assets available for sale and for the calculation of the Credit Valuation Adjustment (CVA).
  The revised business plan was approved by the Dexia Board of Directors on 20 April 2015. While it contains adjustments to the plan originally validated, the resolution trajectory in the revised plan remains unchanged over the long term.
- The plan assumes maintaining various local banking licences. Dexia Crédit Local ratings are also assumed to remain at current levels.
- It relies, moreover, on a robust funding programme based on Dexia's ability to issue debt guaranteed by Belgium, France and Luxembourg and to raise secured funding.
  In this context, the Group's ability to tap markets at a lower cost and for longer maturities than forecasted in the original plan, had a positive effect on the funding mix in H1 2015. These positive developments enabled the Group to reduce reliance on central bank funding and to repay significant maturities at the end of 2014 and the beginning of 2015.
  Some uncertainties remain however over the resolution period, in the implementation of the business plan due to the potential impact of new 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 the resolution process. For instance, the Group's orderly resolution crystallised a funding structure heavily dependent on market and central bank funding, since Dexia no longer has retail franchises and is unable to increase its deposit base. This will be reflected in the future level of the Liquidity Coverage Ratio (LCR).
  The business plan remains exposed to the evolution of the macroeconomic environment. A 10 basis point decline in interest rates over the entire curve could result in an increase of EUR 1.1 billion in the Group's liquidity requirement over the next two years due to higher cash collateral(1) needs. Similarly, a less optimistic rating environment and/or the widening of credit spreads could also have a negative impact on the income statement and available liquidity reserves and may increase regulatory capital requirements.
  Finally, if market demand for government-guaranteed debt decreases, Dexia may need to tap more costly funding sources which could have a negative impact on the profitability assumed in the original business plan. In particular, 2015 and 2016 may be challenging in light of a more volatile foreign exchange environment and very low interest rates.
  The most recent update of the business plan reflects surplus liquidity over the life of the plan. However, at the end of 2014 and the beginning of 2015, the Group's liquidity requirement increased dramatically, mainly due to the high levels of cash collateral posting to market counterparties. This growing liquidity requirement was offset by sustained issuance of long-term government-guaranteed debt and secured funding in H1 2015 and the increase of interest rates in Q2 2015 resulted in a lower funding requirement over the period.
  The next review of the plan, based on market conditions observed as at 30 June 2015, will incorporate the impact of prudential and accounting developments implemented by Dexia at that date.

More detailed information on liquidity is provided in section "Evolution of the Dexia Group liquidity situation"

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

1. SIGNIFICANT EVENTS AND TRANSACTIONS

- Account taken of new accounting and prudential requirements impacting the Group's result and solvency
- Impairment of the Group's exposure to Heta Asset Resolution AG and commencement of legal proceedings
- Continuing implementation of the Group's orderly resolution: launch of a restructuring plan at Dexia Crediop and analysis of the opportunities for outsourcing certain activities of the Dexia Group

A. Accounting and regulatory developments

a. Weight of new contributions and taxes paid to a public authority

At the end of June 2015, Dexia's results were impacted by EUR -72 million of various taxes and contributions.

In particular, the Group booked in 1Q 2015 its first annual contribution, estimated at EUR -21 million, to the Single Resolution Fund, set up by the European Authorities in the framework of the Single Supervisory Mechanism. The Group also booked EUR -14 million in relation with the annual tax for systemic risk. Being due on a yearly basis, those expenses are considered as recurrent.

Aside this, the Group took a EUR -28 million provision covering its total voluntary multiannual contribution to the support funds to local authorities and hospitals in France.

All those levies and contributions were booked in compliance with the IFRIC 21[(2)] accounting standard, applied by Dexia since 1 January 2015. Those amounts being not significant, Dexia decided not to restate the financial statements as at 30 June 2014.

b. Introduction of a Funding Valuation Adjustment in the financial statements

In line with the IFRS 13 accounting standard and market practice, the Dexia Group developed a methodology to calculate a Funding Valuation Adjustment (FVA) as from June 2015 intended to take account of the funding costs associated with its uncollateralised derivative positions. 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.

The FVA is one of several valuation adjustments implemented within the framework of the IFRS 13 accounting standard and the evolution of market practice, such as the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) as well as valuation of collateralised derivatives on the basis of an OIS curve. As explained in previous press releases, the impact of these adjustments does not correspond to cash flows and are taken over the lifespan of the assets or liabilities. Nonetheless, they generate volatility on each accounting date.

The first-time application of the FVA resulted in a negative impact of EUR -140 million in the Group's results for the first half-year 2015.

c. Implementation of the prudent valuation and account taken of an Additional Valuation Adjustment in the calculation of regulatory capital

On 23 January 2015, the European Banking Authority (EBA) published its final regulatory technical standards on the prudent valuation calculation. The concept of prudent valuation relates to fair value positions, defined by the IFRS 13 accounting standard 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 measurement date". For the calculation of this exit price IFRS 13 takes into account best estimates, while the regulatory perspective is to look at the downside scenario in order to ensure that banks carry enough capital to offset the risk of the fair value positions. In this respect, the Additional Valuation Adjustment (AVA) represents the difference between the fair value valuation and the prudent valuation.

Following the Capital Requirements Regulation, Dexia takes into account in its regulatory capital the Additional Valuation Adjustment that stems from a prudent valuation as defined by the EBA. As at 30 June 2015, the first application resulted in an Additional Valuation Adjustment of EUR -165 million, deducted from the Group's Common Equity Tier 1 capital.

(2) IFRIC: International Financial Reporting Interpretations Committee.

B. Evolution of the credit environment

a. Point on the Group's exposure to Heta Asset Resolution AG

On 1 March 2015, within the framework of the Federal Law on bank stabilisation and resolution, the Austrian Financial Market Authority published a decree on the adoption of resolution measures consisting of a temporary moratorium until 31 May 2016 on a substantial portion of the debt (capital and interest) of Heta Asset Resolution AG.

Dexia has an exposure of a total notional amount of EUR 395 million to Heta Asset Resolution AG, through its subsidiary Dexia Kommunalbank Deutschland.

More information on Dexia's exposure to Heta Asset Resolution AG is provided in the chapter "Risk Management".

b. Greek crisis

Subsequent to the 'No' vote from the Greek voters on 5 July 2015 on the referendum on whether to accept or reject the final proposal from the creditor institutions, a new bailout program to reform the Greek economy has been negotiated and approved on 13 July 2015 by the Greek government. Although this bailout program includes tough austerity measures and structural reforms which will hamper short-term economic growth in Greece, the financial markets reacted cautiously positive on this long-awaited agreement.

Dexia has no direct exposures to the Greek sovereign.

More information on Dexia's exposure to Greek counterparties is provided in the chapter "Risk Management".

c. Point on the situation of the Commonwealth of Puerto Rico

The Dexia Group has exposure to certain public corporations linked to the Commonwealth of Puerto Rico, with a gross book value of USD 430 million as at 30 June 2015.

More information on Dexia's exposure to the Commonwealth of Puerto Rico is provided in the chapter "Risk Management".

C. Continuation of the Group's orderly resolution plan

a. Dexia Crediop

In accordance with the undertakings made by the States to the European Commission, on 15 July 2014 Dexia announced that Dexia Crediop would be placed in run-off. Following that decision, the management of Dexia Crediop began a period of reflection on simplifying the organisation of the bank and reducing its costs. This ended in an agreement with the social partners on 18 March 2015 relating to 53 redundancies and a reduction of the workforce to 124. The major part of the planned departures is effective; the last departures will take place in the second half of 2015.

b. Reflection on the opportunity to outsource certain activities

In order to manage the run-off of its residual assets more effectively, the Dexia Group must maintain its operational continuity. That objective not only assumes possession of the skills required to implement the Group's resolution properly, but also maintenance and updating of the tools needed for that resolution.

Maintaining the Group's operational capacities on certain activities will require significant financial investments, the weight of which must be analysed having regard to the Group' financial capacities and expected profitability up to resolution.

Considering those elements, the Group began a period of reflection on the opportunity to outsource certain activities with one or more service providers. In addition to preserving a high level of service, the use of outsourcing for certain activities would enable Dexia to reduce costs and to avoid the threshold effect associated with the gradual reduction of the Group's balance sheet. If those reflections result in more advanced plans, Dexia will take account of social aspects and ensure that the best conditions are reserved for the members of staff concerned.

2. RESULTS FOR H1 2015

A. Presentation of the Dexia condensed consolidated financial statements as at 30 June 2015

a. Going concern

The condensed consolidated financial statements of Dexia as at 30 June 2015 were established in accordance with the accounting rules applicable to a going concern, (cf. section "Information related to the presentation of the Dexia Group condensed consolidated financial statements as at 30 June 2015").

b. Income statement presentation

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

- Recurring elements: items related to the carriage of the assets such as portfolio revenues, funding costs, operating expenses, cost of risk and taxes;
- Accounting volatility elements: items related to fair value adjustments of assets and liabilities including in particular the impact 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 securitisation on a portfolio of enhanced bonds);
- Non-recurring elements: exceptional items, not expected to reoccur regularly, including in particular gains and losses on asset disposals, costs and gains associated with litigations and restructuring costs.

B. Dexia Group's consolidated results for H1 2015

- Recurring net income of EUR -292 million, impacted by the provision on Heta Asset Resolution AG and the weight of taxes in Q1 2015
- Positive contribution of accounting volatility elements of EUR 317 million, despite the negative impact of the introduction of the Funding Valuation Adjustment
- Non-recurring net income of EUR -22 million, integrating the contribution to the support funds for local authorities and the hospital sector in France

a. Income statement for H1 2015

The **net income Group share** in H1 2015 was EUR 4 million, of which EUR -125 million in Q1 2015 and EUR 129 million in Q2 2015.

Over the half-year, **net banking income** amounted to EUR 437 million. In Q2 2015, the Group posted a net banking income of EUR 271 million against EUR 166 million in Q1, principally under the effect of accounting volatility elements.

