Annual report 2013

Management report

Message from the chairmen

Dear shareholders,

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

Disposals and split-ups

During the past year, we actively pursued the disposal programme of the commercial entities as established in the orderly resolution plan. Société de Financement Local (SFIL), a spin-off of Dexia Crédit Local, was sold, contributing to the creation of a new funding mechanism for the local public sector in France. In addition, with the disposals of insurance broker Sofaxis, Dexia Bail, and Dexia Asset Management (DAM), finalised in January 2014, and the sale of Dexia SA's interest in Popular Banca Privada on 19 February 2014, we have completed the disposal programme imposed by the European Commission. In total, these efforts, combined with the natural amortisation of assets, have reduced Dexia's balance sheet by EUR 134 billion in 2013.

The disposals involved an extensive undertaking to "dismantle" the activities that were previously performed by various subsidiaries. The short-term secured financing (repo) business, previously carried out by the bank in Belgium, now Belfius Bank, needed to be recreated– rebuilding teams, information systems and a business framework that allows us to reestablish partnerships with financial counterparties. Similarly, the separation of Dexia Crédit Local's (DCL) French activities into two entities–DCL which is in resolution and SFIL which is intended to ensure the long-term viability of a new funding mechanism for local authorities– has been a complex process, requiring the duplication of teams and information systems, and resulting in the relocation of more than 260 employees so far and which will likely take several quarters.

Run-off balance sheet management and refinancing

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

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

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

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

Integration and restructuring

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

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

Robert de Metz
Chairman of the Board of Directors

Karel De Boeck
Chief Executive Officer

Group profile

Dexia is a European banking group managed in orderly resolution since the end of 2011. The Group is 94.4% owned by the Belgian and French States since end 2012, when Dexia SA executed a capital increase subscribed by these States.
The Group's parent company, Dexia SA, is a public limited company (société anonyme) and financial company governed by Belgian law whose shares are listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange.

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

As a result of the resolution, Dexia no longer has any commercial activities and the Group has disposed of the majority of its operating entities, thus shrinking its balance sheet of EUR 413 billion at end 2011 to EUR 223 billion at end 2013, which represents a reduction of EUR 190 billion. The orderly resolution of the Group will have to be managed on the long term given the maturity profile of its assets. As the portfolio is protected against the evolution of interest rates, the sale of assets would cause the unwinding of the hedging operations which could in turn reveal to be costly. In this perspective, the orderly resolution plan sets out a trajectory for the asset portfolio to be gradually reduced to around EUR 91 billion by end 2020 and EUR 15 billion by 2038.

Having completed all the planned disposals, the Group's scope has converged towards a target scope corresponding to Dexia SA and its subsidiary Dexia Crédit Local, which houses the vast majority of the Group's assets. Dexia Crédit Local is the Group's main operating entity and issuer, in particular as the beneficiary of the Group's funding guarantee granted by the Belgian, French and Luxembourg States. It is established in France, where it has a banking licence, and has an international presence through its branches in Ireland and the United States and its subsidiaries in Germany, in Spain, in Italy, in the UK and in Israel. Dexia Sabadell, Dexia Crédit Local's Spanish subsidiary, also has a branch in Portugal.
Dexia SA's and Dexia Crédit Local's governance structures have been simplified and integrated, with the members of Dexia SA's Management Board and Board of Directors also being members of Dexia Crédit Local's Management Board and Board of Directors.

At 31 December 2013, the Group's asset portfolio is composed of 86% investment grade assets and reflects Dexia Crédit Local's former positioning as a leader in the local public sector and project finance, with a major focus on the local public sectors in Europe and the United States, and more marginally on European sovereigns and project finance.

The sale of all the commercial franchises planned under the Group's orderly resolution plan, allows Dexia to concentrate now fully on its mission of managing its residual assets over time while seeking to protect the interests of the Group's State shareholders and guarantors. To meet this objective, the Group will need to maintain its ability to refinance its balance sheet and preserve its capital base by cautiously managing its portfolio, carefully monitoring risks and reducing its cost base. At the same time, Dexia will be careful to maintain operational continuity in managing its balance sheet by retaining the necessary expertise and resources and developing as good as possible its information systems.

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

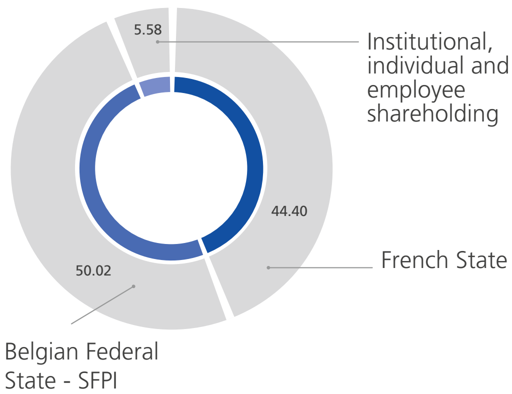
SIMPLIFIED GROUP STRUCTURE

Dexia SA

- Dexia Crédit Local **100%**
  - Dexia Crediop **70%**
  - Dexia Sabadell **100%** [(2)]
  - Dexia Kommunalbank Deutschland **100%**
- Dexia Asset Management [(1)] **100%**

[(1)] Entity sold on 3 February 2014. See press release published at that date, page 13 of the chapter Highlights and note 1.5. "Post-balance-sheet events" page 108 in this annual report.
[(2)] See page 12 in the chapter Highlights and note 2.1. "Significant changes in scope of consolidation" page 112 of the annual report 2012 available on the internet site www.dexia.com

DEXIA SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2013 (IN %)



MEMBERS OF STAFF AS AT 31 DECEMBER 2013

Country	Dexia SA scope (as at 31 December 2013)	Dexia SA scope without Dexia Asset Management (sold on 3 February 2014)
France	896	766
Belgium	324	83
Italy	193	188
United States	143	143
Germany	85	80
Spain	35	31
Ireland	31	31
Other countries	178	71
TOTAL	**1,885**	**1,393**

RESULTS(1) - ANC FORMAT (in millions of EUR)	2011	2012	2013
Net banking income	(608)	(807)	(474)
Costs	(521)	(556)	(401)
Gross operating income	(1,135)	(1,363)	(875)
Net income Group share	(11,639)	(2,866)	(1,083)
Of which net income Group share from continuing operations	(6,807)	(1,697)	(957)

(1) The presentation of the accounts changed from the Dexia Scheme to the presentation in the ANC scheme (Autorité des Normes Comptables). See Note 1.1.2.4. page 94 and mapping tables of Note 9, page 179 of this report.
(2) In accordance with IFRS 5, figures as at 31/12/2011 and 31/12/2012 have been restated to disclose separately the result from ADTS, classified in discontinued operations.

BALANCE SHEET(1) - ANC FORMAT (in billions of EUR)	31/12/11	31/12/12	31/12/13
Balance-sheet total	**412.8**	**357.2**	**222.9**

(1) The presentation of the accounts changed from the Dexia Scheme to the presentation in the ANC scheme (Autorité des Normes Comptables). See Note 1.1.2.4. page 94 and mapping tables of Note 9, page 179 of this report.

SOLVENCY	2011	2012	2013
Regulatory capital (in millions of EUR)	8,589	11,535	10,617
Tier 1 capital (in millions of EUR)	6,305	10,989	10,150
Weighted risks ((in millions of EUR)	83,374	55,321	47,335
Tier 1 ratio	7.6%	19.9%	21.4%
Capital adequacy ratio	10.3%	20.9%	22.4%

QUALITY OF RISKS	2011	2012	2013
Impaired loans and advances to customers (in millions of EUR)	2,534	1,676	1,391
Specific impairments on loans and advances to customers (in millions of EUR)	1,594	405	545
Assets quality ratio(1)	1.1%	0.9%	1.2%
Coverage ratio(2)	62.9%	24.2% (3)	39.2%

(1) The ratio between the impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(2) The ratio between the specific impairments on loans and advances to customers and the impaired loans and advances to customers
(3) The change in cover ratio between 2011 and 2012 is due to the exit of DenizBank and Banque Internationale à Luxembourg from the group's perimeter.

DATA PER SHARE (in EUR)	2011	2012	2013
Earnings per share (1)	(5.97)	(1.47)	(0.56)
Gross dividend	- (4)	- (5)	- (6)
Net assets (2)	3.89	0.35	0.32
Pay-out ratio (in %) (3)	- (4)	- (5)	- (6)

(1) The ratio between the net income Group share and the average weighted number of ordinary shares (undiluted for the years under IFRS as adopted by EU).
(2) The ratio between the core shareholders' equity and the number of shares (including preferential shares, after deduction of treasury shares) at the end of the period.
(3) The ratio between the total dividend and the net income Group share.
(4) No dividend was paid for the 2011 financial year.
(5) No dividend was paid for the 2012 financial year.
(6) No distribution of dividends will be proposed at the Ordinary Shareholder's Meeting of 14 May 2014.

RATINGS AS AT 28 MARCH 2014	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	A+	Negative outlook	F1
Moody's	Baa2	Negative outlook	P-2
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (debt guaranteed by the Belgian, French and Luxembourg States)			
Fitch	AA	-	F2+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+
Dexia Kommunalbank Deutschland (Pfandbriefe)			
Standard & Poor's	A	Stable	-
Dexia LDG Banque (lettres de gage)			
Standard & Poor's	BBB	Stable	A-2

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

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

In order to adapt the Group to its new context, we launched a "Company Project" in May 2013 aimed at clarifying the Group's strategic objectives and defining the governance and operating model best suited to efficiently implement the resolution plan approved by the European Commission.
Responsibility for implementing the Company Project has been given to a "Transformation" team, which manages four transversal work streams, described below:
• Define the mission, strategic objectives and associated key performance indicators;
• Adapt the operational model: analyse the key principles of the new organisation, with particular focus on the new structure, key processes, and interactions between head office and individual entities, as well as on ways to simplify the corporate governance and the associated system of committees and delegated authorities;
• Overhaul information systems: define the target information systems architecture, taking into account current infrastructure and applications as well as the future needs of the various business lines and support functions;
• Social mission, communication and change management: manage the transformation process resulting from the "Company Project" by focusing on the alignment of the strategy, human resource management tools and the new values defined for the Group. This work stream's objective is to ensure that the various stakeholders receive high-quality, relevant information, as well as to maintain an active dialogue with the different social partners during the change process.

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

Mission, strategic objectives and key performance indicators

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

Consequently, the Group's strategic priorities have been aligned with this new mission:
• Funding capacity: as an issuer benefiting from a State guarantee, Dexia Crédit Local will be assured of its funding capacity during the orderly resolution of the Group;
• Operational continuity: Dexia and Dexia Crédit Local will work to avoid operational discontinuities during the implementation of the resolution plan;
• Solvency: Dexia and Dexia Crédit Local will make the necessary efforts to protect their capital base in order to meet the minimum regulatory and legal solvency requirements.

Adapting the business model

In line with its new mission and in order achieve its strategic objectives, the Dexia Group has changed its operational structure and governance in accordance with the following principles:
• Simplification of the organisational framework of business lines, control functions and support functions in order to facilitate dialogue among them;
• Clear relationship between head office and the Group's subsidiaries and branches;
• Organisational flexibility: while remaining robust, the organisational structure will need to adapt to changes in the size of the Group, allow economies of scale and provide cost management flexibility.

Based on these principles, Dexia has decided to make the following changes to its structure::

- Create a business line responsible for managing the assets and tracking client relationships that will include Front Office functions and Middle Office activities. This business line, named **"Assets"**, will consist of team members originally employed in the Risk and Treasury and Financial Markets groups;
- Create a **"Funding and Markets"** business line whose purpose will be to ensure and optimise funding for the Group, monitor derivatives portfolios and execute market transactions with market counterparties;
- Create a **"Product Control"** business line within the Finance department, which combines the functions of Markets Middle Office, responsible for the day-to-day monitoring of operations and data production (including analysis, economic value calculation and reporting), with those of teams currently working in Risk, Finance and Operations departments;
- Refocus the **Risk** division on its core control functions, involving the transferring out of certain team members that manage assets and Markets Middle Office activities. In addition, the permanent control function will form part of the Compliance department reporting to the General Secretary, and teams responsible for the validation of risk models will report to the General Auditor.

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

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

Overhauling information systems

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

- Applications and general infrastructure: the Group will ensure the operational continuity of the necessary applications and infrastructure in a cost-effective manner. With this in mind, we will be replacing Dexia Crédit Local's current ALM tool and have begun feasibility studies focused on the centralisation of the IT platforms associated with market transactions and lending operations;
- Data management: the Group will adapt the architecture of its databases, as well as the data available, in order to meet the needs of the various users, both upstream and downstream. Specifically, we are retooling databases maintained by the Finance and Risk activity lines in order to strengthen data quality and consistency, and have launched a study to explore merging and simplifiying databases within the Group.

Social strategy, communication and change management

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

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

Highlights

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

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

Signing of a tripartite funding guarantee agreement

Within the framework of the Group's orderly resolution plan, a funding guarantee was granted to Dexia by the three Belgian, French and Luxembourg States and came into force on 24 January 2013. This guarantee allows Dexia Crédit Local to raise financing with a maximum maturity of 10 years and this until 31 December 2021, in order to give the Group the possibility to carry its assets at the long term. The guarantee replaces the 2011 guarantee scheme in relation to new securities issued under guarantee. The 2013 guarantee mechanism covers amounts up to EUR 85 billion in principal over the short and long term[1].

The remuneration of the 2013 guarantee has been set at 5 basis points per year, enabling Dexia Group to achieve a significant reduction of its funding costs.

The short and long-term debt guarantee programs for Dexia Crédit Local are rated respectively at A-1+ and AA by Standard & Poor's, at F1+ and AA by Fitch Ratings and at P1 an Aa3 with negative outlook by Moody's, reflecting the outlook for the sovereign Belgium, the main guarantor.

The guarantee has been validated by the parliaments of all three States. Following challenges regarding the validity of the initial approval process, a reparation law was published on 28 June 2013, in Belgium, containing measures for legislative ratification of the Royal Decrees authorising the grant of the State guarantees to Dexia (see page 40 of this annual report).

After putting in place dedicated EMTN and USMTN issue programs, Dexia launched its inaugural guaranteed long-term euro issue on 2 July 2013, with a maturity of three years. Two other issues were carried out in 2013: a three-year US dollar issue and a five-year euro issue. All three issues were well-received by the market. At the same time, the Group launched its certificates of deposit programme in the euro-zone and its commercial paper programme in the United States. The increased issuance of guaranteed funding enabled Dexia to significantly reduce its reliance on central bank funding in 2013. Changes in the Group's liquidity structure are set out in the "Information on capital and liquidity" section on page 47 of this annual report.

Convergence of the Group to its target scope

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

The orderly resolution plan provides for the disposal of the main entities and commercial franchises considered to be viable, in order to enable them to continue their development. Following on from 2012, Dexia Group continued to sell its commercial franchises, to meet the undertakings made:

• On 31 January 2013, Dexia finalised the sale of the Société de Financement Local (SFIL), a proprietary holding of the Caisse Française de Financement Local (CAFFIL, formerly Dexia Municipal Agency (DMA)) to the French State as the majority shareholder, the Caisse des Dépôts and the Banque Postale for an amount of 1 euro[2]. As SFIL was the leading franchise of the Group in terms of public sector finance, this sale was a decisive step towards the implementation of Dexia's orderly resolution plan and lead to a redefinition of the local public sector finance regime in France. It generated a total loss of EUR 1,849 million for the Group, booked over the years 2011 for an amount of EUR -1,068 million, 2012 for an amount of EUR -638 million and 2013 for an amount of EUR -142 million. Furthermore, an adjustment of EUR +129 million (after taxes) was booked directly in the equity in 2013, following the application of the IAS 8 accounting standard ;

• On 28 March 2013, Dexia sold Dexia Kommunalkredit Bank Polska, the Polish subsidiary of Dexia Kommunalkredit Bank, to Getin Noble resulting in a loss of EUR -9.5 million;

• On 2 April 2013, Dexia finalised the sale of Dexia Bail, a 100% subsidiary of Dexia Crédit Local, to a company controlled by Sofimar resulting in a loss of EUR -20 million;

• On 30 September 2013, Dexia finalised the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT) for a fixed price of EUR 136 million. This sale generated a gain of EUR 64 million in the 2013 consolidated accounts of Dexia SA;

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

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

• On 6 September 2013, Dexia finalised the sale of its holding in Public Location Longue Durée (Public LLD) to Arval Service Lease, resulting in a gain of EUR 50 000. Public LLD was held 49% by Dexia Crédit Local and specialised in car leasing to public organisations and associations ;
• On 3 February 2014, Dexia sold all of its shares in Dexia Asset Management (DAM) to New York Life Investments, for a fixed price of EUR 380 million. The gain realised on this sale, estimated at EUR 64 million, will be booked in the Dexia SA accounts for the 1st quarter 2014 ;
• On 19 February 2014, Dexia announced the sale of its 40% holding in Popular Banca Privada to the group Banco Popular Español, a 60% shareholder for a fixed price of EUR 49.2 million. Based on the valorisation of Popular Banca Privada in the accounts of Dexia SA at 31 December 2013, the capital gain on the sale is estimated at EUR 20.7 million. This will be booked in Dexia SA consolidated statements for the first quarter of 2014.

The sales of Dexia Asset Management and Popular Banca Privada finalise the disposal programme of the Dexia Group's main commercial franchises as defined in the orderly resolution plan.
At the beginning of 2014, the Group received the consent from the European Commission to extend until 28 June 2014 the authorisation for Dexia Crediop to grant new funding to its existing clients within a limit of EUR 200 million. This decision aims at preserving the value of Crediop's franchise and allows the continuation of the discussions being held with a view to its sale.
Aside this, Dexia is currently involved in legal proceedings in relation to Dexia Israel. The resolution of these litigations is prerequisite to any negotiation to dispose of this subsidiary.

b – Other disposals and entity mergers
Next to the undertakings made by the States to the European Commission, Dexia made several entity disposals and mergers :
• On 12 July 2013, the Austrian banking subsidiary of Dexia Crédit Local, Dexia Kommunalkredit Bank (DKB) was dissolved without liquidation by way of cross-border merger by absorption by its 100% parent company. Dexia Crédit Local acquired all of the asset and liability elements of DKB. This merger is entirely consistent with the aim of simplifying the legal organisation of the Dexia Group and rationalising the management of its assets;
• On 4 October 2013, the Group sold its 50% holding in Domiserve to AXA Assistance Participations resulting in a gain of EUR 1.3 million. Domiserve is an operator dedicated to the personal service sector, the activity which, for the most part, is oriented towards public or institutional operators;
• On 22 November 2013, the Group sold its 40% holding in Exterimmo to the Caisse des Dépôts resulting in a gain of EUR 0.3 million ;
• Finally, the Group also sold to IBM its holding in ADTS, a company offering IT services to several banks, formerly members of the Dexia Group. This sale, which resulted in a gain of EUR 11 million, will enable ADTS to continue its activities with the support of a shareholder which is a leader in its field of activity. On the other hand it will enable Dexia to benefit from operational continuity in the IT field, an external service agreement with a term of 7 years having been signed with ADTS, renamed "Innovative Solutions for Finance".

New method for calculating the market value of collateralised derivatives

In 2013, within the framework of the initial application of the IFRS 13 accounting standard and the change of market practices, the Dexia Group changed its discounting methodology by using a discount curve based on the daily rate (OIS) to calculate the market value of collateralised derivatives. Dexia also adjusted its methodology for recognising the Credit Value Adjustment (CVA) and booked a Debit Value Adjustment (DVA). The impact of these changes in calculation methodology, effective as from 30 June 2013, is integrated in the Group's 2013 consolidated financial statements and amounts to EUR -196 million for 2013.
These elements have no liquidity impact and will be recouped gradually from the Group results consistent with the reduction of the derivatives portfolio. It nonetheless constitutes a potentially significant element of volatility, quarter on quarter, depending on market conditions and the evolution of the discount curves.

Update on structured loans granted by Dexia Crédit Local

a – Desensitisation of 22% of the outstanding of sensitive credits[1] of Dexia Crédit Local in France
In order to reduce the litigation risk related to structured credits, Dexia followed an extremely active desensitisation policy in 2013. These actions were accompanied by new production flows within the framework of the production envelope of EUR 600 million granted by the European Commission.
During the 1st new production window, between February and July 2013, Dexia contacted with 222 clients which held at least one structured sensitive credit. Without any specific grounds, all these clients received an offer to refinance their structured loans at a fixed rate.
The desensitisation policy allowed, Dexia over the course of 2013, to reduce the outstanding of sensitive credits by 22%, or an amount of EUR 0.5 billion.
During the intermediary phase between the two new production windows (the second opening in June 2014) the desensitisation actions are continued without any new production, in line with the undertakings made to the European Commission.
As at 31 December 2013, Dexia Crédit Local had received 219 summonses from clients, of which 41 have an outstanding at the bank, the remainder being on the balance sheet of SFIL.

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

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

b – Evolution of the legal framework in France

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

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

Launch of the full assessment by the European Central Bank

Within the framework of the implementation of a Single Supervisory Mechanism (SSM) for the main banks in the euro zone by the European Central Bank, the latter announced a review of the accounting valorisation methodologies as well as an assessment of the risks and the quality of the assets held by the supervised banks. The results of this assessment, which began in November 2013, will be published in November 2014. In its press release published on 23 October 2013, the European Central Bank stated that the work done on this review, with support from national regulators, will take account of the specific situation of the Group, which is subject to this review. In particular they will consider the fact that an extensive review of the Dexia risk profile has already been made within the context of the orderly resolution plan validated by the European Commission at the end of December 2012.

On April 1, 2014, Dexia announced that, within the framework of the preliminary review conducted by the National Bank of Belgium, it was considered appropriate to make adjustments to the Group's 2013 annual financial statements. The adjustments relate to the valuation of illiquid positions on local authorities and on Spanish covered bonds classified as available for sale (AFS).

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

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

Definition and implementation of a Company Project

The convergence of the Dexia Group scope to its target scope as defined in the orderly resolution plan now enables the Group to focus on its task of managing its residual assets to maturity. In this perspective, a "Company Project", aimed at defining the strategic objectives and reviewing the operating model, was initiated in 2013. This project, the key pillar of the new profile of Dexia Group, is detailed in a dedicated section in this report.

European Commission decision on the redemption of Tier 1 debt

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

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

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

Continuity of operations and update to the revised business plan

The consolidated financial statements of Dexia SA as at 31 December 2013 were established in accordance with the accounting rules applicable to a going concern, which assume a certain number of hypotheses explained within the framework of previous accounting closures and hereunder detailed. These hypotheses of continuity rely on a business plan which served as the basis for the establishment of a resolution plan for the Dexia Group. This business plan is based on the abiltity of Dexia to develop a certain financing capacity on the markets, more particular through the funding guarantee granted by the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets. From this perspective, the Group's funding structure evolved favourably in 2013, with successful issues under the Euro Medium Term Notes (EMTN) and US Medium Term Notes (USMTN) programs under guaranteed format, the successful implementation of short-term issue programmes

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

under guaranteed format in the United States and in Europe and the obtaining of new short and medium-term secured funding. The year 2013 was marked by a progression of the market funding, at a lower cost and at longer maturities than anticipated under the business plan, as well as a reduced use of central bank funding. These points are detailed in the Chapter "Information on capital and liquidity" of the present report.

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

The macroeconomic hypotheses underlying the business plan, validated by the Group's Board of Directors on 14 November 2012, were reviewed within the framework of a review of the entire annual plan. Initially, the macro-economic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an OIS curve for the valuation of OTC derivatives (Cf. Chapter "Financial Results" of this annual report). A new update of the plan will be performed in the 2nd quarter of 2014.

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

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

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

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

The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing on one hand the financing of a part of Dexia's assets through repo 's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with the total outstanding issued under the 2013 guarantee will reach up to 40 billion EUR in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investors' appetite for guaranteed debt.

If the absorption capacity of the market is reduced, Dexia would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that 1 billion EUR per year financed at the rate of the ELA instead of the short term guaranteed financing rate, would have an impact of 129 million EUR over the time period 2014-2022. Conversely, if the market appetite for Dexia to issue guaranteed debt is larger than anticipated, which would reduce or eliminate the dependence of Dexia from ELA, this would have a positive impact on the profitability of the plan.

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

Financial results

Points in relation to presentation of the 2013 consolidated financial statements for the Dexia Group

Going concern

The consolidated financial statements of Dexia SA as at 31 December 2013 were established in accordance with the accounting rules applicable to a going concern (cf. section "Highlights").

Change of analytical segmentation

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

New mode of presenting the results

In order to ensure optimal readability of its results, Dexia adopted in 2013 an analytical presentation differentiating three categories of elements.
This presentation allows to interpret the performance of the Group from the perspective of its dismantling:
• Recurring elements: items related to the carriage of the assets such as portfolio revenues, funding costs, operating expenditures or cost of risk. This reporting category includes all elements of the results that allow to measure the intrinsic performance of Dexia Group in terms of profitability. Besides the operating expenditures, the cost of risk and the taxes, it includes the revenues of the asset portfolios (interest margin on assets, received and paid commission fees and other revenues or costs resulting from the management of the commercial assets portfolio), the funding costs (structural costs inherent at Dexia's restructuring) and other revenues (cost of cash collateral, results linked to historical investment contracts regarding the core capital of Dexia Crédit Local Paris and its subsidiaries) ;
• Elements of accounting volatility: items related to fair value adjustments of assets and liabilities including in particular the imperfect hedging resulting from the implementation of the valorisation of collateralised derivatives using the OIS curve, the own credit risk (OCR), the variation of the WISE portfolio (synthetic securitisation on a portfolio of enhanced bonds), which do not correspond to a cash gains or cash loss and which are written back prorata temporis over the amortisation term of the assets or liabilities, but which generate volatility on each accounting closure date, in function of the evolution of the market conditions and the reference curves used for the valorisations;
• Non-recurring elements: exceptional items, not expected to reoccur, including in particular gains and losses on asset disposals, costs and gains associated with litigations and exceptional costs (such as restructuring costs).

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

The structural measures undertaken by the Group in October 2011 were also reflected, from the close of the Group's 2011 annual financial statements, by application of the IFRS 5 accounting standard relating to "non-current assets and groups held for sale".
The IFRS 5 accounting standard still applies to the presentation of the financial statements as at 31 December 2013. On that date, Dexia Asset Management (DAM) and Popular Banca Privada are classified as "discontinued operations" in the income statement. Their assets and debts are classified as "non-current assets and disposal groups held for sale" and associated debts. In application of this accounting standard, the assets and liabilities of entities reclassified under the IFRS 5 accounting standard are presented in a single balance sheet line. When they are significant or constituted business line segments, the results from these entities are recorded in a single line as "net result of discontinued operations".

Presentation of the financial statements in ANC format

Considering the convergence of the scopes of Dexia Crédit Local and Dexia SA and in order to facilitate comparison of the condensed consolidated financial statements of the two entities, Dexia decided, for Dexia SA as from 1 January 2013, to use the publication format proposed by the "Autorité des Normes Comptables" (ANC - Accounting Norms Authority) in France and already used by Dexia Crédit Local. This change has no impact on the presentation of the net result and capital, since it only involves reclassifications in the balance sheet and income statement. The reclassification of certain headings nonetheless involves a change of certain aggregates and ratios. These developments will be detailed in the accounting appendices to the Dexia SA annual report.

Consolidated income statement

Over the year 2013, Dexia's **net result Group share** is EUR -1,083 million, of which EUR -962 million by virtue of continuing operations and EUR -119 for discontinued operations. EUR -2 million are attributable to minority interests.

Over the year, the **net banking income from continuing operations** is EUR -474 million. This includes the impact of methodological valuation changes associated with the first application of the IFRS 13 accounting standard and the use of an OIS discount curve[1], as well as the impact of the valuation of the own credit risk. Despite these negative impacts booked in the 2nd quarter, the evolution of the net banking income from continuing operations is positive over the year 2013, rising from EUR -94 million in the 1st quarter to EUR 59 million in the 4th quarter. This evolution is explained in particular by a 36% reduction of the Group's funding costs between the 1st and 4th quarter, due to a reduction of the liquidity needs and a, in general less costly, diversification of the funding structure.

The **costs of continuing operations** amount to EUR -401 million in 2013. The trend observed over the year is favourable, and results on one hand from the reduction of the Group's scope and on the other hand from efforts made by the Group to its control expenditures.

Gross operating income from continuing operations is therefore EUR -875 million over the year.

The **cost of risk of continuing operations** remains contained at EUR -185 million. Against an economic background which involved a weakening of certain US local authorities, Dexia increased its provisioning on the US local public sector. In particular, over the year, the Group made specific provisions on the city of Detroit and on Puerto Rico for an amount of USD 223.5 million, in order to cover the risk run on those counterparties.

(1) Cf. press release of 28 June 2013 available on the Dexia SA website (www.dexia.com)

Over the year 2013, Dexia disposed of several entities of limited size, which had not been reclassified in IFRS 5. The Group posted a total gain of EUR 59 million on these disposals, principally in view of the capital gain of EUR 64 million realised on the sale of Sofaxis.

Considering these elements, **the pre-tax income on continuing operations** is EUR -1,001 million.

Over the year, the **tax charge** is positive, at EUR 39 million, following the recovery of deferred taxes related to the sale of SFIL in the 1st quarter of 2013.

The net result on continuing operations is therefore EUR -962 million.

The **net result on discontinued operations** is EUR -119 million. In particular, the Group posted a loss of EUR -142 million associated with the finalisation of the sale of SFIL on 31 January 2013, in part offset by an adjustment of EUR 129 million (after taxes) in equity.

After taking account of EUR -2 million attributable to non-controlling holdings, the **net result Group share** for the year 2013 is EUR -1,083 million.

Analytical presentation of the results for the period (non-audited figures)

The net result Group share of EUR -1,083 million is composed of the following elements defined in the section "New mode of presenting the results" above:
- EUR -669 million are attributable to recurring activities (excluding elements of accounting volatility and non-recurring elements);
- EUR -393 million are associated with accounting volatility elements;
- EUR -21 million were generated by non-recurring elements.

ANALYTICAL PRESENTATION OF THE 2013 DEXIA GROUP ANNUAL RESULTS

(in millions of EUR)	Recurring Elements	Accounting Volatility Elements	Non-recurring Elements	Total
Net Banking Income	**(88)**	**(393)**	**7**	**(474)**
Operating expenses	(417)		16	(401)
Gross operating income	**(506)**	**(393)**	**23**	**(875)**
Cost of risk and net gains or losses on other assets(1)	(189)		64	(126)
Net result before taxes from continuing operations	**(695)**	**(393)**	**87**	**(1,001)**
Income tax	(2)		41	39
Net result from continuing operations	**(697)**	**(393)**	**128**	**(962)**
Net result from discontinued operations	**30**		**(149)**	**(119)**
Net result	**(667)**	**(393)**	**(21)**	**(1,081)**
Minority interests	(2)			(2)
Net Result Group Share	**(669)**	**(393)**	**(21)**	**(1,083)**

(1) including gains and losses from entity disposals

To facilitate reading these results and to assess the momentum over the past year, Dexia presents the quarterly evolution of the three different analytical segments distinguished by the Group separately.

RECURRING ELEMENTS

(in millions of EUR)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Net Banking Income	**(68)**	**(3)**	**(12)**	**(5)**	**(88)**
o/w revenues from commercial portfolios	*225*	*224*	*184*	*197*	*830*
o/w funding cost	*(349)*	*(266)*	*(243)*	*(222)*	*(1,080)*
o/w other revenues	*55*	*39*	*47*	*19*	*160*
Operating expenses	(114)	(119)	(93)	(91)	(417)
Gross operating income	**(182)**	**(122)**	**(105)**	**(96)**	**(506)**
Cost of risk and net gains or losses on other assets	(38)	(44)	(33)	(74)	(189)
Net result before tax from continuing operations	**(220)**	**(165)**	**(139)**	**(170)**	**(695)**
Income tax	3	(2)	(15)	11	(2)
Net result from continuing operations	**(217)**	**(167)**	**(154)**	**(159)**	**(697)**
Net result from discontinued operations	**9**	**6**	**10**	**5**	**30**
Net result	**(207)**	**(161)**	**(144)**	**(154)**	**(667)**
Minority interests	0	4	(1)	(6)	(2)
Net Result Group Share	**(207)**	**(157)**	**(145)**	**(160)**	**(669)**

Over the year, recurring elements provided a net result Group share of EUR -669 million, which is better than the result forecasted in the orderly resolution plan.
The structure of the result from recurring activities evolved considerably over the year 2013, with the favourable momentum partly masked by an increase of the cost of risk in the 4th quarter.
Net banking income improved considerably over the year, from EUR -68 million in the 1st quarter to EUR -5 million in the 4th quarter. The revenues from commercial portfolios went down slightly, due to the loss of revenues from entities sold during the year. The improvement of the net banking income is due to a reduction of the funding cost, associated with a decline in funding needs and the increased use of funding under the guarantee granted by the Belgian, French and Luxembourg States. This funding is gradually replacing other more expensive funding sources.
At the same time, the reduction of the operating expenses is evidence of the efforts made by the Group to control operating expenditures, and the reduction of its scope.
These elements explain the favourable momentum observed in the gross operating income over the year 2013.

In 2013, Dexia's cost of risk was marked by the specific provisions made on the Group's exposures to the city of Detroit and Puerto Rico. The city of Detroit being placed under Chapter 9 bankruptcy protection in the United States involved the provisioning of a portion of the exposures to the city, for an amount of EUR 90 million, corresponding to the Group's anticipated losses. In the 4th quarter, following the deterioration of the financial situation of Puerto Rico, Dexia decided also to make a provision for its exposure to Puerto Rico, in an amount of EUR 52 million. Despite the booking of these two provisions, the cost of risk for 2013 remains inferior to the level anticipated under the resolution plan. It represents on average 9 basis points in 2013.