Costs increased sharply compared to the end of 2014, to reach EUR -243 million. Applying the IFRIC 21 accounting standard, the Group booked certain annual charges in Q1. The Group also recognised new taxes. Excluding the impact of taxes and contributions, in an amount of EUR -72 million over the half-year, operating expenses were well under control.

CONSOLIDATED STATEMENT OF INCOME – ANC FORMAT

in millions of EUR	T1 2015	T2 2015	H1 2015
Net banking income	**166**	**271**	**437**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	-154	-88	-243
Gross operating income	**12**	**182**	**194**
Cost of risk and net gains or losses on other assets	-130	-31	-161
Pre-tax income	**-118**	**151**	**34**
Income tax	-8	-11	-19
Net income	**-126**	**141**	**15**
Minority interests	-1	12	11
Net income Group share	**-125**	**129**	**4**

ANALYTICAL PRESENTATION OF THE H1 2015 RESULTS OF THE DEXIA GROUP				
in millions of EUR	Recurring elements	Accounting volatility elements	Non-recurring elements	Total
Net banking income	**114**	**317**	**6**	**437**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	214	0	-28	-243
Gross operating income	**-101**	**317**	**-22**	**194**
Cost of risk and net gains or losses on other assets	-161	0	0	-161
Pre-tax income	**-262**	**317**	**-22**	**34**
Income tax	-19	0	0	-19
Net income	**-281**	**317**	**-22**	**15**
Minority interests	11	0	0	11
Net income Group Share	**-292**	**317**	**-22**	**4**

Gross operating income was EUR 194 million over the half-year.

At the end of June 2015, the **cost of risk** amounted EUR -161 million, principally due to the provisioning of the Group's exposure to Heta Asset Resolution AG in Q1.

The half-year **pre-tax income** reached EUR 34 million.

Over the half-year, the **tax charge** was EUR -19 million. As a result, the net income amounted to EUR 15 million.

Considering the result of EUR -11 million attributable to minority interests, **net income Group share** for H1 2015 totalled EUR 4 million.

b. Analytical presentation of the results for H1 2015

The net income Group share for H1 2015 was EUR 4 million, composed of the following elements defined in the section "Income statement presentation" above:

- EUR -292 million attributable to recurring elements;
- EUR 317 million associated with accounting volatility elements;
- EUR -22 million generated by non-recurring elements.

The evolution of these three segments is presented separately hereafter.

b.1. Recurring elements

Within the context of implementing a new asset & liability management tool, the Group refined various analytical reclassifications,

RECURRING ELEMENTS				
in millions of EUR	Q1 2015 as published	Q1 2015 pro forma	Q2 2015	H1 2015
Net banking income	52	52	61	114
o/w revenues from commercial portfolios	*172*	*165*	*165*	*331*
o/w funding cost	*-137*	*-151*	*-144*	*-296*
o/w other revenues	*17*	*39*	*40*	*78*
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	-127	-127	-88	-214
Gross operating income	**-74**	**-74**	**-27**	**-101**
Cost of risk and net gains or losses on other assets	-130	-130	-31	-161
Pre-tax income	**-204**	**-204**	**-58**	**-262**
Income tax	-8	-8	-11	-19
Net income	**-212**	**-212**	**-68**	**-281**
Minority interests	-1	-1	12	11
Net income Group share	**-212**	**-212**	**-80**	**-292**

included in the net banking income, relating to the income from commercial portfolios, the funding cost and other income. In order to facilitate the reading of quarterly developments, the Group is publishing the analytical data of recurring elements in Q1 2015 integrating these adjustments (pro forma view), as well as those published in the interim statement for Q1 2015.

The net income Group share generated by recurrent activities during H1 2015 was EUR -292 million, of which EUR -212 million for Q1 and EUR -80 million for Q2.

Recurring net banking income for H1 2015 was EUR 114 million. At EUR 331 million, income from commercial portfolios covered the Group's funding cost which amounted to EUR -296 million. Income from commercial portfolio was stable over the first two quarters of 2015. The momentum of funding cost reduction continued over the half-year, from EUR -151 million in Q1 to EUR -144 million in Q2. This trend is explained by the reduction of the funding requirement, associated principally with the reduction of the amount of cash collateral paid by the Group in Q2, as well as the repayment during Q1 of the last guaranteed outstanding subscribed by Belfius, which eases the Group's funding cost. Exchange effects and the negative impact of the restructuring of structured loans weighted on other revenues, which came to EUR 78 million over the half-year.

Costs associated with recurring activities were EUR -214 million over the half-year, of which EUR -127 million in Q1 and EUR -88 million in Q2. In particular, in Q1 2015, the Group booked its first annual contribution, estimated to EUR -21 million, to the Single Resolution Fund, set up by the European Authorities in the framework of the Single Supervisory Mechanism. The Group also booked EUR -14 million in relation with the annual tax for systemic risk. Excluding the impact of taxes and contributions, operating expenses were well under control.

The cost of risk was EUR -161 million at the end of June 2015, principally due to the provisioning of the Group's exposure to Heta Asset Resolution AG in an amount of EUR 197 million in Q1. In Q2, the Group booked provisions on project finance in Spain and exposures to the local public sector in Greece, against the background of the Greek crisis. In addition, the Group increased its provision on Kommunalkredit Austria AG, following the announcement by the Supervisory Board of KA AG that they would only repay 25% of the participation notes. These allocations were partially offset by reversals of collective provisions.

b.2. Accounting volatility elements

In H1 2015, accounting volatility elements had a positive impact of EUR 317 million, essentially due to the positive evolution of the valuation of collateralised derivatives on the basis of an OIS curve and of the CVA and the DVA. These elements were partially offset by the impact of the first-time application of a Funding Valuation Adjustment, of EUR -140 million, and by the evolution of own credit risk.

ACCOUNTING VOLATILITY ELEMENTS

in millions of EUR	Q1 2015	Q2 2015	H1 2015
Impact in net income Group share (elements booked in net banking income)	127	190	317

NON-RECURRING ELEMENTS			
in millions of EUR	Q1 2015	Q2 2015	H1 2015
Net banking income	-14	19	6
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	-27	-1	-28
Gross operating income	-41	19	-22
Cost of risk and net gains or losses on other assets	0	0	0
Pre-tax income	-41	19	-22
Income tax	0	0	0
Net income	-41	19	-22
Minority interests	0	0	0
Net income Group share	-41	19	-22

b.3. Non-recurring elements

In H1 2015, the Dexia Group booked a net income Group share of EUR -22 million on non-recurring elements.

In particular, they included the multiannual voluntary contribution to the support fund for local authorities and the hospital sector in France of EUR -28 million and the booking of provisions for litigation in an amount of EUR -27 million, partially offset by gains on disposals and the settlement of litigations.

3. EVOLUTION OF THE GROUP'S BALANCE SHEET, SOLVENCY AND LIQUIDITY SITUATION

A. Balance sheet and solvency

- Reduction of the balance sheet total by EUR 6 billion over H1, as a result of the increase of long-term interest rates and the reduction of the asset portfolio
- Dexia's Common Equity Tier 1 ratio at 15.0%: deduction of an additional 20% of the non-sovereign AFS reserve from regulatory capital and first-time application of the Additional Valuation Adjustment

a. Half-yearly evolution of the balance sheet

As at 30 June 2015, the Group's balance sheet total was EUR 241 billion, down EUR 6 billion compared to 31 December 2014. The half-yearly evolution of the balance sheet was mixed. In Q1, the balance sheet total rose significantly, essentially with the impact of exchange variations and the fall of long-term interest rates. In Q2, the increase of long-term interest rates reversed the trend and resulted in a sharp fall of the balance sheet total, increased by the decrease of the asset portfolio.

Indeed, over H1 2015, at a constant exchange rate, the reduction of assets on the balance sheet is mainly linked to:

- a fall in the fair value of assets and derivatives of EUR -6.5 billion as well as a EUR -1.6 billion reduction of the cash collateral paid by the Group to its derivatives counterparties;
- a EUR -6.4 billion reduction of the asset portfolio;
- these developments were partially offset by the EUR +5 billion increase of the liquidity reserve placed with the Federal Reserve.

On the liabilities side, and at a constant exchange rate, the half-yearly fall of the balance sheet total is mainly attributable to:

- the reduction of the fair value of liabilities and derivatives representing EUR -7.1 billion;
- a EUR -1.3 billion reduction of the stock of market funding.

The impact of exchange variations on the evolution of the balance sheet amounted to EUR +2.3 billion over the half-year.

b. Solvency ratios

As at 30 June 2015, Common Equity Tier 1 capital was EUR 8,108 million, against EUR 8,754 million as at 31 December 2014. This evolution is mainly explained by the deduction from regulatory capital of an additional 20% of the AFS reserve linked to non-sovereign securities in line with the timetable set by the CRD IV Directive. At the end of June 2015, the total amount deducted, corresponding to 40% of the AFS reserve linked to non-sovereign securities was EUR -1,231 million. Furthermore, the first-time application of the Additional Valuation Adjustment (AVA) as at 30 June 2015 is reflected by a EUR -165 million capital reduction (cf. section "Significant events and transactions").

The gains and losses directly recognised in equity reached EUR -5.9 billion at the end of June 2015, against EUR -6.6 billion at the end of 2014. This evolution is mainly explained by the tightening of credit spreads observed over the half-year and by natural portfolio amortisation, in part offset by unfavourable exchange effects. In addition, the provisioning of the exposure to Heta Asset Resolution AG also resulted in a reduction of the AFS reserve.

As at 30 June 2015, risk-weighted assets amounted to EUR 54.2 billion, of which EUR 50.7 billion for credit risk, EUR 2.5 billion for market risk and EUR 1 billion for operational risk. Regarding credit risk, the sharp increase observed in Q1 and due in particular to the migration of internal ratings is neutralised in Q2, particularly by the impact of the reduction of the asset portfolio and variations of the fair value.