The net result from discontinued operations corresponds to the results realised by the entities being sold.

ACCOUNTING VOLATILITY ELEMENTS

(in millions of EUR)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Impact in net result Group share (elements booked in Net Banking Income)	(26)	(363)	(14)	11	(393)

Over the year 2013, the impact of accounting volatility elements is EUR -393 million. This impact is mostly due to the first application of the IFRS 13 accounting standard and the use of an OIS curve for the valuation of collateralised derivatives in the 2nd quarter.

NON-RECURRING ELEMENTS

(in millions of EUR)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Net Banking Income	**1**	**(62)**	**15**	**53**	**7**
Operating expenses	5	14	(2)	(1)	16
Gross operating income	**6**	**(48)**	**13**	**52**	**23**
Cost of risk and net gains or losses on other assets	(6)	0	70	0	64
Net result before tax from continuing operations	**0**	**(48)**	**83**	**52**	**87**
Income tax	46	0	0	(5)	41
Net result from continuing operations	**46**	**(48)**	**83**	**47**	**128**
Net result from discontinued operations	**(142)**	**(8)**	**(6)**	**7**	**(149)**
Net result	**(96)**	**(56)**	**77**	**54**	**(21)**
Minority interests	0	0	0	0	0
Net Result Group Share	**(96)**	**(56)**	**77**	**54**	**(21)**

Most non-recurring elements can be attributed to entity disposals and the constitution of provisions in relation to litigations on structured loans in France. Over the year, the impact of these elements on the result is EUR -21 million.

The sale of SFIL in the 1st quarter generated a booked loss of EUR -142 million and a return on provisions on deferred taxes of EUR 46 million. Furthermore, a gain of EUR 129 million (after taxes) was booked directly in the capital, without being booked in the income statement in application of the IAS 8 accounting standard.

During the 2nd quarter, most of the non-recurring elements are explained by the booking of a provision of EUR 62 million in relation to litigations on structured loans in France. Moreover, the finalisation of the sale of Dexia Bail resulted in the booking of an additional loss of EUR 6 million, taking the total loss posted on the disposal of this entity to EUR 20 million. Finally, Dexia realised an EUR 8 million loss on 30 June 2013, associated with adjustments made on the sale of Bank Internationale à Luxembourg.

The non-recurring elements in the 3rd quarter include mainly the finalisation of the sale of Sofaxis, which generated a capital gain of EUR 66 million, gains on asset disposals and liability repurchases of EUR 21 million.

During the 4th quarter, the largest impact of the non-recurring elements can be associated with a EUR 39 million gain before taxes related to the disposals of securitisation vehicles by Crediop. On the other hand, a deleveraging gain of EUR 21 million has been realised on opportunistic asset disposals and liability repurchases.

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Evolution of the balance sheet

At year-end 2013, the Dexia Group consolidated balance sheet amounts to EUR 222.9 billion, down EUR 134.3 billion compared to 2012. This decline in the size of the balance sheet is principally explained by the sale of SFIL on 31 January 2013, the impact of which on the Dexia Group consolidated balance sheet is EUR -84.1 billion. Over the year, the reduction of the outstanding assets amounts to EUR 20 billion and the "net" collateral paid to the Group's derivatives counterparties decreased by EUR 9 billion between year-end 2012 and year-end 2013, due to the rise of long-term interest rates.
The balance sheet items showing the greatest variations during the past year are:
• On the asset-side, a reduction of the loans and securities portfolio of EUR -83.4 billion, as a consequence of the sale of SFIL, the natural amortisation of loans and securities not offset by new commercial production flows, in line with the undertakings made by the Group within the context of its orderly resolution. Aside this, the fair value of derivatives fell by EUR -33.3 billion, principally on the departure of SFIL.
• On the liabilities-side, a reduction of the market funding (EUR -86.3 billion) essentially corresponding to the amount of Covered Bonds issued by CAFFIL, a subsidiary of SFIL, formerly Dexia Municipal Agency, as well as the amortisation of guaranteed debts. The market value of derivatives (fair value) went down EUR 40.5 billion, essentially due to the sale of SFIL.

Risk management

Introduction

The macroeconomic environment improved in 2013. In particular, fears that had been weighing on the economies of peripheral European countries appear to have faded. However, Dexia continues to operate in an uncertain environment. The eurozone is still in recovery, with progress to date too limited to be able to rule out all risk of a further crisis, and the financial health of banks and local authorities in peripheral countries remains fragile. Outside the eurozone, various countries – including, for example, Hungary – are still burdened with high levels of debt. Finally, the upturn in the American economy is expected to be accompanied by a hardening in the Federal Reserve's monetary policy of which the impact on the financial sector remains difficult to predict.
While 86% of the assets of Dexia Group are rated investment grade, they still require careful monitoring. The portfolio represents a significant concentration in certain sectors and types of funding that could constitute a source of risk for Dexia. In this environment, Dexia has been especially attentive to developments in the financial situation of local authorities in both Europe and the United States.
The disposal of Société Française de Financement Local, the parent company of Caisse Française de Financement Local, in January 2013, triggered not only a far-reaching adjustment in the organisation and governance of the activity line but had also an impact in terms of market risk and credit risk. In particular, it resulted in the unhedging of a derivatives portfolio requiring an increase in Value at Risk limits, and a EUR 68 billion reduction of the credit exposure.
Finally, the AQR conducted by the European Central Bank as part of the planned 2014 implementation of the Single Supervisory Mechanism has occupied a substantial proportion of Risk activity line staff since the end of 2013.

Governance

The role of the Risk activity line is to define the Group's strategy on monitoring and managing risk and to put in place independent and integrated risk measures. The activity line seeks to identify and manage risk, proactively alert the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of provisions deemed necessary.
Given the evolution of the scope of the Group, the activity line's organisation and governance evolved significantly in 2013. The Risk activity line's governance is built around the Risk Committee, which consists of the members of the Management Board. This committee has decision-making power over all transactions undertaken by the Group, depending on the level of credit risk, liquidity risk, the impact on the results or on the amount of capital that these transactions represent. The committee is also responsible for the various policies and guidelines applying the Group's strategy. The committee may delegate its authority to facilitate the Group's operational management.
The Risk activity line consists of four departments: Credit Risk, Market Risk, Operational Risk and Permanent Control, and Risk Quantification, Measurement and Reporting. The latter also includes all of the activity line's support functions. Since 1 November 2013, the functions in charge of the methodological validation of the models fall under the responsibility of the General Auditor.
Under the Company Project initiated by Dexia in 2013, the Risk activity line will be refocused around its control functions. Consequently, the activity line's organisation and governance will evolve over the coming period. Similarly, the various committees described below, around which the activity line's management of various risks is built, will be redefined in order to improve the Risk activity line's overall efficiency. Details of this project are set out on pages 10 to 11 of the "Company Project" section.

Credit risk

Definition

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

Organisation

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

Committees

Credit risk management is built around the Risk Committee, which approves the risk policy for the Group as a whole and makes the decisions on the most important transactions from a credit risk perspective. The Risk Committee delegates a part of its decision-making power to the Credit Committee. This

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delegated authority is governed by specific rules for each type of counterparty, based on the counterparty credit ratings and the Group's exposure.
The Risk Committee remains the decision-making body of last resort for larger credit applications and those carrying a degree of risk considered sensitive. For each application presented to the credit committee, an independent analysis is carried out, setting out key risk indicators, as well as a qualitative analysis of the transaction.

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

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

Market risk

Definition

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

Organisation

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

Committees

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

Balance sheet management

Definition

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

Organisation

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

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

Committees

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

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

Operational risk and permanent control

Definition

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

Organisation

Operational risk management is coordinated by a central team within the Risk activity line supported by a network of correspondents within all subsidiaries and branches, as well as within the Group's various departments. Within each activity domain, an operational risk correspondent coordinates data collection and assesses risks, supported by the local operational risk management function.
Permanent control for the Dexia Group is overseen by Dexia's Operational Risk Director. To ensure that risk is monitored on a consolidated basis, permanent control relies on risk measurement and monitoring teams, decentralised resources within departments, subsidiaries and branches, and consultation mechanisms within the framework of permanent control committees.

Committees

The Management Board and the Risk Committee, which determine the policy for the Group as a whole, monitor changes in the risk profile of the Group's various businesses on an ongoing basis. To facilitate the operational management of the risk monitoring, a system of delegated authority has been put in place.
The Operational Risk Acceptance Committee, which meets quarterly, reviews the principal risks identified, decides whether they are acceptable and agrees any corrective action that might be required. It signs off proposed prevention and improvement measures in relation to the various components of the operational risk framework. It is chaired by the member of the Management Board with responsibility for risk.
The Business Continuity Committee and the Information Systems Security Committee meet every two months to review and agree actions to ensure business continuity and the implementation of the information systems security policy.
The Permanent Control Committee meets quarterly to review the results of each permanent control assessment campaign. It consists of the Compliance, Operational Risk, Information Systems Security, Inspection and Permanent Control functions.

Risk monitoring

Credit risk

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

Risk measurement

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

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

Fundamentals of Dexia Groups's credit risk in 2013

Macroeconomic environment

In 2013, the global economy continued to grow relatively slowly in a macroeconomic environment characterised by persistent imbalances. The International Monetary Fund cut its growth forecasts from 3.2% in 2012 to 2.9% in 2013 and anticipates an increase to 3.6% in 2014. However, this expected recovery in global growth remains fragile, particularly because of the worsening financial conditions in emerging countries and high levels of public and private debt in many developed countries.
Financial market confidence was gradually restored in the eurozone in the first half of 2013, illustrated by an easing in sovereign yields in a number of countries and significant rises in some stock market indices. This recovery was underpinned by the European Central Bank President's stated desire to defend the euro, as well as a slight economic upturn observed in some countries. It is also the result of massive injections of capital from Japan, which has softened its monetary policy.
In the United States, the June 2013 announcement that the Federal Reserve might slow down its bond purchase programme was followed by a significant tightening of the long term interest rates. In December, the Central Bank finally decided to cautiously tighten its monetary policy by gradually tapering its bond purchase programme from January 2014 onwards. However, it indicated that it would keep base rates very low for a longer than expected period.
In the second half of 2013, as signs of a modest recovery appeared in Europe, the United States and Japan, a slowdown in growth was observed in emerging countries.
In the eurozone, some countries, such as Ireland, Spain and Portugal, made significant progress in relation to fiscal consolidation and competitiveness. Both Spain and Ireland were able to exit their European bailout packages, thus reinforcing market sentiment towards the eurozone as a whole. The situation

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in Greece remains delicate with continuing high levels of debt that are likely to require additional support in the future. The incomplete restoration of banks and weak credit, particularly in peripheral countries, as well as the excessive household, corporate and sovereign debts pose continuing risks to the zone. The European Central Bank's Asset Quality Review should reduce the uncertainty associated with the balance sheets of the banks.

Sovereign issuers and Dexia Group's commitments

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

France

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

The Group's sovereign exposure to France at 31 December 2013 totalled EUR 0.6 billion.

Italy

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

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

Portugal

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

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

Poland

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

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

Hungary

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

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

United States

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

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

Japan

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

Dexia's sovereign exposure to Japan totals EUR 1.2 billion. This exposure consists entirely of yen-denominated bonds whose foreign exchange risk is hedged.

Local public sector and Dexia Group's commitments in France

Local public sector in France

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

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

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

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

Update on the desensitisation of structured loans in France

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

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

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

Under this definition, structured loan exposure on Dexia's balance sheet at end 2013 represented EUR 3.13 billion.

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

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

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

(1) In billions of EUR.

These loans concern the following categories of customers:

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

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

(1) In billions of EUR.

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

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

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

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

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

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

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

Changes in the regulatory framework for structured loans in France

In 2013, new legislation brought two key changes to the regulatory framework governing structured loans:
- A Validating Law was voted in order to secure the contractual framework for loans extended by credit institutions. Since this Law was subject to a decision from the Constitutional Council (*Conseil constitutionnel*), the government committed itself to propose a new text taking into account the comments of the Constitutional Council (cf. the section "Highlights – b. Evolution of the legal framework in France") ;
- A support fund, financed by the State and the financial sector, will be established in order to support local authorities faced with financial difficulties linked to structured loans.

Local public sector and Dexia's commitments in other countries

Spain

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

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

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

Portugal

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

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

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

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

Italy

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

Since 2011, the country's regions have seen their healthcare costs rise. However, based on 2011 data, data for 2012 and 2013 not yet being available, the regions still have relatively moderate levels of debt. Based on these same data, credit risk on Italy's provinces and municipalities remains relatively low.
Nevertheless, local authorities have not been spared by the economic downturn in Italy. Central government support has been put in place to help them cope with the situation. In particular, this support is provided via a ten-year fund, allowing some sensitive local authorities to avoid declaring insolvency under the "dissesto" trusteeship. Five local authorities to which Dexia is exposed have received support via this fund: the cities of Naples, Catania, Messina and Foggia and the Province of Chieti. A second mechanism was put in place in 2013, providing a budget of EUR 20 billion a year in 2013 and 2014 to help local authorities and various central ministries settle their supplier debts dating from before 31 December 2012.

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

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

Great Britain

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

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

Germany

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

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

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

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

United States

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

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

In a still strained economic environment, a few local authorities have seen a marked deterioration of their economic and financial situation. They cannot always rely on the benefit of Chapter 9 bankruptcy law. Very difficult cases remain relatively rare but striking, the most obvious example being the city of Detroit in the second half of 2013. In this case, to which Dexia is exposed, the city's emergency manager, appointed by the governor of Michigan, secured a ruling declaring the city bankrupt on the basis of a maximum valuation of its debt. The proposed recovery plan, which places heavy demands on creditors and insurers, has led to what could be a long phase of negotiation and clarification.
At 31 December 2013, the gross booking value of Dexia's commitments on Detroit, concerned by the debt restructuring measures, amounts to USD 330 million, of which USD 305 million is subject to a risk of value deterioration. The provision made amounts to USD 154.3 million, this including provisions with respect to the hedging instruments.

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

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

Exposure to project finance and corporate finance

The project and corporate finance portfolio stood at EUR 20.3 billion at 31 December 2013, down 16% relative to 31 December 2012. This portfolio consists for 71% of project finance[1], with the remainder made up of corporate finance

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

such as acquisition finance, commercial loans and corporate bonds. The portfolio reduction was driven by a number of factors:
- natural portfolio amortisation ;
- early repayment by borrowers refinancing their debt with lenders other than Dexia ;
- the effects of exchange rate fluctuations over the period, particularly affecting the pound sterling and the Australian dollar, with sterling and AUD assets representing 27% and 8% of the project and corporate finance portfolio respectively.

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

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

Exposure to ABS

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

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

Exposure to credit enhancers

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

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

One of the key events in 2013 was the emergence of FGIC from its regulatory restructuring plan. At this stage, if its underlying assets were to default, FGIC would be able to pay the equivalent of 17% of insurance claims. Furthermore, the restructuring of MBIA Inc. has improved not only the company's solvency but also that of its sister company, National Public Finance Guarantee, via the repayment of a substantial intra-group loan.
Generally speaking, monoline insurers have put in place a range of measures – such as commutation arrangements, legal proceedings against US securitisation originators and buybacks of securities – to consolidate their solvency and ensure they are able to meet their obligations as insurers.

Exposure to financial institutions

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

90% of the exposure is rated investment grade. No new defaults were seen in the portfolio in 2013. Furthermore, some positions in Lehman Brothers, Kaupthing, Landsbanki and Glitnir, which defaulted in 2008, were sold. Dexia's exposure is concentrated 17% in the United States and 72% in Europe, mainly in Spain (26%), Germany (13%), France (12%), Belgium (6%) and the United Kingdom (6%).
Portfolio credit quality was stable in 2013. However, the situation of southern European banks remains fragile. Besides the bailout of Cyprus's banks in March, on which Dexia had no exposure, 2013 saw Spanish and Portuguese banks experience funding and asset quality problems, in spite of improvements that followed their recapitalisations and the creation of a "bad bank" in Spain (SAREB).
However, Dexia's exposure to Spain's financial sector mainly consists of covered bonds which, given their systemic importance to the Spanish banking system, would very likely receive support from the Spanish and European authorities in the event of major difficulties. Dexia's exposure to the Portuguese financial sector is small and will be almost fully paid off in the second half of 2014.

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

Credit risk exposure[(1)]

Exposure by counterparty type (at 31 December 2013)

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

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

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

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

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

(1) See also Note 7.2., "Credit risk exposure", in the consolidated financial statements on page 159 of this annual report.

Exposure by geographical region (at 31 December 2013)

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

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

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

** Without Austria and Hungary.*

Exposure by rating (at 31 December 2013)

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

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

[1] Non investment grade.

Breakdown of sovereign bond portfolio in the most sensitive European countries

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

EXPOSURE AS AT 31 DECEMBER 2013

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

EXPOSURE AS AT 31 DECEMBER 2012

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

Asset quality

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

Several phenomena underlie these evolutions:

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

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

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

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

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

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

QUALITY OF ASSETS

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

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

Market risk

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

Risk measurement

The Dexia Group mainly assesses market risk using a combination of two measurement indicators, resulting in a limit-based risk management framework.
• The Value at Risk (VaR) is a measure of the expected potential loss with a 99% confidence interval and for a holding period of ten days. Dexia uses a number of VaR approaches to measure the market risk inherent in its portfolios and activities:
- Directional interest rate risk and foreign exchange risk are measured via a parametric VaR approach using a methodology based on the assumed normal distribution of yields relating to various risk factors.
- Credit spread risk (also known as specific interest rate risk) and other risks in the trading portfolio are measured using a historical VaR approach. Historical VaR is a VaR whose distribution is constructed by applying historical scenarios for the relevant risk factors associated with the current portfolio.
• Limits governing sensitivity to various risk factors, maturity, market and authorised products are put in place for each type of activity, ensuring consistency between overall value limits and operational thresholds used by front office. These measures also serve to manage risk that would only be imperfectly covered by VaR measures.

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

Exposure to market risk

Value at Risk

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

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

Consequently VaR consumption arising from this trading portfolio totalled EUR 5.9 million at end 2013, compared with zero at end 2012.
Consequently, at its meeting of 17 December 2013, the Management Board signed off an increase in the aggregate VaR limit for activities from EUR 22 million to EUR 40 million with an aim to take into account the existing risk factors and of which the calculation methodology will be refined as from 2014.

VALUE AT RISK OF MARKET ACTIVITIES

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

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

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

Sensitivity of AFS portfolios to changes in credit margins

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

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

Balance sheet management

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

Management of interest rate and foreign exchange risk

Dexia's policy on interest rate and foreign exchange risk

Dexia's balance sheet management policy aims to minimise volatility in the Group's results.

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

Measurement of interest rate risk

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

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

Measurement of foreign exchange risk

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

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

Management of liquidity risk

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

Dexia's policy on the management of liquidity risk

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

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

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

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

Measurement of liquidity risk

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

Dexia's liquidity risk is also managed via the liquidity ratios monitored by its various regulators – the Belgian National Bank (BNB) for Dexia SA and France's Prudential Supervision and Resolution Authority (ACPR) for Dexia Crédit Local:
• The BNB ratio to which Dexia SA is subject, establishes an institution's liquidity position by comparing required liquidity with available liquidity at one week and one month. It must be lower than 100% over each of these periods (CBFA circular 2009_18-1 of 8 May 2009). This ratio will be replaced

as from 2015 by the "Liquidity Coverage Ratio" which will have to amount to a minimum of 100% as from 1 January 2015.

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

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

Operational risk and permanent control

Dexia's policy on operational risk management and permanent control

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

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

Risk measurement and management

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

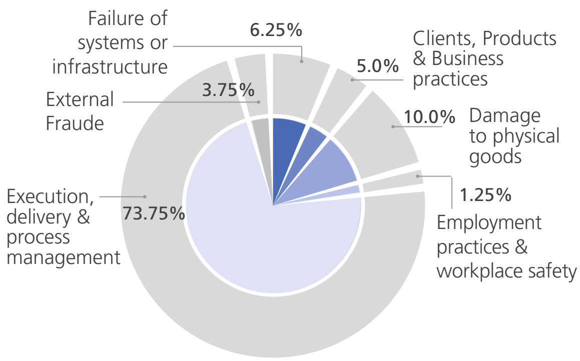
The Company Project identifies the operational risk management as one of the pillars of Dexia' strategy in the context of its orderly resolution.

The operational risk management system relies on the following components.

Operational risk database

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

The breakdown of total losses among standard event types over the past three years is as follows:



The classification of the various categories of operational incidents has been modified as a result of the reduction of the scope of the Dexia Group. For example, internal fraud, which is typical for retail and private banking activities, has almost disappeared following the disposal of the Group's retail banking businesses. "Execution, delivery and process management" remains the most dominant category, though there have been very few major events since 2010. The other categories account for few events and represent low loss levels. The "damage to physical assets" category comes in second place. The most important incidents are subject to corrective actions approved by the Group's management bodies.

Self-assessment of risks and control

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

Definition and monitoring of action plans

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

Permanent control

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

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

Management of information security and business continuity

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

Management of insurance policies

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

Calculation of regulatory capital requirements

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

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

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

Management of operational risk during the transition period

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

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

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

Stress tests

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

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

Application of and changes in the regulatory framework

Relying on the various mechanisms put in place to meet the requirements arising from the Basel II regulations and subsequent changes to those regulations, the Dexia Group did everything to achieve compliance with the new Basel III regulations when they entered into force on 1 January 2014. This focused in particular on capital requirements linked to exposure to central counterparties, the treatment of large financial sector entities and unregulated financial entities as well as the production of reportings in new formats. Regarding capital market activities, Dexia has put in place procedures in relation to the prudent valuation of its positions, in accordance with the requirements of Basel III.

Under the ECB's Single Supervisory Mechanism (SSM), Dexia is one of the financial institutions subject to the ECB's Asset Quality Review (Cf section "Highlights" of this report).

Litigations

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

On the basis of the information available to Dexia at that date, other disputes and regulatory investigations in which an entity of the Dexia group is named as a defendant and regulatory investigations impacting the entities of the group are either not expected to have a material impact on the Group's financial position or it is too early to accurately assess whether they may have such an impact.

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

Dexia Nederland BV

Background

Difficulties linked to share leasing activities inherited from Banque Labouchère (now Dexia Nederland BV, hereinafter referred to as DNL) came to light when the Amsterdam stock market fell sharply in late 2001. The value of the securities used as collateral against the loans granted by the DNL proved insufficient for a large number of contracts, thus ending with a residual debt instead of the gain initially hoped for.

As a result, Dexia's Dutch subsidiary is still involved in major litigation involving a number of legal proceedings brought by lessees who had entered into share leasing agreements. However, given developments in case law pertaining to certain aspects of these cases, DNL tries for a number of years to propose out-of-court settlements to the lessees (independently of the overall settlement offered in April 2005 within the framework of a national mediation process led by Wim Duisenberg, former governor of the Dutch central bank, for which lessees had the opportunity to sign up).

There were no significant developments in relation to these disputes in 2013.

Issues raised by litigation

Duty of care cases

As stated in Dexia's previous annual reports, on 5 June 2009 the Dutch Supreme Court issued an important judgment concerning share leasing agreements. Numerous allegations were rejected, including allegations of error, misleading advertising and abuse of circumstances, as well as the applicability of the Dutch Consumer Credit Act. The Supreme Court did, however, rule that the lender ought to have done a special duty of care at the time that the share leasing agreements were entered into. In this respect, the Supreme Court made a distinction between two categories of customers: those for whom the agreement in question represented a manageable financial burden and those for whom the agreement represented an unduly heavy financial burden.

Against this backdrop, and as stated in Dexia's previous annual reports, on 1 December 2009 the Amsterdam Court of Appeal issued four detailed judgments setting out exactly how the distinction drawn by the Dutch Supreme Court between the two categories of customers should be applied. Customers claiming to have been placed under an unduly heavy financial burden are required to demonstrate that this is the case. Furthermore, the Amsterdam Court of Appeal ruled that gains on earlier share leasing products should be taken into account when calculating the loss suffered, and that statutory interest to be reimbursed should be calculated with effect from the date on which the agreement in question was terminated.

Shortly after the Amsterdam Court of Appeal issued its judgments, two former customers filed an appeal against two of those judgments. On 29 April 2011, the Supreme Court also confirmed that, where a customer had made gains on a share leasing agreement, those gains should, subject to certain conditions being met, be offset against losses suffered on other such agreements.

The decisions issued by the Amsterdam Court of Appeal and their confirmation by the Supreme Court form the basis of DNL's attempts to reach out-of court settlements.

Spousal consent cases

The question of spousal consent upon subscription of the disputed agreements has also been raised in connection with these proceedings. On 28 March 2008, the Dutch Supreme Court ruled that Article 1:88 of the Dutch Civil Code applies to share leasing agreements. Pursuant to this article, written consent is required from the lessee's spouse (or registered partner) when entering into a lease agreement. If such consent is not obtained, the spouse is authorised to cancel the agreement, whereupon all payments made under the agreement must be refunded and any debt to DNL arising from the agreement must be cancelled. However, on 28 January 2011 the Supreme Court ruled that the spouse or partner must cancel the agreement within three years of becoming aware of its existence. However, the question of the nature of the evidence required to demonstrate the spouse's knowledge of the agreement remains unresolved. On 27 February 2012, the Supreme Court ruled that knowledge of the agreement may be presumed where payments under that agreement have been made from a joint account held by both spouses or partners. However, contrary to the judgment issued by the Amsterdam Court of Appeal, the Supreme Court also ruled that spouses or partners are still entitled to (try to) demonstrate to the court that they were not aware of the existence of such an agreement.

Number of lawsuits in progress

At 31 December 2013, DNL was still involved in some 550 civil proceedings (compared with around a thousand at end 2012). However, the vast majority of these proceedings have been suspended. The majority of customers involved in proceedings (including in particular those plaintiffs alleging that DNL had breached its duty of care) have been offered out-of-court settlements based on the legal precedence set out above. As such, the number of customers involved in proceedings once again fell sharply in 2013 as a result of settlements entered into following the judgments by the Supreme Court and the Amsterdam Court of Appeal.

The proceedings relating to spousal consent are ongoing as a result of the differences of interpretation described above.

Pending litigations in general

Readers are referred to previous annual reports and quarterly activity reports released by Dexia. On 12 October 2012, the Dutch Supreme Court ruled in favour of the validity of approximately 3,000 opt-outs filed by customers following the overall settlement offered as part of the Duisenberg mediation process, after DNL had contested the right to opt out. In essence, only the 22,000 or so customers who filed an opt-out before 1 August 2007 and have not since accepted any proposed out-of-court settlement are entitled to initiate or continue proceedings against DNL. However, around 5,500 cases have been closed following out-of-court settlements with DNL or the closure of legal proceedings.

Klachteninstituut Financiële Dienstverlening (KiFiD)
At end 2013, 57 cases related to share leasing were still being considered by Klachteninstituut Financiële Dienstverlening (KiFiD), the Dutch institution tasked with handling complaints concerning financial services.

Provisions at 31 December 2013
Provisions are adjusted every quarter and may be influenced by fluctuations in the value of portfolios underlying share leasing agreements, by customer behaviour and by the prospect of future judgements. At end 2013, the provisioning model was adjusted based on the latest information on customer behaviour and the legal precedence described above. However, the net financial impact of those adjustments on 2013 income was negligible compared to the past.
Provisions in relation to this litigation totalled EUR 44 million at end December 2013.

Financial Security Assurance

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

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

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

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

Next to these developments, the US Department of Justice (DoJ) indicted on 27 July 2010 the former AGM employee Steven Goldberg, together with two former colleagues of Goldberg at his previous employer, in the bid-rigging case. The DoJ did not charge either AGM or any other entity in the Dexia Financial Products Group in connection with its indictment of Goldberg. Goldberg was found guilty of fraud on 11 May 2012, and received a custodial sentence and a fine at the end of October 2012. However, on 26 November 2013 the US courts overturned the verdict against Goldberg and freed him. The District Attorney has appealed this decision.

In spite of some recent developments, Dexia is not able at present to reasonably predict the duration or outcome of the various investigations and legal proceedings in progress, or their potential financial repercussions. Furthermore, due to the nature of these investigations as well as the civil proceedings relating to the same matter, any indication as to whether provisions have been set aside in connection with these investigations or disputes or their subject matter and, if so, the amount of any such provisions, could seriously prejudice Dexia's legal position or defence in connection with those legal actions or any related proceeding.

Alleged shortcomings in respect of financial disclosures

In 2009, a shareholder, Mr Casanovas, filed a complaint with the Brussels and Paris public prosecutors alleging shortcomings in Dexia's financial disclosures. Two preliminary investigations were launched in response to this complaint. Mr Casanovas and his wife, Mrs Guil, had also served direct summonses on Dexia and several (former and current) executives of the Group to appear before the Paris Criminal Court. Mr Casanovas and his wife withdrew their case against Dexia in October 2009 after the Paris public prosecutor dismissed the complaint filed by Mr Casanovas and his wife. Regarding the complaint filed in Brussels, the public prosecutor also dismissed the charges against Dexia. However, in October 2010 Mr Casanovas and his wife sued Dexia in the Perpignan Civil Court on essentially the same grounds as the criminal proceedings brought in 2009. Pleas were entered in this case on 4 February 2014.
Since then, Dexia has been named as a defendant in a small number of similar cases alleging shortcomings in its financial disclosures. No provisions have been set aside, and Dexia strongly opposes the claims put forward in these cases.
In another similar case, the Superior Court (Tribunal de Grande Instance) of Paris permanently terminated in December 2013 a proceeding originally brought against Dexia by a former employee of the Group alleging the dissemination of false and misleading information.

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

Furthermore, Dexia has responded to information requests from the FSMA (Belgium's Financial Services and Markets Authority) relating to its financial disclosures and alleged shortcomings pertaining thereto.

Dexia banka Slovensko

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

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

Dexia Crediop

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

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

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

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

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

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

Kommunalkredit Austria / KA Finanz AG

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

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

Structured loans litigations

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

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

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

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

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

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

Dexia Israel

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

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

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

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

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

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

Litigation arising from disposal of the Group's operating entities

Throughout 2013, Dexia continued with its programme of divestment of operating entities, as laid down in the revised orderly resolution plan (see page 12 of this report) and closed several divestments in the course of this year.
As is customary in these types of transactions, the share sale agreements in relation to these disposals include warranties subject to the usual restrictions and limitations, as well as certain specific indemnities. As such, Dexia and Dexia Crédit Local, as the case may be, have made warranties to the purchasers. That being the case, should a purchaser make a call on the warranty in connection with an issue affecting the purchased entity that originated prior to completion of the sale of the shares in that entity, Dexia may, under the terms of the sale agreement, be required to indemnify the purchaser.

As of 15 March 2014, fifteen notifications of compensation have been issued by the purchasers in connection with the sale of Banque Internationale à Luxembourg to the State of Luxembourg and Precision Capital. However, Dexia strongly contests the validity of these claims, which are furthermore subject to in-depth examination and close monitoring.

Dexia had to pay compensation of around EUR 6 million to the Russian bank Sberbank, the purchaser of its former subsidiary DenizBank S.A., after the Turkish competition authorities issued a ruling against DenizBank and a host of other local financial institutions in connection with an investigation into price-fixing in the Turkish deposit market. However, DenizBank has appealed the ruling at Dexia's request. The proceeding is ongoing at this time.
Sberbank has also filed two much smaller compensation claims against Dexia in connection with tax claims affecting DenizBank and its Bahrain branch.

A conditional claim for compensation has been issued by New York Life Investment Management, which acquired Candriam (initially Dexia Asset Management) relating to allegedly irregularities concerning one the major funds commercialised by the Australian subsidiary of Candriam (Ausbill). At this stage, it is difficult to assess the impact and the financial consequences of this claim.

Shareholder information

Evolution of the market price and the shareholder structure in 2013

Within the framework of the group's orderly resolution plan and in line with the undertakings they had given, the Belgian and French States subscribed on 31 December 2012 to a EUR 5.5 billion capital increase of Dexia SA, taking the form of preference shares. This increase in share capital was executed by issuing 28,947,368,421 new unlisted preference shares, which were subscribed by the Belgian and French States, bringing the total number of Dexia SA shares to 30,896,352,895. This capital increase, which was reserved for the two States, was approved by a very large majority of shareholders (99.4%) at the Dexia SA. Extraordinary General Meeting held on 21 December 2012. Together, the Belgian and French States now hold 94.42% of Dexia SA's share capital.

The preferential rights attached to these shares cristalize the principle, already stated by Dexia, that any future improvement in the Group's financial situation should first and foremost benefit the guarantor States, considering the risks they were running. They also responded to the requirement of burden-sharing stated by the European Commission in relation to the rules governing State aid.

As stated in the invitation for the Extraordinary Shareholders' Meeting of 21 December 2012, due to these factors the value of the existing shares became close to zero, already prior to the capital increase, with virtually no prospect of any future returns or increases in value. This zero value is a result of the Group's de facto situation at the date of the capital increase, and not of the terms of the capital increase, which simply emphasized this situation. Since the equity was already negative and it had already been established that any future profits would primarily revert to the States, the real financial value of existing shares prior to the increase in the share capital was already zero (notwithstanding their market price).

Given these circumstances, the share price fluctuated between EUR 0.01 and EUR 0.06 in 2013.

EVOLUTION OF THE NUMBER OF SHARES	**31/12/09**	**31/12/10**	**31/12/11**	**31/12/12**	**31/12/13**
Number of shares	1,762,478,783	1,846,406,344	1,948,984,474	30,896,352,895 (1)	30,896,352,895 (1)
of which own shares	*293,570*	*307,548*	*324,633*	*324,633*	*324,633*
Subscription rights (warrants)	71,242,716,	70,960,487	64,474,087	60,386,176	52,320,688
Total number of shares and subscription (2)	1,833,721,497	1,917,366,831	2,013,458,561	30,956,739,071	30,948,673,583

(1) Of which 1,948,984,474 class A shares and 28,947,368,421 class B shares.
(2) For more details, consult the legal information at www.dexia.com.