These elements lead to a Common Equity Tier 1 ratio of 15.0% and 11.7% respectively for Dexia SA and Dexia Crédit Local at the end of June 2015.

B. Evolution of the Dexia Group's liquidity situation

- Significant funding repayments in Q1
- Repayment of the VLTRO and decrease of the recourse to central bank funding in Q1
- Increase of market funding, with sustained activity on secured funding and the execution of several long-term guaranteed public benchmark transactions

The funding requirement of the Group was subject to contrasting developments in the first half-year 2015 in a context of highly volatile interest and exchange rates:

- Over the first quarter, the decline of the long-term interest rates as well as the weakening of the euro, in particular against the US dollar and the sterling, caused a rise in the net cash collateral to be posted by the Group up to EUR 36 billion as at 31 March 2015 and resulted in an increase of the funding requirement.
- The subsequent recovery of the Euro, as well as the increase in interest rates over the second quarter reduced the net cash collateral again to reach EUR 30 billion as at 30 June 2015, corresponding to a decrease of the funding requirement over the period.

Although the overall funding need remained quite stable over the half-year, the funding structure of the Group evolved significantly.

CAPITAL ADEQUACY

in millions of EUR	31/12/14	30/06/15
Common equity Tier 1	8,754	8,108
Risk-weighted assets	53,377	54,185
Common equity Tier 1 ratio	16.4%	15.0%

RISK-WEIGHTED ASSETS

in millions of EUR	31/12/14	30/06/15
Credit risk	49,437	50,650
Market risk	2,941	2,535
Operational risk	1,000	1,000
Total	**53,377**	**54,185**

In 1Q 2015, the Group had to cope with important funding redemptions, in particular the repayment of the last outstanding guaranteed debt subscribed by Belfius as well as the repayment of the first tranche of EUR 13 billion granted by the European Central Bank under the exceptional own-use mechanism(3). The last tranche of EUR 6 billion will be repaid during the fourth quarter of 2015 and will mark the exit from this exceptional mechanism.

Funding activity was extremely dynamic over the half-year, marked by the increase of secured market funding and the continuation of guaranteed issues.

Under favourable market conditions, Dexia Crédit Local issued various long-term public benchmark transactions in euros, US dollars and sterling, with maturities ranging from 5 to 10 years, enabling it to raise almost EUR 10.3 billion over the half-year. In particular, two issues in sterling with maturities of 5 and 10 years and for a total amount of GBP 1.2 billion, allowed the Group to significantly reduce its long-term funding gap in this currency. The Group also executed an additional EUR 3.8 billion in private placements over the half-year. The average maturity of these financings is of 5.6 years, corresponding to a significant increase in the average maturity of new long term funding raised. Short-term guaranteed funding activity was also sustained. The outstanding on guaranteed debt was EUR 67 billion as at 30 June 2015.

The development of secured market funding also continued over the half-year, outstanding rising by EUR 1.7 billion and relying particularly on the use of assets not eligible for central bank refinancing.

As at 30 June 2015, guaranteed and secured funding represented 74% of total Group funding, against 69% at the end of 2014.

In the first quarter of 2015, the Group repaid the outstanding of EUR 33.5 billion subscribed with the European Central Bank in the form of VLTRO(4), partially replaced by recourse to the LTRO(5), in an amount of EUR 22 billion and the MRO(6), in an amount of EUR 4 billion.

At the end of June 2015, the Group has a temporary liquidity reserve of EUR 13.2 billion, of which EUR 7.2 billion placed with central banks and EUR 6 billion in assets eligible for central bank refinancing. This liquidity buffer illustrates the Group's prudent management of its liquidity risk.

(3) "Own use" securities: Government-guaranteed securities issued by Dexia Crédit Local and used by the Dexia Group as collateral with the Eurosystem.
(4) VLTRO, or Very Long Term Refinancing Operations, are exceptional refinancing operations at 3 years launched in December 2011 and February 2012 by the European Central Bank to support liquidity on the interbank market and to facilitate the financing of the real economy.
(5) LTRO or Long-Term Refinancing Operations, are long-term refinancing operations. They constitute a standard refinancing tool used by banks with the Eurosystem.
(6) MRO, or Main Refinancing Operations, are short-term refinancing operations. They constitute a standard refinancing tool used by banks with the Eurosystem.

CREDIT RISK

Credit risk is expressed as Maximum Credit Risk Exposure (MCRE) and represents the net carrying amount of exposures, being the notional amounts after deduction of specific impairment and available-for-sale reserve amounts, and taking account of accrued interest and the impact of fair value hedge accounting.

As at 30 June 2015, Dexia's maximum credit risk exposure amounted to EUR 171.8 billion, compared to EUR 172.2 billion at the end of December 2014. The fall linked to natural portfolio amortisation and asset disposals is offset by an exchange effect due to the appreciation of the US dollar and the sterling against the euro over the first half-year 2015 and by fair value adjustments resulting from the tightening of credit spreads. At a constant exchange rate, the reduction of Group credit risk exposure is EUR 5.8 billion over the half-year.

Exposure is composed of EUR 85 billion loans and EUR 74 billion bonds.

Exposure is mostly concentrated in the European Union as well as the United States and Canada.

BREAKDOWN BY GEOGRAPHIC REGION

in millions of EUR	31/12/14	30/06/15
United States	26,377	31,675
Italy	27,178	25,624
France	26,656	24,916
Germany	21,397	20,089
United Kingdom	17,865	20,440
Spain	18,968	16,864
Japan	5,839	6,305
Portugal	4,122	4,003
Central and Eastern Europe	3,539	3,120
Canada	2,313	2,349
Belgium	3,134	1,863
Austria	1,481	1,363
Scandinavian countries	1,113	1,160
Hungary	1,102	997
Southeast Asia	990	825
South and Central America	584	595
Netherlands	621	564
Switzerland	553	511
Turkey	502	506
Ireland	221	197
Greece	156	127
Luxembourg	158	73
Others	7,369	7,680
Total	**172,238**	**171,847**

As at 30 June 2015, exposure is still mostly concentrated on the local public sector, considering the historical activity of Dexia. The evolution of exchange rates (US dollar and pound sterling) and the tightening of credit spreads explain the increasing exposure to certain sectors, particularly project finance and sovereigns.

BREAKDOWN BY TYPE OF COUNTERPARTY

in millions of EUR	31/12/14	30/06/15
Local public sector	86,526	85,055
Central governments	28,148	31,956
Financial institutions	27,340	24,387
Project finance	14,761	14,292
ABS/MBS	6,692	8,152
Corporate	5,538	6,105
Monoliners	3,232	1,900
Individuals, SME and self-employed	1	1
Total exposure	**172,238**	**171,847**

The average credit quality of the Dexia portfolio remained high, with almost 88% of exposure rated "Investment Grade" as at 30 June 2015.

BREAKDOWN BY RATING (INTERNAL RATING SYSTEM)

	31/12/14	30/06/15
AAA	15%	19%
AA	23%	20%
A	29%	21%
BBB	20%	29%
Non Investment Grade	12%	10%
D	1%	1%
Not Rated	1%	1%
Total	**100%**	**100%**

GROUP SECTOR EXPOSURE TO CERTAIN COUNTRIES							
in millions of EUR	Total	Local public sector	Corporate and project finance	Financial institutions	ABS/MBS	Sovereign exposures	Credit enhancers
United States	31,675	11,095	969	4,949	4,645	8,118	1,900
Italy	25,624	10,864	1,139	452	145	13,023	0
France	24,916	17,220	4,263	2,462	0	970	0
United Kingdom	20,440	9,910	6,377	1,833	2,243	76	0
Germany	20,089	15,827	452	3,598	9	203	0
Spain	16,864	7,335	2,415	6,042	573	499	0
Japan	6,305	3,692	0	1,261	0	1,353	0
Portugal	4,003	1,737	200	11	134	1,922	0
Poland	1,997	15	0	1	0	1,982	0
Hungary	997	29	35	1	0	933	0
Greece	127	52	69	0	6	0	0,

Particular attention is paid to the countries presented in the table above because of the significant outstanding amounts or the sensitivity of the exposure. The main developments and significant facts for these sectors and countries in the first half-year 2015 are discussed in the following paragraphs.

Dexia Group commitments on sovereigns

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

Over the first half-year 2015, although it is still weak and varies in intensity from one country to another, the economic recovery in the euro zone was confirmed. This slight improvement at an economic level is accompanied by continuing endeavours to re-establish public finances.

The economic and social context nonetheless remains difficult in some countries in the eurozone and tends to weaken the political parties in power, confronted by low popularity levels. This trend was confirmed in several local elections, particularly in Spain and Italy, and limits the capacity of executive powers to introduce certain structural reforms, generating political uncertainty. Despite the trend towards a normalisation of market conditions, these elements are liable to arouse tensions on the financial markets and weigh on the refinancing capacities of certain States.

The crisis linked to the Greek situation also highlighted the weaknesses of the euro zone, and the poor political and budgetary integration of Member States. It reawakened fears of a possible contagion to the weaker European countries, and this was reflected by an increase of credit spreads on some sovereigns, particularly those of Southern Europe.

Over the half-year, Greece saw its economic and financial situation deteriorate considerably. Faced with a lack of liquidities, the country was unable to make a repayment due to the International Monetary Fund on 30 June 2015.

The negotiations which began with the country’s main creditors, the Eurogroup, the European Central Bank and the International Monetary Fund, to release the last instalment of aid and to renew the financial support programme, were difficult, as creditors wanted to see new structural reform measures before considering any restructuring of the country’s debt, whilst the party in power, Syriza, won the elections in January by promising to end the policy of budget austerity.