DATA PER SHARE [1]	31/12/09	31/12/10	31/12/11	31/12/12	31/12/13
Earnings per share – EPS (in EUR)					
- basic[2]	0.55	0.37	(5.97)	(1.47)	(0.56)
- diluted[3]	0.55	0.37	(5.97)	(1.47)	(0.56)
Average weighted number of shares					
- basic[4]	1,846,098,796	1,948,659,841	1,948,659,841	1,948,659,841	1,948,659,841
- diluted[4]	1,846,098,796	1,948,659,841	1,948,659,841	1,948,659,841	1,948,659,841
Net assets per share (in EUR)[5]					
- related to core shareholders' equity[6]	10.02	10.41	3.89	0.35	0.32
- related to total shareholders' equity[7]	5.52	4.85	(1.04)	0.09	0.11
Dividend (in EUR)					
Gross dividend	- [8]	- [9]	- [10]	- [11]	- [12]

(1) The average weighted number of shares, the earnings per share and the net assets per share have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(2) The ratio between the net income – Group share and the average weighted number of shares.
(3) The ratio between the net income – Group share and the average weighted diluted number of shares.
(4) Excluding own and preference shares.
(5) The ratio between the shareholders' equity and the number of shares (after deduction of Treasury shares) at end of period
(6) Without AFS, CFH reserves and cumulative translation adjustments.
(7) With AFS, CFH reserves and cumulative translation adjustments.
(8) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata their shareholding.
(9) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 11 May 2011 approved a capital increase of EUR 243,110,168.10 by incorporation of reserves and the issue of 102,578,130 bonus shares granted to shareholders on 14 June 2011 prorata their shareholding.
(10) No dividend was paid for the 2011 financial year.
(11) No dividend was paid for the 2012 financial year.
(12) No distribution of dividends will be proposed at the Ordinary Shareholder's Meeting of 14 May 2014.

NAME OF SHAREHOLDER	Percentage of Dexia SA existing shares held as at 31 december 2013
Belgian Federal Government through Société Fédérale de Participations et d'Investissement	50.02%
French Government	44.40%
Other institutional and individual shareholders	5.58%

Information on capital and liquidity

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

Share capital

Information on Dexia SA's share capital at 31 December 2013

The Extraordinary Shareholders' Meeting on 8 May 2013 reduced the capital by EUR 5,500,000,000 from EUR 6,000,000,000 to EUR 500,000,000 through the appropriation of the loss incurred.
At 31 December 2013, Dexia SA's share capital therefore came to EUR 500,000,000, represented by 30,896,352,895 shares with no par value, including 1,948,984,474 Class A shares and 28,947,368,421 Class B shares.
In accordance with Article 4 of the articles of association, shares may be held on a registered or dematerialised basis, as selected by their holders, within the legal limits applicable.

At the end of the regulatory period for abolishing bearer securities, i.e. 31 December 2013, any bearer shares whose conversion had not been requested were automatically converted into dematerialised securities and recorded in a securities account by the company. A forced sale of securities will be organised in 2015, under the legal conditions applicable, in order to ensure that there are no remaining securities whose holders are still indefinitely unknown. This sale will be announced in a public notice allowing any holders to come forward before it takes place. Further information is available online at www.dmat.be.

Class A shares:
The Class A shares are listed on NYSE Euronext Brussels and Paris and the Luxembourg Stock Exchange, with at 31 December 2013, 307,794,144 registered shares, 1,640,317,881 dematerialised shares and 872,449 (physical) bearer shares.
The outstanding bearer shares were automatically converted into dematerialised shares on 1 January 2014 and recorded in a securities account in Dexia's name, in accordance with the Law of 12 December 2013 amending the Law of 14 December 2005 abolishing bearer securities.

Class B shares:
All the Class B shares, i.e. 28,947,368,421 shares, are registered and are not listed.

Summary of Dexia warrants as at 31 December 2013.

	Exercise price (in EUR)	Exercise period		Number of warrants awarded	Number of warrants exercised	Number of warrants cancelled as void	Number of residual warrants before transfer
		from	to				
Warrants granted in 2004							
"ESOP 2004" Warrants	12.26	30 Sept. 2007 (1)	24 July 2014 (1)	10,000,000	81,250	735,678	10,232,603
Warrants granted in 2005							
"ESOP 2005" Warrants	16.30	30 June 2008 (1)	29 June 2015 (1)	9,994,950	15,000	922,926	9,991,281
Warrants granted in 2006							
"ESOP 2006" Warrants	16.83	30 June 2009 (1)	29 June 2016 (1)	9,760,225	15,000	737,980	9,899,471
"2006 network share ownership plan" Warrants	19.21	29 Oct. 2011	29 Oct. 2011	197,748	0	218,671	0
"ESOP 2006" Warrants (DenizBank)	18.73	15 Dec. 2009	14 Dec. 2016	235,000	0	30,987	228,878
Warrants granted in 2007							
"ESOP 2007" Warrants	21.02	30 June 2010 (1)	29 June 2017 (1)	10,322,550	0	493,956	10,883,145
Warrants granted in 2008							
"ESOP 2008" Warrants	9.12	30 June 2011	29 June 2018	7,093,355	0	110,906	7,553,684
"ESOP 2009" Warrants	11.44	30 June 2012	29 June 2018	3,466,450	0	224,660	3,531,624
"FP state guarantee" warrants (2)		11 May 2011	11 May 2016	2	0	0	2

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

Authorised capital (Article 608 of the Company Code)

Article 6 of the articles of association states that the amount of authorised capital is at any time equal to the amount of the share capital. At 31 December 2013, the authorised capital represented EUR 500,000,000. The authorisation to increase the authorised capital granted by the Shareholders' Meeting on 13 May 2009 is valid for a five-year period ending in 2014. A proposal will be submitted at the General Shareholders' Meeting on 14 May 2014 to renew this authorisation for a further five-year period from the publication of the Shareholders' Meeting's decision in the appendices to the Belgian Official Journal (Moniteur Belge).

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

The Extraordinary Shareholders' Meeting on 8 May 2013 renewed the authorisation given to the Board of Directors for a new five-year period to:

- acquire the company's own shares on the market or in any other manner, in accordance with the legal conditions applicable and the undertakings made by the company and by the Belgian, French and Luxembourg states to the European Commission, up to the legal maximum number, for a counter-value established in accordance with the legal provisions, and which may not be less than one euro cent (EUR 0.01) per share or more than 10% higher than the share's last closing price on NYSE Euronext Brussels;
- authorise the direct subsidiaries within the meaning of Article 627 § 1 of the Company Code to acquire the company's shares under the same conditions.

The Board of Directors did not however launch a programme to purchase own shares in 2013.

The unchanged balance of the portfolio of own shares as at 31 December 2013 amounts to 324 634 own shares and corresponds to the number of Dexia shares still held by Dexia Crédit Local S.A. (direct subsidiary of Dexia SA within the meaning of Article 627 § 1 of the Companies Code), within the context of a share option plan put in place by that subsidiary in 1999.

Situation of the VVPR strips following the change in Belgian legislation

Since 1996, Dexia SA has regularly accompanied the issuance of new shares with VVPR strips, making use of the possibility offered by Belgian law to allow its shareholders to benefit from a tax benefit. The VVPR strips materialized the right, against the Belgian State, to benefit from a reduction of the withholding tax to 15% on the dividend. The VVPR strips did not give the holder any rights towards the issuing company. A shareholder who simultaneously held an equal number of Dexia shares and VVPR strips could benefit from a reduced withholding tax rate on the dividends received. The Belgian law of 27 December 2012 abolished this tax benefit for all dividends paid or payable as from 1 January 2013. Also, Euronext withdrew the listing of VVPR strips at end 2012 given that any benefit associated with VVPR strips disappeared. Dexia SA should proceed formally to the cancellation of 684,333,504 VVPR in circulation, which will be proposed to the shareholders at the forthcoming Extraordinary Shareholders Meeting.

Regulatory capital

Solvency

Dexia monitors changes in its solvency using the rules defined by the Basel Committee on Banking Supervision and the European CRD Directive, as well as the ratios set for the Group by the Committee of European Supervisors.
The capital adequacy ratio and the Tier 1 capital ratio respectively give the ratio between the amount of regulatory capital and the amount of regulatory capital in the strict sense, including hybrid capital (Tier 1 capital), and total weighted risks. The minimum regulatory levels are 8% for the capital adequacy ratio and 4% for the Tier 1 ratio.
To monitor its solvency, Dexia also uses the Core Tier 1 ratio, which gives the ratio between the amount of regulatory capital in the strict sense, excluding hybrid capital, and total weighted risks.
The Belgian National Bank (BNB) requires Dexia to apply the prudential regulations for financial groups when calculating its capital.
Dexia complied with these regulatory capital requirements for all the reporting periods.

Regulatory capital

The regulatory capital can be broken down as follows:
• Regulatory capital in the strict sense, including hybrid capital (Tier 1 capital), which comprises the share capital, premiums, retained earnings including profits for the year, hybrid capital securities, conversion adjustments and non-controlling interests, after deducting intangible assets, accrued dividends, own shares and goodwill. The Core Tier 1 capital comprises the regulatory Tier 1 capital excluding hybrid capital securities;
• Tier 2 capital, which includes the eligible portion of long-term subordinated debt, after deducting the subordinated debt and shares of financial institutions.
In accordance with regulatory requirements:
• The unrealised or deferred gains or losses (Other Comprehensive Income, OCI) on bonds classified as "available for sale" (AFS) and cash flow hedge reserves are not included in the regulatory capital;
• The unrealised or deferred gains or losses (OCI) on shares are included in the Tier 2 capital if they are positive (limited to 90%) or deducted from the Tier 1 capital if they are negative;
• Certain IFRS adjustments concerning subordinated debt, non-controlling interests and debts must be taken into consideration when calculating the capital in order to reflect the loss absorption characteristics of these instruments;
• Other elements (special-purpose entities, deferred tax, etc.) are also adjusted in line with the BNB’s requirements.

REGULATORY CAPITAL (in millions of EUR)	31/12/12	31/12/13
Regulatory capital (after profit appropriation)	**11,535**	**10,617**
Tier 1 capital	**10,989**	**10,150**
Core shareholder's equity	10,879 (1)	9 919
Cumulative translation adjustments (Group share)	(31)	(55)
Actuarial differences on defined benefit plans	0	(2)
Prudential filters	(186)	(104)
Non-controlling interests (eligible in Tier 1)	422 (1)	418
Dividend payout (non-controlling interests)	0	0
Items to be deducted	(191)	(122)
Intangible assets and goodwill	*(165)*	*(95)*
Holdings > 10% in other credit and financial institutions (50%)	*(26)*	*(27)*
Innovative hybrid Tier 1 instruments	96	96
Tier 2 capital	**546**	**467**
Subordinated debts	530	410
Available for sale reserve on equities (+)	132	129
IRB provision excess (+); IRB provision shortfall 50% (-)	22	68
Items to be deducted	(138)	(141)
Holdings > 10% in other credit and financial institutions (50%)	*(138)*	*(141)*

(1) With the publication of the annual report 2012 of Dexia SA a shift of around EUR 30 million has been detected between the headings "Core shareholder's equity" and "Non-controlling interests". Both figures for 2012 have been corrected in the table hereabove. Please note that this error did not influence the presented ratio's.

At the end of 2013, the Tier 1 capital represented EUR 10,150 million, down 8.2% in relation to 31 December 2012, notably reflecting the losses recorded by Dexia during the past year. At 31 December 2013, the Group's Core Tier 1 capital came to EUR 10,054 million.
On that date, the Group's Tier 1 hybrid capital securities represented a limited nominal total of EUR 96 million.
No hybrid debt buyback operations were carried out in 2013. As a result, the Group's hybrid Tier 1 capital consists of:

- EUR 56.25 million nominal of perpetual non-cumulative securities issued by Dexia Crédit Local and booked for this amount;
- EUR 39.79 million nominal of perpetual non-cumulative securities issued by Dexia Funding Luxembourg and booked for this amount.

The characteristics of these two issues are presented in the table below.

ISIN	Issuer	Booked amount (in millions of EUR)	Coupon	Call date	Coupon applicable after the call
FR0010251421	Dexia Crédit Local SA	56.25	4.30%	18 November 2015	Euribor 3 m + 173 pb
XS0273230572	Dexia Funding Luxembourg SA	39.79	4.892%	2 November 2016	Euribor 3 m + 178 pb

Following the offer to buy back securities in relation to the redeemable subordinated debt (Lower T2) issued at the end of 2012, Dexia Crédit Local bought back an additional nominal total of EUR 30 million in 2013, with approval from the European Commission and the Belgian and French regulators.

ISIN	Type	Amount issued (in millions of EUR)	Amount purchased in 2013 (in millions of EUR)	Remaining amount (in millions of EUR - %)
XS0307581883	Lower Tier 2 2017	500	10	252.05 - 50.41%
XS0284386306	Lower Tier 2 2019	300	20	106.40 - 35.47%

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

In addition, as announced by Dexia on 24 January 2014[1], the European Commission refused to authorise the Group's proposal to repurchase the hybrid capital debt issued by Dexia Funding Luxembourg (XS0273230572), noting that the subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions that have been granted State aid. The European Commission has also informed Dexia that it is authorized to communicate this information to the holders of this instrument and to the holders

(1) Cf. press release from 24 January 2014 published on www.dexia.com.

of financial instruments with identical characteristics. Financial instrument FR0010251421 issued by Dexia Crédit Local S.A. has similar characteristics.

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

Weighted risks

Weighted risks consist of three elements: credit risk, market risk and operational risk. Each of these risks is described in the "Risk management" section of the present Annual Report (pages 21 and following).
At the end of 2013, weighted risks represented EUR 47.3 billion, down EUR 8 billion compared with the end of 2012. This change is linked primarily to the reduction in weighted credit risks (EUR -6.8 billion) due to the sale of SFIL as well as by the reduction of the balance sheet during this period.

in millions of EUR	31/12/12	31/12/13
Weighted credit risks	48,914	42,141
Weighted market risks	1 276	2,668
Weighted operational risks	5,131	2,526
TOTAL	55,321	47,335

Solvency ratios

At 21.4% and 21.2% respectively, the Tier 1 and Core Tier 1 ratios are relatively stable at end-December 2013 compared with 31 December 2012. The sale of Dexia entities and in particular SFIL, the parent company of CAFFIL[(1)], and the reduction in weighted risks contributed to an increase in the Core Tier 1 ratio by +0.24% and +3.4% respectively over the period concerned. Conversely, the EUR -1.083 billion annual loss recorded in 2013 impacted the Core Tier 1 ratio by -2.2% and the buyback of Lower Tier 2 securities by -0.02%.
The capital adequacy ratio was 22.4% at end-2013, compared with 20.9% at the end of 2012.

	31/12/12	31/12/13
Core Tier 1 ratio	19.7%	21.2%
Tier 1 ratio	19.9%	21.4%
Capital Adequacy Ratio	20.9%	22.4%

A large number of parameters and external elements could have an impact on the solvency of Dexia SA more in particular the results of the AQR currently conducted by the European Central Bank.

(1) The finalisation of the sale of SFIL in January 2013 had a positive impact of EUR 133 million on Dexia's capital.

Internal capital adequacy

In 2012, Dexia launched a process to overhaul its capital adequacy process in line with its strategy and the requirements of CRR and CRD IV. In addition, dialogue with its regulators continued to move forward in 2013.
Dexia has developed a Capital Adequacy and Risks approach with a view to drawing up an exhaustive, qualitative and quantitative mapping of the various risks that might affect its accounting, prudential and liquidity situation. This matrix-based mapping makes it possible to measure the impact of multiple scenarios in terms of future changes in risks. This is regularly reported to the management, which allows to have a transparent view of the risks and also ensures the adequacy of the capital and the available sources of liquidity. This new approach is in line with the best practices in the market and the applicable regulatory requirements. It has been presented to the regulators at end 2013.
In this respect, the Capital Adequacy and Risk approach will be the answer of Dexia to the demands of the European Central Bank within the framework of the Single Supervisory Mechanism and in particular the "Comprehensive Assessment" and the "Supervisory Risk Assessment".
The complete formalisation of the Capital Adequacy and Risks approach based on the figures at 31 December 2013 will be submitted to the European Central Bank and local regulators in connection with the supervision exercises planned for 2014.

Liquidity management

2013 was marked by a decrease in the Group's liquidity need, combined with an improvement of the liquidity situation, illustrated by the following elements:
- Compliance with the regulatory thresholds defined for calculating the liquidity ratios for Dexia SA and Dexia Crédit Local (cf. "Risk management" section on page 33);
- The reduction in the level of refinancing from the central banks, down from EUR 50.1 billion at end-2012 (or 24.5 % of the total funding) to EUR 34 billion at end 2013 (or 20% of the total funding);
- A greater capacity for guaranteed market-based refinancing. The Group increased the proportion of long-term guaranteed financing (longer than 12 months), with an outstanding of EUR 9 billion placed at 31 December 2013, compared with less than EUR 3 billion one year earlier[(2)].