The choice by the government to submit the Eurogroup’s proposals to the Greek people in a referendum increased tensions between the various parties, a Greek exit from the euro zone and a default of payment on public debt not then being excluded. After the referendum, under strong political and financial pressure, Greece finally accepted the proposals from the Eurogroup, despite their rejection by Greek voters. This agreement, approved by the Greek Parliament, enabled new loans to be released to Greece and the risk of default subsided. However, Greece remains dependent on aid provided by institutional creditors to deal with its short-term commitments.

Dexia has no direct exposure to Greek sovereigns. The outstanding on other Greek counterparties, mainly local public sector and project finance, amount to EUR 127 million as at 30 June 2015. This outstanding is provisioned in amount of EUR 36.3 million.

Dexia Group commitments on the local public sector

Considering Dexia's historic activity as a lender to local authorities, the local public sector represents a significant proportion of the Group's outstanding, principally focussed in the countries of Western Europe (France, Italy, Germany, Spain, the United Kingdom) and North America.

The financial situation of local authorities remains satisfactory overall, despite the economic and financial situation, which tends to increase social expenditure and limit tax revenues. At the same time, in Europe, policies to reduce public expenditure, particularly via a fall in the level of transfers from central states, reduce the financial flexibility of local authorities. Faced with this situation, for some years the latter have been implementing structural reforms and simplification measures. Finally, in the most difficult instances, they can benefit from safeguard mechanisms or support funds enabling them to deal with their commitments, as illustrated by the support mechanisms in Spain and Italy.

Main points of attention

- Greece

  Dexia is exposed, in an amount of EUR 52 million at the end of June 2015, to two local authorities in Greece, the municipalities of Athens and Acharnai, the latter being entirely dependent on State payments to service its debt. In view of the severe financial and macroeconomic uncertainties weighing on Greece, the outstanding on the municipalities of Athens and Acharnai have been provisioned in relation to the level of financial dependency on the central State. Dexia continues to pay particular attention to the situation in Greece. There could still be adjustments of provisioning depending on future developments.

- Puerto Rico

  On 6 February 2015, the US District Court rejected the Puerto Rico Public Corporation Debt Enforcement and Recovery Act signed in 2014, with the object of restructuring the debt of certain Puerto Rico public corporations.

  Despite discussions commenced at the beginning of July 2015 between the Governor of Puerto Rico and its creditors to restructure its debt, a public corporation linked to the Commonwealth failed to make a debt payment at the beginning of August 2015.

  The Group has exposure to certain public corporations linked to the Commonwealth of Puerto Rico, with a gross book value of USD 430 million as at 30 June 2015, against USD 411 million at the end of 2014. The increase of the outstanding amount is not linked to a new purchase of securities during the half-year. It results from two elements:

  - An adjustment in the calculation of the exposure amount following the booking of a provision[1];
  - The specific nature of an accreting bond, the nominal of which increases until 2047 to reach USD 200 million on that maturity. As at 30 June 2015, this exposure amounted to USD 47 million.

  95% of the Group's exposure to Puerto Rico is covered by good quality credit enhancers.

  The provisions constituted by Dexia on Puerto Rico and its public corporations amounted to USD 45 million. They cover outstanding amounts not enhanced by good quality credit enhancers and the possibility of an acceleration of payments if the guarantee is called, with costs incurred for unwinding hedge instruments.

- Structured loans in France

  In January 2015, the decision by the Swiss National Bank to abandon the cap for the Swiss franc resulted in a sharp fall of the euro against the Swiss franc. These exchange variations had an impact on the level of interest rates on structured loans linked to the EUR/CHF exchange rate. The exceeding of trigger thresholds provided in these contracts resulted in an increase of rates on some loans. This situation led the French State to review the dimensioning of support funds, increased from EUR 1.5 billion to EUR 3 billion for local authorities and from EUR 100 million to EUR 400 million for public hospitals. This increase of the envelope was approved by Parliament for the effective establishment of support funds at the end of the year. Moreover, the maximum amount of aid provided by the support fund for local authorities was raised from 45% up to 75% of the total early redemption costs.

  Dexia is very carefully following the situation regarding these loans, both as to the level of credit risk and the level of legal risks. Over the half-year, the Group continued actions undertaken to desensitise the outstanding of its clients. Dexia's outstanding of sensitive structured loans was reduced to EUR 1.1 billion as at 30 June 2015.

More information on the evolution of the legal issues is provided in the section "Litigations" at the end of this chapter.

(1) The provisioning of an exposure generates a break in booking hedge relationships with the derivatives covering that position. As the hedge relationship is broken, the amount corresponding to the market value of the hedge is reintegrated with the line initially hedged in order to assess the overall position. Furthermore, the derivatives are booked in the trading portfolio.

Dexia Group commitments on project finance and corporates

The project finance and corporate loan portfolio amounted to EUR 20.4 billion as at 30 June 2015, up slightly on the end of 2014, fair value and exchange rate variations having more than offset the natural portfolio amortisation and early redemptions. This portfolio is composed 70% of project finance[2], the balance being in corporate finance, such as acquisition funding, commercial transactions and corporate bonds.

As at 30 June 2015, the project finance portfolio amounts to EUR 14.3 billion. It consists 53% of Public-Private Partnerships (PPP), principally in the United Kingdom and France, 21% in energy sector projects, mostly in the field of renewable energies, and 13% in projects presenting a traffic risk. 72% of the portfolio is placed in Western Europe, 19% in the United States, Canada and Australia. 70% of the portfolio is on average rated "investment grade".

Some projects require very close monitoring. The changes to the Spanish regulatory framework on renewable energies adopted on 16 June 2014, revising existing tariffs, have an unfavourable impact on part of Dexia's portfolio of Spanish renewable energy projects, mainly solar projects, and may lead to debt restructuring. Several projects have already been restructured to date. Negotiations are ongoing with regard to others. Considering that situation, Dexia made specific provisions on some of them, leading at the same time to a reduction of the sector provision made in 2014 to cover this risk.

The corporate finance portfolio was approximately EUR 6.1 billion at the end of June 2015. It consists 44% of companies in the utilities sector (water, environment, distribution and transmission of energy or gas) and 37% of companies in the infrastructure sector (motorway operators, airports, ports and car parks). 79% of the portfolio is situated in Western Europe, 17% in the United States, Canada and Australia. 88% of the portfolio is rated "investment grade".

Dexia Group commitments on ABS

As at 30 June 2015, Dexia's ABS portfolio amounted to EUR 8.2 billion, up EUR 1.5 billion on the end of 2014 as a result of the increase of the US dollar against the euro, despite the disposal of some commitments over the half-year.

This portfolio consists of EUR 4.3 billion in US government student loans, which present a rather long amortisation profile and good credit quality, benefiting from the US State guarantee. The balance is principally in residential mortgage-backed securities (RMBS) in an amount of EUR 1.1 billion with EUR 0.5 billion in Spain.

The quality of the ABS portfolio remained stable overall, with 95% of the portfolio rated "investment grade" at the end of June 2015, almost all of the tranches in which Dexia invested being senior level.

Dexia Group commitments on credit enhancers

Inherited from Dexia's activity on the US municipalities sector and on ABS, traditionally enhanced, the Dexia portfolio guaranteed by credit enhancers amounted to EUR 18 billion (notional amount) as at 30 June 2015. 84% of the underlying assets are "investment grade". Considering the ratings of counterparties and credit enhancers, the notional amount of the portfolio on which rating substitution is applied under the Basel rules was EUR 2.6 billion.

Only Assured Guaranty and NPFG, enhancing 48% and 18% respectively of Dexia's guaranteed outstanding, are still active on the credit enhancement market. The other enhancers are managed in run-off.

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

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

Dexia is carefully following the liquidity situation of credit enhancers guaranteeing Group exposures.

(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

Dexia Group commitments on financial institutions

Dexia's commitments on financial institutions amounted to EUR 24.4 billion as at 30 June 2015, down by EUR 3 billion since December 2014 due to the reduction of the bond portfolio.

68% of these are bonds, covered bonds and exposures associated with Repo. The balance consists of exposures associated with loans to financial institutions, and derivatives transactions.

Group exposure is concentrated 20% in the United States and 66% in Europe, principally in Spain (25%), Germany (15%), France (10%) and the United Kingdom (8%).

The first half-year was marked by the unfavourable evolution of the situation concerning Heta Asset Resolution AG. On 1 March 2015, within the framework of the Federal Law on bank stabilisation and resolution, the Austrian Financial Market Authority published a decree on the adoption of resolution measures consisting of a temporary moratorium until 31 May 2016 on a substantial portion of the debt (capital and interest) of Heta Asset Resolution AG. Taking this decision into account, Dexia decided to provision 44% of its exposure to Heta Asset Resolution AG, the notional amount of which stands at EUR 395 million and 5% of that amount to cover its exposure to the associated derivatives, leading to the establishment of a new specific provision of EUR 197 million. At the same time, the exposure to Heta Asset Resolution AG is excluded from the base for calculating sectorial provisions, resulting in a reversal of EUR 21 million.

Furthermore, on 15 July 2015, Dexia, together with a pool of 10 other creditors, filed a lawsuit against Heta Asset Resolution AG, at the Regional Court of Frankfurt/Main, claiming immediate repayment of receivables in an aggregate amount of approximately EUR 1 billion.

Dexia, together with other members of the pool, also started legal proceedings in Austria by filing opposition against the moratorium on debt repayments by Heta Asset Resolution AG.

With the exception of Heta Asset Resolution AG, the portfolio's credit quality remained stable overall in the first half-year 2015, despite several changes of rating of counterparties by the rating agencies (methodological changes to integrate legislative changes resulting from the introduction of new resolution mechanisms, including the directive European Banking Recovery and Resolution Directive (BRRD).

Impairments of counterparty risk – Asset quality

The first half-year 2015 was marked by an increase of impaired outstanding of EUR 460 million, as well as an increase of specific provisions of EUR 273 million. This is explained in particular by:

- the constitution of a provision on Heta Asset Resolution AG (cf. above);
- the allocation of provisions on several debts associated with the renewable energy and motorway sectors in Spain;
- the provisioning of debts on Greek municipalities.

Dexia also disposed of certain impaired securities (Washington Mutual) and continued the restructuring of impaired outstanding, particularly in the funding of wind farms in the United States and Spain.

As a consequence, the coverage ratio was 37% as at 30 June 2015.

As a complement to specific provisions, Dexia has collective (statistical and sector) provisions the amount of which was EUR 391 million as at 30 June 2015, against EUR 503 million as at 31 December 2014. The reduction observed over the half-year is mainly due to the constitution of new specific provisions, those files then leaving the base for the calculation of collective provisions.

ASSET QUALITY

in millions of EUR	31/12/14	30/06/15
Impaired assets	1,233	1,693
o/w impaired loans and advances to customers	*1,162*	*1,433*
Specific provisions	353	625
o/w specific provisions on impaired loans and advances to customers	*309*	*491*
Coverage ratio(1)	28.6%	36.9%
Coverage ratio on loans and advances to customers	*26.6%*	*34.3%*
Collective provisions	503	391

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

MARKET RISK

To ensure that market risk is monitored effectively, Dexia has developed a framework based on the following components:

- a system for market risk measurement, built on historical and probability models (VaR: Value at Risk)
- a structure of limits and procedures governing risk-taking, consistent with the end-to-end risk measurement and management process.

Value at Risk

At the end of June 2015, total VaR consumption stood at EUR 14.4 million, compared with EUR 13.3 million at the end of 2014, a level lower than the global limit of EUR 40 million.

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

The sensitivity in economic value of the bond portfolios to interest rate variations is extremely limited, as the interest rate risk is hedged. Furthermore, a significant proportion of the bond portfolio is classified as "Loans and receivables". The AFS reserve associated with these securities is insensitive to market evolution.

For bond portfolios classified as AFS, the sensitivity of the fair value (and the AFS reserve) to an increase of credit spreads by one basis point was EUR -18 million as at 30 June 2015.

Management of interest rate and exchange rate risk

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect balance sheet exposure to a 1% parallel 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 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 +1.5 million as at 30 June 2015. for the entire Group, compared with EUR -14.2 million as at 31 December 2014.

This is in line with the ALM strategy, which seeks to minimise P&L volatility.

in millions of EUR	30/06/15
Sensitivity	+1.5
Limit	±80

Management of liquidity risk

Liquidity risk management is the direct responsibility of the Management Board.

Liquidity projections at 4 weeks as well as the 12-month funding plan are based on different scenarios.

Furthermore, on a monthly basis Dexia measures and reports to its various regulators, the European Central Bank, the National Bank of Belgium and the French Autorité de Contrôle Prudentiel et de Résolution, on the Liquidity Coverage Ratio (LCR) for the Group and its main banking subsidiaries, from the viewpoint of the entry into force of a minimum requirement on 1 October 2015. This ratio, defined by the Delegated Act of October 2014 and completed by the technical standards dated June 2015, aims to measure the cover for liquidity requirements at 30 days in a stress environment by a volume of liquid assets.

OPERATIONAL RISK AND IT SYSTEMS SECURITY

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

The operational risk management mechanism relies on the standard approach provided by the Basle regulatory framework.

A singly incident involving a loss of more than EUR 1,000 was recorded in the first half-year 2015. This was an incident listed in the category "Execution of transactions", involving a loss of EUR 5,200.

In 2015, Dexia Group is continuing the adaptation of its structure and its operational processes to its orderly resolution mandate. This resolution phase is by nature propitious to the development of operational risks, particularly through elements such as the departure of key people, a possible decline in the motivation of members of staff or changes to processes when operational applications have to be replaced or duplicated.

Moreover, psycho-social risks are monitored carefully by Dexia, accompanied by prevention and assistance actions.

STRESS TESTS

Dexia performs regular stress tests aimed, in the event of adverse shocks, at measuring the bank's sensitivity in terms of expected loss, risk-weighted assets, liquidity and capital requirements.

LITIGATIONS

Like many financial institutions, Dexia is subject to a number of regulatory investigations and litigations as defendant or as claimant. The reduction of Dexia's scope and other measures implementing the Orderly Resolution Plan give rise to challenges by Dexia's stakeholders and counterparties.

The most significant events and developments in the 2nd quarter of 2015 in the principal investigations and litigations that are relevant and in which Dexia Group entities are named as defendant are summarized below.

The following updated data are provided for comparison and should be read in conjunction with the corresponding summaries contained or mentioned in the Dexia Annual Report 2014 (available at *www.dexia.com*).

On the basis of the information available to Dexia on 30 June 2015, events or developments that occurred during the 2nd quarter of 2015 in pending regulatory investigations and litigations which are mentioned in the Dexia Annual Report 2014, but for which no update is provided below, are not expected to have a material impact on the Group's financial situation as of that date, or do not allow Dexia to assess whether they may or may not have such a material impact on the Group's financial situation.

The consequences, as assessed by Dexia based on the information available to it as of 30 June 2015, of the most significant litigations and investigations that are liable to have a material impact on the Group's financial situation, its results or its business generally are provided in the Group's condensed consolidated financial statements. Subject to the terms and conditions of the professional liability insurance and Directors' liability insurance policies entered into by Dexia, the adverse financial consequences of all or certain litigations and investigations may be covered, in whole or in part, under one or other of such insurance policies and, upon acceptance of such risks by the relevant insurers, be offset against any payment Dexia would receive pursuant thereto.

Dexia Crediop

On 25 June 2015, the High Court in London handed down a judgment declaring an interest rate swap entered into in 2006 by Dexia Crediop and the Italian local authority of Prato to be null and void. Dexia Crediop has appealed the decision - the matter is however still pending in first instance in order to allow the court to decide on other elements which have not yet been addressed.

Dexia Nederland

In the share-leasing contracts cases, the Dutch Supreme Court decided on 1 May 2015 that, if and to the extend DNL should compensate clients for the allegedly committed wrongful acts, the legal interest should be calculated as from the date on which each payment was made by the customer (each term paid during the life of the contract), and not as from the termination date of the contract.

Litigations in relation to structured loans

In a dispute between a municipality on one hand and Caisse Française de Financement Local (CAFFIL) and Dexia on the other hand, with respect to a structured loan reported on the balance sheet of CAFFIL, ruled in June 2015, the Superior Court of Nanterre dismissed the request of the borrower for the nullity of the contract, the interest clause and the early repayment clause and confirmed the validity of the loan agreement until its maturity date.

The Court, however, found Dexia and CAFFIL to be liable in view of Dexia's failure to respect its duty of information and warning, which would have translated into a loss of opportunity for the borrower not to enter into the structured loan. The Court held that the compensation for this loss of opportunity should be based on a decrease of the interests to be paid by the borrower to the lender and ordered the compensation with the unpaid amounts due by the borrower.

This decision is being analysed in order to decide, together with CAFFIL, which further actions could be taken.

As to the structured loan litigations pending before German courts, Dexia Kommunalbank Deutschland obtained a favourable decision in first instance in one of the few proceedings pending. The city has filed an appeal against this decision and appeal proceedings are pending.

RATINGS

RATINGS AS AT 5 AUGUST 2015

	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	BBB+	Stable	F2
Moody's	Baa3	Stable	P-3
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA	-	F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+
Dexia Kommunalbank Deutschland (Pfandbriefe)			
Standard & Poor's	A	Stable	-

SHAREHOLDER INFORMATION

MAIN DEXIA SHAREHOLDERS AS AT 30 JUNE 2015

Percentage of existing shares in Dexia SA	
Belgian Federal Government through the Federal Holding and Investment Company	50.02%
French Government	44.40%
Institutional, individual and employee shareholding	5.58%

PRINCIPAL RELATED-PARTY TRANSACTIONS

There have not been any significant transactions with related parties during the first half-year 2015, to the exception of the 2013 guarantee agreement already mentioned and detailed in the Dexia annual report 2014 (Note 4.4. to the consolidated financial statements on page 125).

NUMBER OF SHARES

in millions of EUR	30/06/14	31/12/14	30/06/15
Number of shares	30,896,352,895	30,896,352,895	30,896,352,895
Of which class A shares	*1,948,984,474*	*1,948,984,474*	*1,948,984,474*
Of which own shares	*324,633*	*324,633*	*324,633*
Of which class B shares(1)	28,947,368,421	28,947,368,421	28,947,368,421
Subscription rights (warrants)(2)	52,320,688	42,088,083	32,096,802
Total number of shares and subcription rights(3)	**30,948,673,583**	**30,938,440,978**	**30,928,449,697**

(1) The description of class B shares is given in the Dexia annual report 2014.on page 133.
(2) Those amounts do not take into account the two warrants issued in the framework of the state guarantee in relation to the sale of FSA.
(3) For more details, consult the regulated information at *www.dexia.com*.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS *in millions of EUR*		30/06/14	31/12/14	30/06/15
I.	Cash and central banks	9,305	3,104	8,278
II.	Financial assets at fair value through profit or loss	20,593	24,215	22,032
III.	Hedging derivatives	7,030	8,374	6,802
IV.	Financial assets available for sale	29,307	26,641	23,685
V.	Interbank loans and advances	9,736	8,563	8,468
VI.	Customer loans and advances	128,463	135,311	132,360
VII.	Fair value revaluation of portfolio hedges	1,402	1,910	1,634
VIII.	Financial assets held to maturity	336	306	276
IX.	Current tax assets	188	32	32
X.	Deferred tax assets	39	41	32
XI.	Accruals and other assets	31,223	38,256	36,980
XII.	Non current assets held for sale	12	13	14
XV.	Tangible fixed assets	335	331	327
XVI.	Intangible assets	24	23	24
Total assets		**237,993**	**247,120**	**240,944**