This results from the combination of two positive developments. The first is the consequence of the efforts made by Dexia to stabilise and optimise its liquidity situation. The main lines of work related to:
- The disposal of the entities consuming the highest levels of liquidity, in particular CAFFIL (formerly Dexia Municipal Agency);
- The sustained marketing of the debt issued with a guarantee from the Belgian, French and Luxembourg States. The roadshows organised during the year made it possible to expand the investor base for guaranteed debt, from a geographical perspective, with increased levels of issues placed in the United States and Asia in particular, while also diversifying the categories of investors, including a stronger presence of central banks. The signing of the definitive issue agreement in January 2013 made it possible to renew

(2) Numbers excluding the State guaranteed debt held by Belfius Bank.

the Certificate of Deposit programmes and launch the Commercial Paper, Euro Medium Term Note (EMTN) and US Medium Term Note (USMTN) programmes, giving access to refinancing in US Dollars (USD 9 billion outstanding at end-2013) and increasing the maturity of issues to five years;
• The renewal of collateralised financing reaching maturity and above all the new operations carried out to replace Belfius Bank (formerly Dexia Bank Belgium) as counterparty for the least liquid assets.

The second aspect is linked to a series of positive developments concerning the financial markets and macroeconomic conditions, primarily:
• The gradual normalisation of the European financial situation allowing the first issue by Dexia with the State guarantee to achieve a favourable welcome from investors for larger volumes, for a longer maturities and at a lower cost than anticipated in the context of the revised business plan;
• The gradual increase of interest rates and the evolution of the main exchange rate parities reduced continuously the amount of net cash collateral paid by the Group to its derivatives counterparties. This amount is EUR 20.7 billion at year-end 2013 against EUR 29.8 billion at year-end 2012;
• The stability of the asset quality (in terms of eligibility as well as in terms of collateral value) pledged as collateral for secured funding.

Despite this improvement in its liquidity situation, the balance sheet structure of the Group continues to be structurally imbalanced. It remains very sensitive to changes in external parameters, which will also have to be monitored closely. It cannot be excluded that, in the future, the Group will have to request access to the emergency liquidity lines (Emergency Liquidity Assistance – ELA), notably in the event of significant funding agreements coming to maturity during the first quarter of 2015.

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

Human resources

Impacts of the implementation of the orderly resolution plan on the Human Resources support line

Since the announcement of Dexia Group's orderly resolution in October 2011 and the sale of Dexia Bank Belgium (now named Belfius Bank) to the Belgian State, the Human Resources Department's primary and constant objective has been to ensure regular communication with all the staff and the employee-representative partners, monitor Group developments, and ensure that the demerger of the entities is able to take place in an environment without any operational disruption. Social dialogue, coordinated with the principles of social management implemented by Dexia Group and Dexia SA, has always been at the heart of human resources actions.
In 2012, 150 Dexia SA staff were transferred to Belfius Bank or to another company that was initially part of the Dexia Group, under the collective agreement for staff transfers. In addition, 105 Dexia SA staff left the Group in accordance with the provisions of the agreement setting the early departure measures. As at 31 December 2013, 83 people were based in Belgium, constituting a stable team of employees and executives involved in the business continuity, all support lines combined.
The Human Resources teams also provided support for staff when Dexia proposed they continue with their activities within the resolution structure. Individual interviews were held with each staff member in order address their questions and to secure their commitment to Dexia.
In France, Dexia has completed the sale of SFIL, the holding company which owns CAFFIL (formerly Dexia Municipal Agency), to the French State, as a majority shareholder, alongside Caisse des Dépôts et Consignations and La Banque Postale (LBP). The sale of SFIL in 2013 has had consequences on Dexia's operational scope, resulting in a simplification of how it operates and how its teams are organised, as well as resizing the teams. 264 Dexia Crédit Local staff joined SFIL during 2013, while approximately 50 employees from the IT Department are expected to join SFIL in 2014, once the duplication of the systems within the two entities has been completed.
Considering Dexia's economic situation and the new scope for its activities, at the end of the period of discussions with staff representatives, the project to reorganise the Dexia Crédit Local – CLF Banque economic and social unit (presented on 28 September 2012), and the second workforce adaptation project, presented on 13 June 2013, led to around 350 occupied positions being cut during the year. Among these positions, it is important to note that:

- 44 staff joined LBP, primarily in sales or sales support positions,
- 87 staff were reclassified,
- 112 staff benefited from voluntary departure measures.

Social support measures have been negotiated with the staff representatives for employees affected by the reorganisation. Such measures have been reflected in the implementation of a Job Protection Plan, which has notably led to voluntary departure measures, initially open to staff in positions directly subject to elimination and subsequently to staff in a professional category that was subject to job losses and for whom acceptance of a voluntary departure might in time avoid a forced redundancy.
Negotiated with the staff representatives in connection with a Job Protection Plan, voluntary departures make it possible to focus on employees who intend to leave the company, as opposed to "forced" redundancies, provided that they present a professional or educational project with a view to redirect their career path.

Key figures

Following the completion of the sales carried out in 2013, Dexia Group had 1,885 staff, with 47 different nationalities represented, in 16 countries. As at the end of 2013, Dexia had a total of 1,393 employees, excluding Dexia Asset Management staff.

More than 60% of staff joined the Group less than 10 years ago and the average length of service of staff members is 8.3 years.

The average age is 41 for men and women.

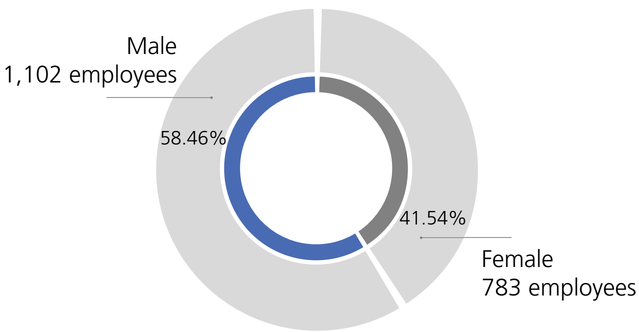
The global repartition of the employees between men and women is respectively 58.46% and 41.54%

93.47% of staff members are on permanent contracts and 10% of the Group's employees work part time.

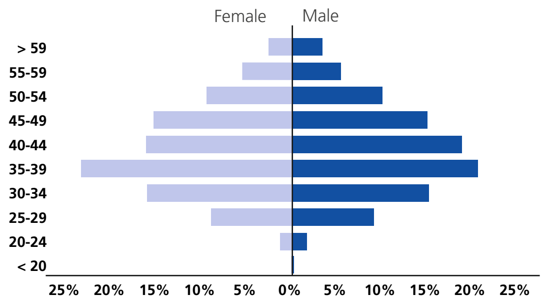
NUMBER OF STAFF

Country	Dexia SA scope (as at 31 December 2013)	Dexia SA scope without Dexia Asset Management (sold on 3 February 2014)
France	896	766
Belgium	324	83
Italy	193	188
United States	143	143
Germany	85	80
Spain	35	31
Ireland	31	31
Other countries	178	71
TOTAL	**1,885**	**1,393**

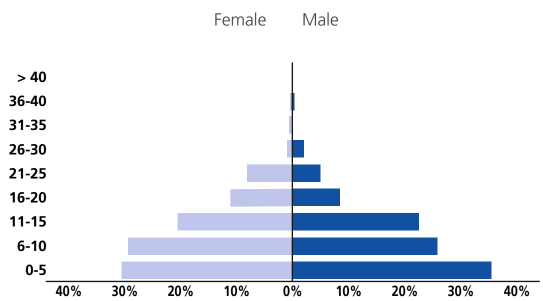
GENDER BREAKDOWN



AGE PYRAMID



SENIORITY PYRAMID



Training

Support for change was one of the Training Department's main objectives in 2013. Specific development actions to support career transitions and mobility were further strengthened or developed, alongside training initiatives to identify or prevent psychosocial risks. Individual and team-based coaching support was also offered. In addition, managers were provided with support in their role as agents for change thanks to an extended range of management and leadership training to reinforce managerial skills and help team leaders manage change and support their staff during this period of uncertainty.

The training actions required by the regulatory mechanisms or agreements in place in each country have continued to be rolled out, including the training and "recycling" of first aiders, as well as AMF certification in France for staff in target positions identified by the French Financial Markets Authority (AMF), and even the information sessions organised jointly by the Compliance and Training Departments on the fight against money laundering.

Lastly, another key focus has been the acquisition or development of the skills needed for staff to perform effectively in their positions. The training programmes offered have been rolled out based on an approach for each business line, with the various support lines represented and employees able to access various group or individual training courses covering more specific topics relating to their business. These training programmes are essential for the company because they make it possible to ensure the long-term viability of skills within the organisation, while also maintaining the employability of staff, especially for people being redeployed internally.

Working conditions

The implementation of the orderly resolution plan is having significant impacts in terms of changes to on working conditions for staff. In particular, the Group has a longstanding commitment of ensuring the best possible visibility for staff concerning their company and their development within it, looking to prevent and detect stressful situations, notably through a "psychosocial risk" prevention policy.

Numerous arrangements are in place within the Group to detect, prevent and manage stress and exhaustion at work.

Several channels for escalating information make it possible to detect these risks within the entities (staff representatives, occupational physician, social assistants, business partners, etc.).

With regard to prevention, a certain number of measures have been put in place or proposed within the entities: preventative medical checkups, ergonomics advice, conferences to raise staff awareness on psychosocial risks, practical workshops and training sessions on stress management, as well as coaching actions.

The team leaders have been key resources within this prevention framework and have been trained through role-plays and practical scenarios, to adapt the content of their communication in order to avoid producing messages that may cause anxiety.

Lastly, as in previous years, the stress-related situations reported were taken into account and supported in various ways: interviews with the Human Resources Department, coaching measures, psychological support hotlines, adjustments to working hours, etc.

Recruitment, mobility, career management

In terms of recruitment, considering the specific context of the Job Protection Plan in France, which was launched on 28 September 2012 and continued throughout 2013, the year was marked by the strict monitoring of vacant positions and an extremely selective external recruitment policy. The priority objective was to promote a policy for mobility within the Group, enabling staff facing job cuts to find new positions within the organisation.

In this way, a Human Resources team, made up of the Recruitment Department, Employee Relations and the Business Partners, was set up to manage professional redeployments and transfers. Case-by-case analyses were also carried out concerning the training or adaptation measures required to facilitate staff transfers. In addition to these internal mobility and redeployment actions, voluntary departure solutions made it possible to avoid any forced redundancies.

The career management initiatives have focused on retaining staff and developing their skills.

The retention initiatives rolled out have included proactively offering training courses and/or career paths for staff in key positions for the organisation. Alongside this, to achieve the best possible fit between individuals' expectations and skills and the company's needs, an inventory was drawn up to take stock of executives' aspirations, making it possible to formalise short and medium-term succession plans, combined with career development plans.

Lastly, following the disappearance of the market of the performance management tool that was previously used in France for nearly 10 years, Dexia intends to deploy a new tool for all Dexia Crédit Local and Dexia SA Belgium staff. This tool would also make it possible to identify employees' development requirements and mobility goals, measure their potential and assess the departure and succession risks for target populations with Talent Reviews, while making it easier to map out succession plans. This optimisation of the processes involved would make it possible to carry out more detailed work on the fit between the company's needs and the skills of its employees, in addition to drawing up specific career paths.

Compensation

Dexia updated the Group's compensation policy in April 2013 to reflect the changes in the Group since October 2011, automatically incorporating the changes that will be seen in connection with the disposal of the asset management business, part of Dexia Asset Management, which is subject to specific provisions.

These updates also factor in the behavioural commitments made by the Belgian, French and Luxembourg States to the European Commission within the framework of the Group's orderly resolution plan. In particular, Dexia adheres to the rules concerning remuneration as stated by the G20 and the national institutions, and ensures the best use of public funds in terms of remuneration.

More detailed information on the compensation policy is provided in the "Compensation Report" section of the "Declaration of corporate governance" chapter of this annual report pages 67 to 70.

Social dialogue

Currently Dexia's European Works Council (EWC) only has 10 permanent effective members from three entities in three different countries. This social body has discussions with management concerning any major cross-border matters.

Considering the latest developments and the information-consultation process associated with the Group's announcement of new measures severely impacting its structure, the year was particularly busy and numerous meetings were organised (six meetings of the European Works Council, six meetings of the EWC Executive) in order to provide staff representatives with information and respond to their requests.

At local level, social dialogue was intense in all the Group's entities. Within their entities, the employee-representative partners and the management rolled out the information-consultation process resulting from the orderly resolution plan and its implications in terms of rapid adjustments to Dexia's geographical and operational scope.

Lastly, the orderly resolution plan has also involved a gradual revision of the composition of the organisations in place for social dialogue considering the disposal of Group entities on the one hand, and on the other, the gradual reduction in the workforce.

As part of the continued implementation of the orderly resolution plan, Dexia's management team launched an in-depth review of the operating model in May 2013. The intent of the review was to ensure the Group achieves its objectives over time. This is the "company project" presented on pages 10 to 11 of this annual report.

The corporate development plan is a key project for Dexia and all of its staff. The review concerning this project was carried out by a number of executives, taking care, as the work progressed, to involve the teams in order to ensure the best possible level of support. Within this framework, the HR offer is likely to evolve, particularly given the intent to engage staff regarding the new values and new behaviors promoted by the Group and to meet the teams' training and recruitment requirements as quickly as possible.

The Works Council of Dexia SA and Dexia Crédit Local met on 4 February 2014 in connection with the start of the social consultation process relating to this corporate development plan.

Declaration of corporate governance

Introduction

Reference Code

The Belgian Code of Corporate Governance, designated by the Belgian legislator as the Reference Code ("2009 Code"), is the reference for Dexia within the meaning of Article 96, § 2 1° of the Companies Code. It is available on the Belgian Official Journal internet site as well as on the internet site www.corporategovernancecommitee.be.
The Belgian Code of Corporate Governance contains nine mandatory principles for listed companies. Dexia respects these nine principles, but, as a result of the Group's specific situation and the new governance structure rolled out following the capital increase at end-December 2012, departs from the following two lines of conduct:

- Provision 1.2. and 2.1., which recommend a mix of genders within the Board of Directors. Women make up 11% of the Board of Directors. However, the Board of Directors takes this recommendation into consideration when appointing members to fill vacant positions on the Board.
- Provision 5.2.4., which recommends that the audit committee be composed of a majority of independent directors. Dexia SA's audit committee is composed of two independent directors - including the committee chairman - out of four members, which goes even beyond the legal provisions applicable to listed companies, which require at least one independent director.

Corporate Governance Charter

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

Relations with shareholders

Shareholder base

As described in the "shareholder information" section of this annual report (Page 41), the shareholding structure of Dexia SA was modified significantly further to the capital increase on 31 December 2012. In this way, Dexia SA's main shareholders at end-December 2013 were as follows:

Shareholder name	Percentage of existing Dexia SA shares held (31 December 2013)
Belgian federal government through Société Fédérale de Participations et d'Investissement	50.02%
French State	44.40%
Institutional, individual & employee shareholders	5.58%

As at 31 December 2013, Dexia SA directly or indirectly held 0.001% of its own shares. Dexia Group employees held 0.02% of the company's capital.
At that same date, and to the best of the company's knowledge, no individual shareholder, with the exception of the Belgian Federal State and the French State, held 1% or more of the capital of Dexia SA.
As at 31 December 2013, the directors of Dexia SA held 61,186 shares in the company.

Relations with shareholders

Relations with individual shareholders

The annual general meeting is held in Brussels on the second Wednesday in May and is subject to the provision of dedicated information: official notices appear in the Belgian official journal and in the BALO in France, announcements are published in the financial press in Belgium and in Luxembourg, and a convocation file in French, Dutch and English can be downloaded from the internet site.
Since 1 January 2012, in accordance with the provisions of the Law of 20 December 2010 relating to the exercising of certain rights by the shareholders of listed companies, the level of share ownership required to allow one or more shareholder(s) to submit a proposal to the shareholders' meeting has been 3%. The Ordinary Shareholders' Meeting was held in Brussels on 8 May 2013 and directly followed by an Extraordinary Shareholders' Meeting whose minutes are available on the Internet site.

Relations with institutional investors
Relations with institutional investors are handled by a dedicated team based in Paris, which also manages the relations with bond investors in connection with the marketing of the Dexia Group financing programmes.

Information channels

Regular information channels
Throughout the year, Dexia publishes information through press releases on the Group's business, financial results and news. All this information is available, as soon as it has been published, on the internet site www.dexia.com under the "Shareholders/Investors" section. It can also be obtained by sending an email request to Dexia SA's financial communications department.

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

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

Observance of applicable legislation

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

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

A Royal Decree of 14 November 2007 "on the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market" stipulates the obligations of issuers with regard to the information to be provided to the public and their obligations to holders of financial instruments. In January 2012, the Financial Services and Markets Authority (FSMA) published a Circular (updated on 18 October 2013) explaining this Royal Decree(1). In accordance with this regulation, Dexia SA has decided since 2003 to use its internet site to fulfil its obligations to publish the information stipulated by the Royal Decree and the Circular, and in particular created a separate part of its internet site dedicated to the mandatory financial information referred to in the Circular.