LIABILITIES *in millions of EUR*		30/06/14	31/12/14	30/06/15
I.	Central banks	34,014	33,845	26,312
II.	Financial liabilities at fair value through profit or loss	21,572	25,731	23,872
III.	Hedging derivatives	26,997	33,832	30,250
IV.	Interbank borrowings and deposits	39,247	44,604	47,483
V.	Customer borrowings and deposits	8,770	7,958	8,594
VI.	Debt securities	95,272	89,518	92,755
VII.	Fair value revaluation of portfolio hedges	235	227	192
VIII.	Current tax liabilities	2	2	4
IX.	Deferred tax liabilities	124	152	175
X.	Accruals and other liabilities	6,778	7,272	6,579
XIII.	Provisions	336	353	369
XIV.	Subordinated debt	606	498	501
Total liabilities		**233,953**	**243,992**	**237,086**
XV.	Equity	**4,040**	**3,128**	**3,858**
XVI.	Equity, Group share	3,600	2,711	3,421
XVII.	Capital stock and related reserves(1)	2,486	2,486	2,486
XVIII.	Consolidated reserves(1)	7,470	7,470	6,864
XIX.	Gains and losses directly recognised in equity	(6,027)	(6,639)	(5,933)
XX.	Net result of the period	(329)	(606)	4
XXI.	Minority interests	440	417	437
Total liabilities and equity		**237,993**	**247,120**	**240,944**

(1) Figures as at 30 June 2014 have been restated to disclose the legal reserve in Capital stock and related reserves and no longer in Consolidated reserves

The notes on pages 30 to 40 are an integral part of these condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

in millions of EUR		30/06/14	30/06/15
I.	Interest income	5,841	5,475
II.	Interest expense	(5,762)	(5,346)
III.	Commission income	11	10
IV.	Commission expense	(15)	(8)
V.	Net gains (losses) on financial instruments at fair value through profit or loss	(195)	318
VI.	Net gains (losses) on financial assets available for sale	24	19
VII.	Other income	24	17
VIII.	Other expenses	(83)	(48)
IX.	**Net banking income**	**(155)**	**437**
X.	Operating expenses	(191)	(232)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(13)	(11)
XII.	**Gross operating income**	**(359)**	**194**
XIII.	Cost of risk	(41)	(160)
XIV.	**Operating income**	**(400)**	**34**
XVI.	Net gains (losses) on other assets	0	0
XVIII.	**Net result before tax**	**(400)**	**34**
XIX.	Income tax	(9)	(19)
XX.	Result from discontinued operations, net of tax	87	0
XXI.	**Net income**	**(322)**	**15**
XXII.	Minority interests	7	11
XXIII.	**Net income, group share**	**(329)**	**4**
Earnings per share, Group share *(in EUR)*			
	Basic	(0.17)	0.00
	- from continuing operations	*(0.21)*	*0.00*
	- from discontinued operations	*0.04*	*0.00*
	Diluted	(0.17)	0.00
	- from continuing operations	*(0.21)*	*0.00*
	- from discontinued operations	*0.04*	*0.00*

The notes on pages 30 to 40 are an integral part of these condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Some amounts may not add up due to roundings off.

	30/06/14			30/06/15		
in millions of EUR	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Net income			**(322)**			**15**
Elements reclassified or likely to be subsequently reclassified in net income						
- Cumulative translation adjustments	7		7	83		83
- Revaluation of financial assets available for sale or reclassified as loans and advances	644	5	649	433	(8)	425
- Revaluation of hedging derivatives	(245)	(4)	(249)	207		207
- Other comprehensive income from disposal groups held for sale	(1)		(1)			
Elements that will never be reclassified or likely to be subsequently reclassified in net income						
- Actuarial gains and losses on defined benefit plans	3		3			
- Actuarial gains and losses on defined benefit plans of disposal groups held for sale	4	(1)	3			
Total unrealised or deferred gains and losses through equity	**412**	**0**	**412**	**723**	**(8)**	**715**
Net result and unrealised or deferred gains and losses through equity			**90**			**730**
of which, Group share			114			710
of which, Minority interests			(24)			20
Net result and unrealised or deferred gains and losses through equity from continuing activities	**9**	**(8)**	**1**	**757**	**(27)**	**730**
of which, Group share			26			710
of which, Minority interests			(24)			20

The notes on pages 30 to 40 are an integral part of these condensed consolidated financial statements.

– CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2015 –

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock and related reserves				Consolidated Reserves	Gains and losses directly recognised in equity						Net income, Group share	Equity, Group share	Minority interests			Equity
in millions of EUR	Capital stock	Related reserves	Treasury shares	Total		Change in fair value of financial assets available for sale or reclassified as loans and advances, net of taxes	Change in fair value of cash flow hedges, net of taxes	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 recognised in equity	Total	
As at 31 December 2013	500	1,990	(4)	2,486	8,556	(5,482)	(935)	(1)	0	(53)	(6,471)	(1,083)	3,488	470	1	471	3,959
Movements during the period																	
- Appropriation of net income 2013					(1,083)							1,083	0				0
- Subtotal of shareholders related movements					**(1,083)**							**1,083**	**0**				**0**
- Translation adjustments						9	(5)			7	11		11		1	1	12
- Changes in fair value of financial assets available for sale, through equity						612					612		612		(35)	(35)	577
- Changes in fair value of derivatives through equity							(247)				(247)		(247)		3	3	(244)
- Changes in fair value of financial assets available for sale or reclassified as loans and advances, through profit or loss						64					64		64		(1)	(1)	63
- Changes in actuarial gains and losses on defined benefit plans									3		3		3				3
- Subtotal of changes in gains and losses directly recognized in equity						**685**	**(252)**		**3**	**7**	**443**		**443**		**(32)**	**(32)**	**411**
- Net income for the period												(329)	(329)	7		7	(322)
- Other variations(1)					(3)			1			1		(2)	(7)	1	(6)	(8)
As at 30 June 2014	**500**	**1,990**	**(4)**	**2,486**	**7,470**	**(4,797)**	**(1,187)**	**0**	**3**	**(46)**	**(6,027)**	**(329)**	**3,600**	**470**	**(30)**	**440**	**4,040**
As at 31 December 2014	**500**	**1,990**	**(4)**	**2,486**	**7,470**	**(5,216)**	**(1,450)**	**0**	**(5)**	**32**	**(6,639)**	**(606)**	**2,711**	**455**	**(38)**	**417**	**3,128**
Movements during the period																	
- Appropriation of net income 2014					(606)							606	0				0
- Subtotal of shareholders related movements					**(606)**							**606**	**0**				**0**
- Translation adjustments						(150)	(39)			75	(114)		(114)		8	8	(106)
- Changes in fair value of financial assets available for sale, through equity						432					432		432		2	2	434
- Changes in fair value of derivatives through equity							247				247		247				247
- Changes in fair value of financial assets available for sale or reclassified as loans and advances, through profit or loss						141					141		141		(1)	(1)	140
- Subtotal of changes in gains and losses directly recognized in equity						**423**	**208**			**75**	**706**		**706**		**9**	**9**	**715**
- Net income for the period												4	4	11		11	15
As at 30 June 2015	**500**	**1,990**	**(4)**	**2,486**	**6,864**	**(4,793)**	**(1,242)**	**0**	**(5)**	**107**	**(5,933)**	**4**	**3,421**	**466**	**(29)**	**437**	**3,858**

(1) Other variations are explained by the sale of Dexia Asset Management and particularly by the fact that its actuarial gains and losses on defined benefit plans are recognised in changes in core equity.

The notes on pages 30 to 40 are an integral part of these condensed consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in millions of EUR	30/06/14	30/06/15
Cash flow from operating activities		
Net income after income taxes	(322)	15
Adjustment for:		
- Depreciation , amortization and other impairment	14	10
- Impairment on bonds , equities, loans and other assets	(96)	264
- Net (gains) or losses on investments	(99)	(1)
- Charges for provisions	66	(105)
- Unrealised (gains) or losses	104	(430)
- Deferred taxes	(6)	23
Changes in operating assets and liabilities	8,268	4,259
Net cash provided (used) by operating activities	**7,929**	**4,035**
Cash flow from investing activities		
Purchase of fixed assets	(5)	(6)
Sale of fixed assets	(1)	0
Acquisitions of unconsolidated equity shares	0	(4)
Sales of unconsolidated equity shares	58	5
Sales of subsidiaries and of business units	340	0
Net cash provided (used) by investing activities	**392**	**(5)**
Cash flow from financing activities		
Reimbursement of subordinated debts	(31)	0
Net cash provided (used) by financing activities	**(31)**	**0**
Net cash provided	**8,290**	**4,030**
Cash and cash equivalents at the beginning of the period	**2,848**	**5,133**
Cash flow from operating activities	7,929	4,035
Cash flow from investing activities	392	(5)
Cash flow from financing activities	(31)	0
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	34	219
Cash and cash equivalents at the end of the period	**11,172**	**9,382**
Additional information		
Income tax paid	(14)	2
Dividends received	1	1
Interest received	6,247	5,728
Interest paid	(6,232)	(6,001)

The notes on pages 30 to 40 are an integral part of these condensed consolidated financial statements.

NOTE I. ACCOUNTING PRINCIPLES AND RULES GOVERNING THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CHANGES IN SCOPE OF CONSOLIDATION – SIGNIFICANT EVENTS OF H1 2015

ACCOUNTING PRINCIPLES AND RULES GOVERNING THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

General information

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

These condensed consolidated financial statements were authorised for issue by the Board of Directors on 5 August 2015.

Accounting policies

The principal accounting policies adopted in the preparation of these condensed 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. Basis of accounting

Dexia's condensed consolidated financial statements have been prepared in accordance with IFRS endorsed by the European Commission up to 30 June 2015.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as those used in the preparation of the 2014 annual financial statements, except for the elements stated in the section 2. "Changes in accounting policies since the previous annual publication that may impact Dexia Group".

In particular, interim financial statements have been prepared and presented in accordance with IAS 34 "Interim Financial Reporting" which provides for condensed set of financial statements and measurements for interim reporting purposes made on a year-to-date basis.

Like as at 31 December 2014, the Dexia SA condensed consolidated financial statements as at 30 June 2015 were established 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 is based on market environment observed at the end of September 2012. The underlying macroeconomic assumptions are revised semi-annually.
  In particular, the end of 2014 review of the plan takes account of the evolution of the interest and foreign exchange rate parameters based on market conditions observed as at 31 December 2014 and reflects the Group's active balance sheet management, particularly the successful execution of the funding programme, resulting in a positive evolution of the net interest margin. The plan revision also incorporates regulatory developments to date, such as the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard, and the impact of using an OIS curve for OTC derivatives valuation. Finally, the revised plan takes into account the Group's decision to increase the use of market data for the valuation of illiquid securities classified as assets available for sale and for the calculation of the Credit Valuation Adjustment (CVA).
  The revised business plan was approved by the Dexia Board of Directors on 20 April 2015. While it contains adjustments to the plan originally validated, the resolution trajectory in the revised plan remains unchanged over the long term.
- The plan assumes maintaining various local banking licences. Dexia Crédit Local ratings are also assumed to remain at current levels.
- It relies, moreover, on a robust funding programme based on Dexia's ability to issue debt guaranteed by Belgium, France and Luxembourg and to raise secured funding.
  In this context, the Group's ability to tap markets at a lower cost and for longer maturities than forecast in the original plan, had a positive effect on the funding mix in H1 2015. These positive developments enabled the Group to reduce reliance on central bank funding and to repay significant maturities at the end of 2014 and the beginning of 2015.
  Some uncertainties remain however over the resolution period, in

the implementation of the business plan due to the potential impact of new 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 the resolution process. For instance, the Group orderly resolution crystallised a funding structure heavily dependent on market and central bank funding, since Dexia no longer has retail franchises and is unable to increase its deposit base. This will be reflected in the future level of the Liquidity Coverage Ratio (LCR). The business plan remains exposed to the evolution of the macroeconomic environment. A 10 basis point decline in interest rates over the entire curve could result in an increase of EUR 1.1 billion in the Group's liquidity requirement over the next two years due to higher cash collateral[1] needs. Similarly, a less optimistic rating environment and/or the widening of credit spreads could also have a negative impact on the income statement and available liquidity reserves and may increase regulatory capital requirements.

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

The most recent update of the business plan reflects surplus liquidity over the life of the plan. However, at the end of 2014 and the beginning of 2015, the Group's liquidity requirement increased dramatically, mainly due to the high levels of cash collateral posting to market counterparties. This growing liquidity requirement was offset by sustained issuance of long-term government-guaranteed debt and secured funding in H1 2015 and the increase of interest rates in Q2 2015 resulted in lower funding requirement over the period.

The next review of the plan, based on market conditions observed as at 30 June 2015, will incorporate the impact of prudential and accounting developments implemented by Dexia at that date.

In preparing the condensed consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. In order to make these assumptions and estimates, management uses the information available at the date of preparation of financial statements and exercises its judgment. While management believes it has considered all available information when making these assumptions, actual results may differ from such estimates and the differences may have a material impact on 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;
- 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;
- determination of fair value for financial instruments measured at fair value by means of valuation techniques;
- determination on whether Dexia controls the investee, including structured entities (IFRS 10);
- identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5);
- hedge accounting;
- existence of a present obligation with probable outflows in the context of litigations;
- identification of impairment triggers.

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;
- the measurement of hedge effectiveness in hedging relations;
- determination of the market value correction to adjust for market value and model uncertainty;
- determination of the useful life and the residual value of property, plant and equipment, and intangible assets;
- actuarial assumptions related to the measurement of employee benefits obligations and plan assets;
- estimate of future taxable profit for the recognition and measurement of deferred tax assets;

As mentioned in the note Significant events of H1 2015, 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 adjustment under IFRS 13 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.

The condensed consolidated financial statements are stated in millions of euros (EUR) unless otherwise stated.

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

2. Changes in accounting policies since the previous annual publication that may impact Dexia Group

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 voluntary multiannual contribution to the support funds to local authorities and hospitals in France. The impacts resulting from the application of IFRIC 21 are disclosed in the note Significant events of H1 2015.

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 30 June 2014 is not material.

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

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 cycle", 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.

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

None.

3. Changes in presentation of consolidated financial statements of Dexia SA

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

As a reminder, since 1 January 2013, the consolidated financial statements of Dexia SA have been prepared in accordance with the ANC 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.

CHANGES IN SCOPE OF CONSOLIDATION

As at 30 June 2014

In Q1 2014, Dexia completed all disposals required by the orderly resolution plan validated by the European Commission. On 3 February 2014, Dexia sold all its shares in Dexia Asset Management (DAM) to New York Life Investments, at a profit of EUR 69 million. The Group also completed the sale of its 40% stake in Popular Banca Privada to Banco Popular Espanol with a capital gain of EUR 21 million.

As at 30 June 2015

There wasn't any significant variation in the scope of consolidation.

SIGNIFICANT EVENTS OF H1 2015

- The *Net gains and losses on financial instruments at fair value through profit or loss*, at EUR + 318 million, benefit from 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). These elements are partially offset by the evolution of own credit risk (OCR) and by the impact of the first-time application of a Funding Valuation Adjustment (FVA) of EUR – 140 million. Indeed, in line with the IFRS 13 accounting standard and market practice, the Dexia Group developed a methodology to calculate a Funding Valuation Adjustment (FVA) as from June 2015 intended to take account of the funding costs associated with its uncollateralised derivative positions.
  As these uncollateralized 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.
- As at 30 June 2015, the Group booked in Operating expenses its first annual contribution, estimated at EUR -21 million, to the Single Resolution Fund, set up by the European Authorities in the framework of the Single Supervisory Mechanism. The Group also booked EUR -14 million in relation with the annual tax for systemic risk. Being due on a yearly basis, those expenses are considered as recurrent.
  Aside this, the Group took a EUR -28 million provision covering its total voluntary multiannual contribution to the support funds to local authorities and hospitals in France.
  All those levies and contributions were booked in compliance with the IFRIC 21 "Levies" accounting standard, applied by Dexia since 1st January 2015.
- The *Cost of risk* is impacted by the provision of the exposures on Heta Asset Resolution AG (HETA) for an amount of EUR - 176 million following the decree published on 1st March 2015 by the Austrian Financial Market Authority in the framework of the Federal Law on bank stabilisation and resolution. This decree announces the adoption of resolution measures consisting of a temporary moratorium until 31 May 2016 on a substantial portion of the debt (capital and interest) of Heta Asset Resolution AG.

NOTE II. SEGMENT REPORTING

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 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.

NOTE III. EXCHANGE RATES

EXCHANGE RATES

		Closing rate			Average rate	
		30/06/14	31/12/14	30/06/15	30/06/14	30/06/15
US dollar	USD	1.3680	1.2126	1.1183	1.3710	1.1101

NOTE IV. FAIR VALUE

Some amounts may not add up due to roundings off.

FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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.

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:

2.1. Financial instruments measured at fair value (held for trading, fair value option, available for sale, derivatives)

Financial instruments measured at fair value for which reliable quoted market prices are available

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques

Financial instruments for which no quoted market prices are available in an active market are valued by means of valuation techniques.

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

In order to comply with IFRS 13, applicable as from 1 January 2013, and to be in line with market practices, Dexia 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.

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,…).

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.

2.3. Financial instruments classified in HTM and L&R since inception and liabilities

Loans and Receivables, including mortgages loans, and liabilities are valued based on the following valuation principles

General principles

The carrying amount of loans maturing within 12 months is assumed to reflect their fair value.

For bonds classified in HTM and L&R since inception and for liabilities, the valuation is done as for bonds classified in AFS.

The valuation of loans classified in L&R or borrowing liabilities is based on in-house developed valuation models. For this model price, Dexia uses a discount cash-flow model, based on a spread that incorporates both CDS/credit spread and cash/CDS basis. The credit spread is estimated from the security specific characteristics (sector, rating, Loss Given Default, …) and from the level of some liquid CDS indices. A cash/CDS component is added to the credit component to obtain the cash instruments spread.

Dexia will improve its models in the next periods in order to maximise the use of observable market data.

Interest rate part

The fair value of fixed-rate loans or liabilities and mortgages reflects interest rate movements since inception.

Embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables or liabilities.

The fair value of variable-rate loans or liabilities is assumed to be approximated by their carrying amounts.

Credit risk part

Credit spreads changes since inception are reflected in the fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables compare fair value with carrying amount of financial instruments not measured at fair value.

In accordance with our validation rules, fair value is equal to accounting value for some kinds of items.