(1) This circular replaces the Banking, Finance and Insurance Commission Circular FMI/2007-02.

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Management of the Dexia Group

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

Dexia SA's Board of Directors

Members of the Board of Directors

The Articles of Association of Dexia SA stipulate that the Board of Directors is composed of nine directors, five of Belgian nationality and four of French nationality. The Chairman of the Board of Directors is French and the CEO is Belgian. A director may, with the agreement of a majority of each group of directors of the same nationality, be considered as of Belgian or French nationality even though in reality they are of another nationality, the other nationality or of double nationality.

ROBERT DE METZ

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

Beginning and end of current mandate: 2010-2014

Specialist committees: Chairman of the Appointment and Compensation Committee • Chairman of the Strategy Committee

Primary function: Executive Director of La Fayette Management Ltd.

Other mandates and functions: Supervisory Board member: Canal+ France until 31 December 2013 • Director: Média-Participations (Paris-Brussels) • Chief Executive Officer: Bee2Bees SA (Brussels) • Executive Committee member: Fondation pour les Monuments Historiques

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

KAREL DE BOECK

3 August 1949 • Belgian • Director since 2012
Holds no Dexia shares

Beginning and end of current mandate: 2012-2016

Primary functions: Chief Executive Officer and Chairman of the Management Board of Dexia SA • Managing Director of Dexia Crédit Local S.A.

Other mandates and functions: Director of Dexia Crédit Local S.A., Aswebo and Lamifil • Member of the Supervisory Board of Willemen Group • Chairman of the Board of Directors of Boek.be and Allegro Investment Fund and Manager of White Art Centre.

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

THIERRY FRANCQ

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

Beginning and end of current mandate: 2013-2017

Specialist committees: Member of the Audit Committee • Member of the Appointment and Compensation Committee • Member of the Strategy Committee

Primary function: Deputy commissioner general for investment

Other mandates and functions: Director of Dexia Crédit Local S.A.

Biography: Thierry Francq is an Ecole polytechnique and Ecole nationale de statistiques et d'administration économique (ENSAE) graduate. He began his career in 1988 in the Direction de la Prévision (Ministry of the Economy, Finance and Industry), as assistant to the head of the Foreign Bureau and then financial transactions. In 1992, he joined the Treasury Department where he was deputy head of the Housing Financing Bureau and, as of 1995, head of the Bureau in charge of French policy regarding the International Monetary Fund (IMF), the international financial system and the preparation of the G7 summits. From 2000 to 2002, he held the position of assistant manager in charge of the regulation of insurance companies, products and markets and then, from 2002 to 2004, assistant manager in the Service des participations before being appointed head of financing of the economy at the French Treasury (DGTPE). In March 2009, he was appointed secretary general of the Financial Markets Authority (AMF). From December 2012 to September 2013, he was executive adviser to the Director General of the French Treasury. On 7 October 2013, he was appointed deputy commissioner general for investment.

PHILIPPE RUCHETON

9 September 1948 • French • Executive Director until 31 December 2013
Holds no Dexia shares

Beginning and end of current mandate: 2012-2013

Primary functions: Member of the Management Board of Dexia SA until 31 March 2014 • Executive Vice-President of Dexia Crédit Local S.A. until 31 December 2013.

Other mandates and functions: Director of Bernard Controls SA and of Dexia Crédit Local SA

Biography: Philippe Rucheton is a graduate of Ecole Polytechnique, Institut Supérieur des Affaires and Université Panthéon Sorbonne (Masters in Business Law). He has been a Member of the Management Board of Dexia SA since December 2008, responsible for financial services and financial management, and since October 2012 his responsibilities have also included mergers and acquisitions activities, treasury and financial markets and the management of branches in the United States and Ireland. He has also been Executive Vice-President of Dexia Crédit Local SA since October 2012. For 20 years he worked for Société Générale, where he held various management positions, such as Finance Director of Newedge (2008), Vice-Chairman of the Komercni Banka (2002-2008) in Prague, Head of ALM within Société Générale (1995-2002) and Deputy Managing Director of Europe Computer Systems (1988-1995).

PIERRE VERGNES

6 May 1976 • French • Executive Director since 1 January 2014.
Holds no Dexia shares

Beginning and end of current mandate: 2014-2018

Primary functions: Member of the Management Board of Dexia SA since 1 January 2014 • Executive Vice-President of Dexia Crédit Local S.A. since 1 January 2014

Other mandates and functions: Director of Dexia Crédit Local SA since 1 January 2014

Biography: An ESSEC graduate, Pierre Vergnes began his career in 1998 on the trading floor at BNP (now BNP Paribas). In 2001, he joined Crédit Agricole Indosuez (now Crédit Agricole CIB) as part of the teams responsible for managing relations with financial institutions, before moving to Crédit Agricole SA's general inspection division in 2003. In 2006, he became a Manager with the consultancy Bain & Company. In 2010, he was appointed head of management control for the Dexia Group and Deputy Finance Director. Since the end of 2012, he has been Finance Director and a member of the Dexia Group Committee.

ALEXANDRE DE GEEST

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

Beginning and end of current mandate: 2013-2017

Specialist committees: Member of the Strategy Committee

Primary function: Director of Treasury (SPF Finances)

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

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

PAUL BODART

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

Beginning and end of current mandate: 2013-2017

Specialist committees: Chairman of the Audit Committee • Member of the Appointment and Compensation Committee

Primary function: Member of the ECB's TS2 Committee.

Other mandates and functions: Director of Dexia Crédit Local S.A.

Biography: Paul Bodart obtained his engineering degree from the Catholic University of Louvain in 1976 and a master's degree in business administration (MBA) in 1987 from INSEAD. At the start of his career, he held various positions with the European Bank for Latin America, JP Morgan and in particular Euroclear Operations Centre. Paul Bodart joined The Bank of New York on 1 January 1996 as Senior Vice President, to become Director General of the Bank's Brussels subsidiary. He was then in charge of all global custodian activities. He was promoted to Executive Vice President on 1 January 2003. In March 2009, Paul Bodart became Chief of EMEA Operations in the Asset Servicing department of the Bank of New York Mellon. He held the positions of Executive Vice President and CEO of BNY Mellon SA/NV, responsible for global EMEA operations until September 2012. Since September 2012, he has been a Member of the T2S Committee of the European Central Bank.

BART BRONSELAER

Independent director
6 October 1967 • Belgian • Director since 2012
Holds 60,000 Dexia shares

Beginning and end of current mandate: 2013-2017

Specialist committees: Member of the Audit Committee • Member of the Appointment and Compensation Committee

Primary function: Chairman of the Board of Directors of Royal Park Investments (until 31 December 2013)

Other mandates and functions: Director of Dexia Crédit Local S.A. and of: Brier Business Development BVBA, Sheng NV, Finilek Dienstverlenende vereniging, MKBH BVBA, MKBH Projectontwikkeling BVBA, BAJ Buczyna, BAJ Czernikowice, BAJ Lubo2 Spzoo, PMC-Group SpzOO, Private Stichtingen Gh. Piot et Le bois Clair, Katholiek Onderwijs Kessel-Lo VZW and Abbaye d'Oignies VZW.

Biography: Bart Bronselaer holds a degree in industrial engineering (T Leuven Group), as well as a master's degree in information sciences (VUB) and a master's degree in business administration (MBA - C.U.Louvain). The major part of his career (1993-2003) was spent with Merrill Lynch International in London, where he held various positions, the last chronologically as Head of Debt Capital Markets for Europe, the Middle East and Africa. There he had the task of structuring and selling financial solutions to various clients, such as financial institutions, industrial companies and public bodies. In 2003, he became an independent expert in financial services. He was Chairman of the Board of Directors of Royal Park Investments until 31 December 2013.

DELPHINE D'AMARZIT

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

Beginning and end of current mandate: 2013-2017

Specialist committees: Member of the Strategy Committee

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

Other mandates and functions: Director of Dexia Crédit Local S.A.

Biography: Delphine d'Amarzit is a graduate from the Institut d'études politiques (IEP) in Paris and is a former student of the Ecole nationale d'administration. In 1996, she became a Finance inspector. In 2000, she was appointed assistant secretary general and then in 2001 secretary general of the Paris Club and head of the "International indebtedness, Paris Club and credit insurance" bureau at the Treasury Department. She then became adviser in charge of the financial sector to the Minister for the Economy, Finance and Industry (2003-2006), assistant manager for financial markets and corporate financing (2006-2007) at the Treasury Department, and then adviser for economic and financial affairs to the Prime Minister (2007-2009). Since July 2009, she has been head of department at the Directorate General of the Treasury. She was also a director of the Agence française de développement until March 2013 and is currently a director of the Banque publique d'investissement.

KOEN VAN LOO

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

Beginning and end of current mandate: 2013-2017

Specialist committees: Member of the Audit Committee • Member of the Appointment and Compensation Committee • Member of the Strategy Committee

Primary function: Chief Executive Officer and member of the Strategy Committee of the Société Fédérale de Participations et d'Investissement

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

Biography: Graduate in applied economics. After gaining a degree in taxation, he began his career as Deputy Adviser to the Central Economic Council. In September 1999, he joined the Office of the Belgian Minister of Finance as an expert. In November 2000, he was appointed Adviser to the Cabinet and was then head of the Cabinet from May 2003 until November 2006. He was then appointed Chief Executive Officer and a Member of the Strategy Committee of the Société Fédérale de Participations et d'Investissement.

Eligibility criteria

The internal rules of the Board of Directors stipulate that directors are appointed by the Shareholders' Meeting on the basis of their expertise and the contribution they can make to the administration of the company.
Directors meet the skills profile defined by the Board of Directors based on proposals from the Appointment and Compensation Committee which are an integral part of the internal rules of the Board of Directors. All members of the Board of Directors must have the time required to fulfil their obligations as a director. Non-executive directors may not consider accepting more than five directorships in listed companies.

Procedure for appointing and assessing members of the Board of Directors

Appointment

The Appointment and Compensation Committee is responsible for making proposals on the appointment of any new director to the Board of Directors, which decides alone whether the application will be submitted to the Shareholders' Meeting or not. The committee ensures that before considering approval of the application, the Board has received sufficient information on the candidate. Each candidate is proposed on the basis of his/her potential contribution in terms of knowledge, experience and specialisation in one or more of the following fields: vision and strategy, leadership and management skills, financial and accounting expertise, international experience and knowledge of the Group's business lines. The candidate must also have the necessary availability to fulfil his/her obligations as a director.

Resignation

When directors wish to end a term of office early, they send a resignation letter to the Chairman of the Board of Directors who informs the Board at its next meeting. The Board of Directors will provide a provisional replacement for the resigning director by cooptation and the following Shareholders' Meeting will make a definitive appointment.
If there is a major change in the functions of a director likely to affect their ability to meet the eligibility criteria as defined in the Board's internal rules, they are invited to resubmit their mandate to the company and to provide the Chairman of the Appointment and Compensation Committee with any useful information.

Assessment

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

When a director's mandate is renewed, the Appointment and Compensation Committee makes an assessment of the participation in the Board of Directors' operations and reports on that with a recommendation.
A self-assessment was launched at the end of 2013 based on an individual, anonymous questionnaire covering the Board's composition and efficiency, the frequency of meetings and the information given to directors, the Chairman's role and interactions with the Management Board, and lastly the compensation awarded to directors. The conclusive report prepared by the Chairman and Secretary General and the proposed improvements will be presented to the Board of Directors with a view to taking any measures required.

Changes in the composition of Dexia SA's Board of Directors in 2013

During the 2013 financial year, the changes in the composition of Dexia SA's Board of Directors were as follows.

The Ordinary Shareholders' Meeting on 8 May 2013 approved:

- the definitive appointment of Mr **Bart Bronselaer** for a new four-year term of office as a director to end further to Dexia SA's Ordinary Shareholders' Meeting in 2017, following his provisional appointment by the Board of Directors during its meeting on 14 December 2012, replacing Mrs Francine Swiggers, who had resigned;
- the definitive appointment of Mr **Thierry Francq** for a new four-year term of office as a director to end further to Dexia SA's Ordinary Shareholders' Meeting in 2017, following his provisional appointment by the Board of Directors during its meeting on 11 March 2013 to replace Mr Olivier Bourges, who had resigned;
- the definitive appointment of Mrs **Delphine d'Amarzit** for a new four-year term of office as a director to end further to Dexia SA's Ordinary Shareholders' Meeting in 2017, following her provisional appointment by the Board of Directors during its meeting on 11 March 2013, to replace Mr Hervé de Villeroché, who had resigned;
- the definitive appointment of Mr **Alexandre De Geest** for a new four-year term of office as a director to end further to Dexia SA's Ordinary Shareholders' Meeting in 2017, following his provisional appointment by the Board of Directors during its meeting on 27 December 2012, with effect from 31 December 2012;
- the definitive appointment of Mr **Paul Bodart** for a new four-year term of office as a director to end further to Dexia SA's Ordinary Shareholders' Meeting in 2017, following his provisional appointment by the Board of Directors during its meeting on 27 December 2012, with effect from 31 December 2012;
- the reappointment of Mr **Koen Van Loo** for a new four-year term of office to end further to the Ordinary Shareholders' Meeting in 2017.

At its meeting on 13 December 2013, the Board of Directors noted the resignation of Mr Philippe Rucheton, with effect from 31 December 2013, and unanimously coopted Mr Pierre Vergnes as a director, with effect from 1 January 2014, to replace Mr Philippe Rucheton.

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Composition of the Board of Directors at 31 Dec 2013	Composition of the Board of Directors at 1 Jan 2014
Robert de Metz	Robert de Metz
Karel De Boeck	Karel De Boeck
Philippe Rucheton	Pierre Vergnes
Alexandre De Geest	Alexandre De Geest
Koen Van Loo	Koen Van Loo
Thierry Francq	Thierry Francq
Delphine d'Amarzit	Delphine d'Amarzit
Paul Bodart	Paul Bodart
Bart Bronselaer	Bart Bronselaer
TOTAL: 9 MEMBERS	TOTAL: 9 MEMBERS

Independent directors

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

1) For a period of five years preceding their appointment, independent directors may not have held a mandate or a position as an executive member of the Board of Directors, or as a member of the Management Board or delegate for day-to-day management, of Dexia SA or of a company or a person associated with it in the meaning of Article 11 of the Companies Code;
2) Independent directors may not have sat on the Board of Directors of Dexia SA as non-executive directors for more than three successive mandates without that period exceeding 12 years;
3) During a period of three years preceding their appointment, independent directors may not have been a member of the management staff;.
4) Independent directors may not receive, or have received, compensation or other significant benefits of an asset nature from Dexia SA or from a company or a person associated with it in the meaning of Article 11 of the Companies Code, outside any percentages and fees received as non-executive members of the Board of Directors or members of the supervisory body;.
5) Independent directors:
  a) may not hold any social right representing one tenth or more of the capital, social funds or category of shares of the company;.
  b) if they hold social rights representing a proportion of less than 10%:
    - by the addition of the social rights with those held in the same company by companies of which independent directors have control, those social rights may not reach one tenth of the capital, social funds or category of shares of the company, or
    - acts of disposal in relation to those shares or the exercising of the rights attached hereto may not be subject to contractual stipulations or unilateral undertakings to which the independent member of the Board of Directors has subscribed;
  c) may not in any way represent a shareholder that meets the conditions of the present point.
6) Independent directors may not have entered into or maintained a significant business relationship with Dexia SA or with a company or person associated with it in the meaning of Article 11 of the Companies Code over the last financial year, either directly or as a partner, shareholder, member of the Board of Directors or member of management staff of a company or person entering into such a relationship;.
7) During the last three years, independent directors may not have been a partner or employee of a current or previous auditor of Dexia SA or an associated company or person associated with it in the meaning of Article 11 of the Companies Code;.
8) Independent directors may not be an executive member of the Board of Directors of another company in which an executive director of Dexia SA is a non-executive member of the Board of Directors or a member of the supervisory body, and may not have other significant ties with the executive directors of Dexia SA through positions held in other companies or bodies;.
9) Independent directors may not, either within Dexia SA or within a company or person associated with it in the meaning of Article 11 of the Companies Code, have either their spouse, or the person with whom they live under a common law marriage, or an immediate family member or a relative up to two removes exercising a mandate as member of the Board of Directors, delegate for day-to-day management or member of the management staff, or in one of the other cases defined in points 1 to 8.

Any of Dexia's independent directors who no longer meet any of the said criteria, particularly following a major change of their functions, will immediately inform the Chairman of the Board of Directors who will inform the Appointment and Compensation Committee; the Appointment and Compensation Committee will inform the Board of Directors and if necessary formulate an opinion.
Considering these criteria, Dexia SA's Board of Directors had three independent directors as at 31 December 2013, namely Mr Robert de Metz, Mr Bart Bronselaer and Mr Paul Bodart.