FAIR VALUE OF FINANCIAL INSTRUMENTS

	31/12/14			30/06/15		
in millions of EUR	Carrying amount	Fair value	Unrecognised fair value adjustment	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	3,104	3,104	0	8,278	8,278	0
Interbank loans and advances	8,563	8,280	(283)	8,468	8,052	(416)
Customer loans and advances	135,311	129,950	(5,362)	132,360	126,957	(5,403)
Financial assets held to maturity	306	322	16	276	291	15
Central banks	33,845	33,845	0	26,312	26,312	0
Interbank borrowings and deposits	44,604	44,597	(8)	47,483	47,447	(36)
Customer borrowings and deposits	7,958	7,945	(13)	8,594	8,650	56
Debt securities	89,518	90,469	951	92,755	93,287	532
Subordinated debt	498	494	(4)	501	500	(1)

ANALYSIS OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide an analysis of assets and liabilities than are measured subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The fair value measurement is recurring. The non-recurring fair value measurement is not significant for Dexia.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (RECURRENT MEASUREMENT)

	31/12/14				30/06/15			
in millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and securities held for trading			1,787	1,787			1,642	1,642
Financial assets designated at fair value – equities	1			1	1			1
Financial assets designated at fair value – bonds and other fixed-income instruments			27	27			6	6
Derivatives held for trading		19,958	2,442	22,400		16,687	3,696	20,383
Hedging derivatives		7,138	1,236	8,374		5,537	1,265	6,802
Financial assets available for sale – bonds	14,091	9,687	2,604	26,381	20,396	627	2,375	23,398
Financial assets available for sale – equities	117		143	260	114	6	168	288
Total	**14,209**	**36,783**	**8,239**	**59,230**	**20,510**	**22,857**	**9,152**	**52,519**

FAIR VALUE MEASUREMENT OF FINANCIAL LIABILITIES (RECURRENT MEASUREMENT)

	31/12/14				30/06/15			
in millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	1	1,417	805	2,222	1	1,513	515	2,029
Derivatives held for trading		21,652	1,857	23,509		17,862	3,982	21,843
Hedging derivatives		24,166	9,666	33,832		18,936	11,314	30,250
Total	**1**	**47,235**	**12,328**	**59,563**	**1**	**38,311**	**15,810**	**54,122**

TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

The following tables disclose the amounts of transfers between Level 1 and Level 2 of the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

FINANCIAL ASSETS

	31/12/14		30/06/15	
in millions of EUR	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		7,344
Financial assets available for sale – equities		69		
Total financial assets	**504**	**7,177**		**7,344**

Since 30 September 2014, after performing an analysis of the European Central Bank's recommendations following the asset quality review, Dexia has decided to discontinue the use of external and internal data in its valuation methods and to maximise the use of external market data.

As such, assets previously valued partially with internal data are now valued using only external market data. As a consequence, there were transfers between levels 1 and 2.

The transfers from level 2 to level 1 in 2015 are explained by the recovery of liquidity on the markets, in particular on Spanish covered bonds.

ANALYSIS OF THE EVOLUTION OF LEVEL 3

	30/06/14									
in millions of EUR	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	1,774	34				(20)			56	1,844
Financial assets designated at fair value – bonds and other fixed-income instruments	27	,								27
Derivatives held for trading	1,419	130	,	3			560	(9)	19	2,122
Hedging derivatives	653	75		2			65	(39)		756
Financial assets available for sale – bonds	7,297	74	195	142	(50)	(298)	10		57	7,427
Financial assets available for sale – equities	274	(6)	(134)							134
Total financial assets	**11,444**	**307**	**61**	**147**	**(50)**	**(318)**	**635**	**(48)**	**132**	**12,310**
Financial liabilities designated at fair value	1,097					(192)			9	914
Derivatives held for trading	1,122	(6)		2			436	(3)	6	1,557
Hedging derivatives	1,418	29					2,995	(17)	12	4,437
Total financial liabilities	**3,637**	**23**		**2**		**(192)**	**3,431**	**(20)**	**27**	**6,908**

(1) Dexia regularly reviews its methodologies of valuation of assets, liabilities and derivatives. Some derivatives considered as level 2 in the past have been reassessed as level 3 as the market parameters used in the models are no longer considered as enough liquid and observable. If the impact of using those illiquid or unobservable parameters is immaterial so that the models are considered as reliable, the derivatives can be considered as level 2. In our case, the impact has been considered as material. Therefore, transfers were recorded in this period. Impact in trading derivatives assets and liabilities are offsetting themselves, as the economic positions are nearly closed. However, due to large positions in long term loans and bonds, hedging derivatives are also very long and therefore were subject to reassessment based on the new methodologies put in place.

(2) Other movements include notably the impact of changes in exchange rates during the year

	30/06/15									
in millions of EUR	Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/losses	Purchase	Sale	Settlement	Transfer into level 3	Transfer out of level 3	Other movements[(1)]	Closing
Loans and securities held for trading	1,787				(267)	(21)			143	1,642
Financial assets designated at fair value – bonds and other fixed-income instruments	27	(1)				(20)				6
Derivatives held for trading	2,442	55					1,097	(8)	110	3,696
Hedging derivatives	1,236	(83)					162	(51)	1	1,265
Financial assets available for sale – bonds	2,604	(70)	(29)	28	(58)	(132)	317	(419)	134	2,375
Financial assets available for sale – equities	143	(3)	15		(1)				14	168
Total financial assets	**8,238**	**(101)**	**(14)**	**28**	**(327)**	**(173)**	**1,575**	**(478)**	**403**	**9,153**
Financial liabilities designated at fair value	805	(39)				(319)			69	515
Derivatives held for trading	1,857	175					1,884	(3)	69	3,982
Hedging derivatives	9,666	(887)					2,309	(207)	433	11,314
Total financial liabilities	**12,328**	**(751)**				**(319)**	**4,193**	**(210)**	**570**	**15,811**

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

SENSITIVITY OF LEVEL 3 VALUATIONS TO ALTERNATIVE ASSUMPTIONS

The detail of sensitivity of level 3 valuations to alternative assumptions Is presented in note 7.1.f of the Annual Report 2014.

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 29,4 million and a negative impact of EUR -29,4 million for June 2015, while in June 2014, it was estimated between a positive impact of EUR 152 million and a negative impact of EUR – 45 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 June 2015, the positive impact (unwinds cost of 2014) is EUR 6,1 million whereas the negative impact (unwinds cost of 2011) gives an impact of EUR -24,6 million. For June 2014, the positive impact (unwinds cost of 2009) was EUR 5.8 million whereas the negative impact (unwinds cost of 2011) gave an impact of EUR -32.6 million.

The impact of the credit spreads alternative assumptions on Dexia credit derivatives is estimated at EUR 23,6 million (positive scenario) versus EUR -25 million (negative scenario) before tax, while in June 2014, it was estimated at EUR 2.5 million (positive scenario) versus EUR -2.4 million (negative scenario).

DIFFERENCE BETWEEN TRANSACTION PRICES AND MODELLED VALUES (DEFERRED DAY ONE PROFIT)

No amounts were recognised as deferred Day one Profit (DOP) as at 30 June 2015, nor as at 30 June 2014.

NOTE V. RELATED-PARTY TRANSACTIONS

We refer to the Management Report, page 22 and to the note 4.4. Related-party transactions of the Dexia’s annual report 2014.

NOTE VI. LITIGATIONS

We refer to the Management Report, page 20.

CERTIFICATE FROM THE RESPONSIBLE PERSON

The Board of Directors certifies, in the name and on behalf of the company, that to its knowledge:

a) the condensed consolidated financial statements, established in accordance with applicable accounting standards, present an accurate picture of the assets, the financial situation and the earnings of the company and the businesses included in the consolidation;
b) the management report contains a true statement of the information which must appear therein in accordance with applicable regulations.

Brussels, 12 August 2015

Karel De Boeck
Chief Executive Officer and Chairman of the Management Board
Dexia SA

REPORT ON REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes I to VI related thereto (jointly the "consolidated interim financial information") of Dexia SA (the "company") and its subsidiaries (jointly the "group") as of 30 June 2015 and for the period of six months then ended, as included in the Financial Report H1 2015 of Dexia SA on pages 23 to 40.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Dexia SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

The consolidated balance sheet shows total assets of 240,944 million EUR and the consolidated statement of income shows a consolidated profit (group share) for the period then ended of 4 million EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Dexia SA has not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Emphasis of Matter Paragraph on the application of the valuation rules in going concern

Without modifying the above conclusion, we draw your attention to Note 1 "*Accounting principles and rules governing the condensed consolidated financial statements – Changes in scope of consolidation – Significant events of H1 2015*" of the consolidated interim financial information on pages 30 to 33 of the Financial Report H1 2015 which states that the condensed consolidated financial statements of Dexia SA as at 30 June 2015 have been prepared in accordance with the accounting rules applicable to a going concern.

The justification of the going concern assumption is supported by a business plan which initial version served as the basis for the establishment of the resolution plan for the Dexia group which was validated by the European Commission on 28 December 2012. This business plan has been revised and ratified by the group's Board of Directors on 20 April 2015 and takes into account, 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 20 April 2015 and based on the latest observable market conditions at that date. The revised plan also incorporates regulatory and accounting developments to date, such as the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard, the impact of using an OIS curve for OTC derivatives valuation and takes into account the group's decision to increase the use of market data for the valuation of illiquid securities classified as assets available for sale and for the calculation of the Credit Valuation Adjustment (CVA). A new update of the plan will be performed in the 2nd semester 2015.
- The business plan assumes that the different entities maintain their banking licence. It also relies on the maintenance of the rating of Dexia Crédit Local SA.
- The business plan relies on a robust funding programme based on Dexia's ability to issue debt guaranteed by Belgium, France and Luxembourg and to raise secured funding. In this context, the group's ability to tap markets at a lower cost and for longer maturities than forecast in the original plan, had a positive effect on the funding mix in H1 2015. These positive developments enabled the group to reduce reliance on central bank funding and to repay significant maturities at the end of 2014 and the beginning of 2015. If market demand for government-guaranteed debt decreases, Dexia may need to tap more costly funding sources which could have a negative impact on the profitability assumed in the original business plan. 2015 and 2016 may be challenging in light of a more volatile foreign exchange environment and very low interest rates.
- 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 (particularly the LCR – Liquidity Coverage Ratio) during the resolution process.

With respect to the realization 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 main assumptions described in Note 1 on page 30 and 31 of the consolidated interim financial information of the Financial Report H1 2015. 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.

Diegem, 13 August 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
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FINANCIAL CALENDAR

DATES	EVENTS
20 November 2015	Results publication – 30 September 2015
19 February 2016	Results publication – 31 December 2015
18 May 2016	Ordinary Shareholders' Meeting for the year 2015
18 May 2016	Results publication – 31 March 2016

Dexia's Financial Report H1 2015 has been published by the Financial Communication Department. This report is also available in Dutch and French. In case of discrepancy between the English, the French and the Dutch versions of the Financial Report, the text of the French version shall prevail.