Non-executive directors

A non-executive member of the Board of Directors is a member who does not exercise management functions in a Dexia Group company. The internal rules of the Board of Directors of Dexia SA stipulate that at least one half of the Board of Directors must be non-executive directors and at least three of the non-executive directors must be independent. It is to be noted that with the exception of Mr Karel De Boeck and Mr Philippe Rucheton[(1)], respectively Chairman and member of the Management Board, all the members of the Board of Directors of Dexia SA are non-executive directors.
The non-executive members of the Board of Directors are entitled to obtain any information necessary for them to perform their mandate properly and may ask management for that information.

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

There is a clear separation of responsibilities at the head of the Group between on the one hand the responsibility to lead the Board of Directors by a French Director and on the

(1) Replaced since 1 January 2014 by Pierre Vergnes.

other hand the executive responsibility to lead activities by a Belgian Chief Executive Officer. The articles of association of Dexia SA as well as the internal rules of the Board of Directors of Dexia SA expressly indicate that the Chief Executive Officer cannot perform the tasks of the Chairman of the Board.

Term of office

Members of the Board of Directors are appointed for a maximum term of office of four years. Board members can be re-elected. The number of renewals of mandate for a non-executive director of the company is limited to two. The age limit for directors is 72. The directors concerned resign with effect from the date of the Ordinary Shareholders' Meeting following their birthday.

Board of Directors' remits and responsibilities

The internal rules of the Board of Directors describe the remits and responsibilities of the Board of Directors in three areas:
• strategy and general policy;
• management control and risk management;
• relations with shareholders.

Strategy and general policy

Regarding principles, in implementing the revised orderly resolution plan, Dexia SA's Board of Directors defines the strategy and standards of the Group and sees to the implementation of that strategy at Group level and in its main operating entities. The Board ensures that the principles of good governance are observed. Within this framework, Dexia's internal rules stipulate in particular that the Board of Directors:
• examines the major proposals made by the Management Board and presented to it by the CEO;
• determines the strategy of Dexia and its various business lines implemented by the Management Board, sets priorities, approves the annual budget and, more generally, ensures the balance between the strategy defined and the human and financial resources required.

Management control and risk management

The Board of Directors controls and directs the management of the company and of the Group and monitors risks.
For this purpose, the internal rules of Dexia's Board of Directors provide that the Board:
• assesses the implementation, by the Group, of independent control functions, which in particular include risk management, internal audit and compliance procedures on a centralised basis;
• takes the measures required to ensure the integrity of the financial statements;
• assesses the performance of the members of the Management Board;
• supervises the performance of the Statutory Auditor(s) and internal auditors;
• defines the organisation of the Management Board in terms of its composition, operation and obligations on the recommendation of the Chairman of the Management Board;
• sets the compensation for Management Board members on the recommendation of the Appointment and Compensation Committee and the recommendation of the Chairman of the Management Board for members of the Management Board other than the Chief Executive Officer.

Role of the Board of Directors in relation to the company's shareholders

The Board ensures that its obligations to all shareholders are understood and fulfilled, and reports to the shareholders on the exercising of its responsibilities.

Operation of the Board of Directors

Articles of association

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

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

Internal rules of the Board of Directors of Dexia SA

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

General organisational principles

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

The minutes report discussions and record the decisions made, specifying reservations issued by some directors, if applicable.

Duty of confidentiality

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

Training of Board members

The Chairman of the Board of Directors ensures that directors receive all useful information enabling them to contribute directly towards the work of the Board and its committees, if applicable, in addition to all relevant information concerning the Group's activities. The directors ensure that they keep their skills up-to-date throughout their time in office in order to be able to exercise their responsibilities properly.

Conflicts of interest

The directors ensure that their participation in the Board of Directors is not a source of any conflict of interests for them in the sense of the applicable regulations.
Directors submit their mandate to the Board if there is a significant change in their duties and the Board decides whether to accept their resignation in such cases, after an opinion from the Appointment and Compensation Committee. They must resign if a change in their situation creates any incompatibility with their office as a director of Dexia SA.
If any directors directly or indirectly have a conflicting financial interest in a decision or operation to be decided by the Board of Directors, they must inform the other members of the Board before they deliberate. Their declaration, including the reasons for their conflicting financial interest, must be recorded in the minutes of the Board meeting that will make the decision. In addition, they must inform the company's auditors. They may not participate in the Board of Directors' deliberations in relation to the transactions or decisions concerned, or vote on them.
For publication in the annual management report, the Board of Directors describes in the minutes the type of decision or operation in question and the reasons for the decision made and the financial consequences for the company. The management report contains a copy of the minutes described above.

Transactions between a Dexia Group company and Board members

The Board of Directors' internal rules state that transactions between a Dexia Group company and directors must be entered into under normal market conditions.

Transactions on Dexia financial instruments

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

Directors with the status of "estimated consolidated results insiders" are subject to a statutory restriction period associated with estimated results and will refrain from deciding on any transactions on Dexia financial instruments during a negative trading window commencing 15 days prior to the accounting closing date and ending on the date when the results are published. Moreover, they must obtain authorisation from the Chief Compliance Officer before any transaction in view of their "permanent insider" status.
Directors entered in the list of "occasional insiders" may not, during the time they are in the list, decide on any transaction on Dexia financial instruments.

With regard to stock options and given their terms and conditions, it is possible to uncouple the initiation of the order from its execution. Applying this principle, a director may give an instruction relating to the exercising of stock options during a positive trading window with a view to their execution if necessary during a negative period. This uncoupling is only possible if the order given is irrevocable and has a floor price limit.

Directors and persons who are closely associated with them are required to notify the FSMA of transactions on Dexia financial instruments carried out on their own behalf. Transactions notified are automatically published by the FSMA on its internet site.
Directors must declare to the Chief Compliance Officer:
- at the time of their entry into office, all the Dexia financial instruments they hold;
- at the end of each year, an update to the list of Dexia financial instruments they hold.

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

Operation and activities of Dexia SA's Board of Directors during the 2013 financial year

Attendance by Board members

The Board met 13 times in 2013. The directors' attendance rate at Board meetings was 90%.

ATTENDANCE RATE FOR EACH DIRECTOR AT BOARD OF DIRECTORS MEETINGS

Robert de Metz	100%
Karel De Boeck	76.9%
Paul Bodart	92.3%
Bart Bronselaer	100%
Alexandre De Geest	100%
Koen Van Loo	92.3%
Philippe Rucheton	100%
Delphine d'Amarzit*	60%
Thierry Francq*	90%

**Delphine d'Amarzit replaced Hervé de Villeroché and Thierry Francq replaced Olivier Bourges with effect from 11 March 2013.*

Activities of the Board of Directors

In addition to matters falling within the ordinary remit of the Board of Directors (monitoring results, approving the budget, appointment and compensation of Management Board members, convening of ordinary and extraordinary shareholders' meetings, reports on meetings and specialist committees), the Board dealt in particular with the cases described below during 2013 :

- Revised orderly resolution plan and undertakings in relation to the European Commission
- Group liquidity
- State guarantee
- Group governance changes
- Disposals of operating entities
- Company project

Conflicts of interest[1]

As already indicated, if any directors directly or indirectly have a financial interest conflicting with a decision or operation of the Board of Directors, they must inform the other directors prior to the Board of Directors' deliberations. Their declaration, as well as a substantiation of the conflict of interest on their part, must appear in the minutes of the meeting of the Board of Directors which has to take the decision.

During its meeting on 19 February 2014, the Board reviewed the compensation for Management Board members and the authorisation for Mr De Boeck to continue serving in his positions after his 65th birthday. In accordance with Article 523 of the Companies Code, Karel De Boeck and Pierre Vergnes refrained from participating in the deliberations concerned and the corresponding votes. An extract from the minutes covering these points is given below.

(a) Reading of the opinion of the Appointment and Compensation Committee

The Appointment and Compensation Committee met on 11 February 2014 to review the Dexia Group's governance and the compensation-related decisions adopted by the Board of Directors during its meeting on 13 December 2013. The Appointment and Compensation Committee invites the Board of Directors to adopt the following decisions:

(i) Office of Mr De Boeck. The Appointment and Compensation Committee proposes that the Board confirm, as necessary, its decision to authorise Mr De Boeck to continue serving as Chairman of the Management Board and Chief Executive Officer of Dexia SA after his 65th birthday and through to the end of his directorship with Dexia SA (i.e. at the end of the annual general meeting in 2016).

(ii) Changes to the composition of the Management Board. The Appointment and Compensation Committee proposes that Dexia SA's Management Board be made up of three members in the future and that Messrs De Boeck, Piret and Vergnes continue in their positions as Management Board members (while noting that Mr Philippe Rucheton will continue to be a member of the Management Board until 31 March 2014).

(iii) Compensation for Mr Vergnes. The Appointment and Compensation Committee proposes that the compensation awarded to Mr Vergnes for his positions within the Dexia Group be set at EUR 420,000.

(iv) Mandates held by Mr Piret. The Appointment and Compensation Committee proposes that Mr Piret be assigned, on a permanent and no longer temporary basis, as decided by the Board of Directors during its meeting on 13 December 2013, responsibility for heading the Dexia Group's Assets division. The Appointment and Compensation Committee also proposes that the Board's decisions from 13 December 2013 concerning Mr Piret's potential severance benefits be cancelled (…).

(b) Board of Directors' discussions and decisions

Prior to the discussions concerning the Appointment and Compensation Committee's proposals, Mr De Boeck informs the other directors, in accordance with Article 523 of the Companies Code, that he could have a conflicting interest with the first two decisions being considered (authorisation for Mr De Boeck to remain in office after his 65th birthday and changes to the composition of the Management Board) since these decisions concern his own personal situation, as Mr De Boeck is a member of the Management Board. In addition, Mr Vergnes informs the other directors, in accordance with Article 523 of the Companies Code, that he could have a conflicting interest with the second and third decisions being considered (changes to the composition of the Management Board and compensation for Mr Vergnes) since these decisions concern his own personal situation, as Mr Vergnes is also a member of the Management Board. Messrs De Boeck and Vergnes undertake to notify the company's auditor about these conflicts of interest. Mr De Boeck will not participate in the deliberations or voting process for the first two decisions being considered (authorisation for Mr De Boeck to remain in office after his 65th birthday and

(1) Status on 1 March 2014.

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changes to the composition of the Management Board) and Mr Vergnes will not participate in the deliberations or voting process relating to the second and third decisions being considered (changes to the composition of the Management Board and compensation for Mr Vergnes). As a result, Mr De Boeck leaves the Board meeting during the deliberations and voting on the first two decisions and Mr Vergnes leaves the Board meeting during the deliberations and voting on the second and third decisions.
After discussion, and as proposed by the Appointment and Compensation Committee, the Board decides unanimously, based on the directors taking part in the voting process, to:
(i) Confirm, as necessary, its decision to authorise Mr De Boeck to continue serving as Chairman of the Management Board and Chief Executive Officer of Dexia SA after his 65th birthday and through to the end of his directorship with Dexia SA (i.e. at the end of the annual general meeting in 2016);
(ii) Reduce the number of Management Board members to three, namely Messrs Karel De Boeck, Claude Piret and Pierre Vergnes (while noting that Mr Philippe Rucheton will continue to be a member until 31 March 2014);
(iii) Set the compensation received by Mr Vergnes for his positions within the Dexia Group at EUR 420,000;
(iv) (…);
(v) (…);
(vi) Confirm that the provisions relating to severance benefits for Dexia SA's Management Board members will be aligned with the timing and claw-back principle introduced by the new Belgian banking law, which will come into force over the coming months.
(vii) (…);
(viii) (…).
The Board of Directors considers that these decisions are in line with the company's best interests, ensuring a reasonable balance between, on the one hand, the need to have a fair compensation policy making it possible to attract and retain the talents required to implement the Dexia Group's orderly resolution plan, and, on the other hand, the concerns expressed by the Belgian and French States, the company's ethical expectations and the banking legislation which will be coming into force shortly.
The Board of Directors also acknowledges the proposal for the Management Board to set up an executive committee, which would be delegated certain missions by the Management Board relating to the company's operational management. The executive committee will be made up of Messrs Bohets, Brugière and Debroise, in addition to the members of the Management Board.
The Appointment and Compensation Committee informs the Board of Directors of the compensation packages being considered by the Management Board for these three executives, which the Board duly acknowledges.

Special committees set up by the Board of Directors

To make an in-depth examination of the files submitted to it, the Board of Directors has three specialist committees, namely the Audit Committee and the Appointment and Compensation Committee conform the requirements of the Company Code, and the Strategy Committee.

These committees are responsible for preparing the Board's decisions, with the latter being its only responsibility. Unless they have been specially delegated by the Board, the specialist committees have no decision-making powers. These committees are made up of Board members appointed by the Board of Directors for a two-year period, which may be renewed. After each meeting, a report on the committee's work is submitted to the Board of Directors.

Audit Committee

In accordance with Article 526bis of the Companies Code, the audit committee is made up exclusively of non-executive directors, among whom two independent directors, including the committee chairman, meet the criteria set out by Article 526ter of the Companies Code. The committee has the necessary audit and accounting expertise.

Activities of the audit committee during the 2013 financial year

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

Attendance of each individual director

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

Composition of the Audit Committee

The audit committee is made up of four directors (all non-executive), including two independent directors.
The composition of the committee is as follows:
- Paul Bodart, independent director and chairman of the audit committee;
- Bart Bronselaer, independent director;
- Koen Van Loo;
- Thierry Francq.

Remit of the audit committee

The audit committee examines the Group's draft annual, half-year and quarterly corporate and consolidated financial statements, which must then be presented, approved and published by the Board of Directors.
It examines all matters relating to those accounts and to the financial reports and in particular, from the documents submitted to it, checks the conditions for their preparation, the choice of accounting principles, the provisions, the observance of prudential standards, the relevance and permanence of the accounting principles and methods applied and the adequacy of the consolidation scope adopted.
The committee advises the Board of Directors on financial communication of the quarterly results and on delicate and sensitive matters which may have a significant impact on the accounts.

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

Operation of the audit committee

The audit committee meets at least four times per year. Each meeting must take place before the meeting of the Board of Directors which analyses and approves the accounts. The committee may meet at any time on the request of one of its members.
The audit committee's remit and operations are described in the Board of Directors' internal rules.
The audit committee may if necessary ask for assistance from an expert.

Appointment and Compensation Committee

Composition

In accordance with Article 526quater of the Companies Code, the Appointment and Compensation Committee is made up of five non-executive directors, including the Chairman of the Board of Directors, and the majority of its members are independent directors. The committee has the required expertise in matters of compensation policy. The head of the human resources department and the CEO attend the meetings and the Secretary General may also be invited.

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

Attributions

The committee makes proposals concerning:
- the appointment of directors and the renewal of their mandates;
- the elements of compensation for the Chairman of the Board of Directors and the CEO and, on a proposal from the latter, that of members of the Management Board.

Moreover, it is consulted with regard to the compensation policy and incentives for Group executives and officers. It makes recommendations on the amounts of attendance fees paid to directors and their breakdown. Within the framework of these remits, the committee deals with the recommendations, circulars and other international, French and Belgian regulations regarding compensation and corporate governance.

The committee prepares the Board of Directors' decisions in relation to:
- proposals for the appointment of directors and the renewal of their mandates made by the Board to the shareholders' meeting, as well as proposals for the coopting of directors;
- determination of the independence criteria enabling a director to qualify as "independent";
- qualification of an existing or new member of the Board of Directors as an independent director;
- appointment of members of specialist committees of the Board of Directors and the respective chairmen;
- appointment of the CEO and renewal of his or her mandate;
- appointment of the Chairman of the Board and renewal of his or her mandate;
- proposals from the CEO concerning the composition, organisation and mode of operation of the Management Board of Dexia SA.

To this end, the committee is responsible for monitoring the practices of listed companies regarding the operation and composition of their boards of directors.

Operation and activities during the 2013 financial year

The appointment and compensation committee met five times in 2013 and dealt in particular with the following matters.
- Governance : composition of the Board of Directors, specialised committees and the Management Board of Dexia SA and Dexia Crédit Local;
- Appointment of new Directors or new members of the Management Board;
- Information with respect to the ongoing social procedures;
- Compensation policy of the Group;
- The Company Project.

Attendance of each individual director at meetings of the appointment and compensation committee

The individual attendance rate of directors at meetings of this committee was 100% in 2013, with the exception of Mr Thierry Francq, who was excused from two meetings.

Strategy Committee

Composition

The strategy committee is made up of five directors, including the Chairman of the Board of Directors, who chairs this committee. Its members are as follows:
- Robert de Metz;
- Delphine d'Amarzit;
- Thierry Francq;
- Koen Van Loo;
- Alexandre De Geest.

From left to right: Claude Piret, Perre Vergnes, Philippe Rucheton and Karel De Boeck.

Attributions

The strategy committee meets as often as necessary on the initiative of its chairman or as requested by one of its members, as relevant, involving external parties who are stakeholders in Dexia's development in the committee's work, if requested by its members, in order to assess its strategic positioning, considering changes in the Group's situation, the financial markets and their impact on the assumptions and parameters of the orderly resolution plan.

Operation and activities during the 2013 financial year

The strategy committee met once in 2013, notably reviewing the long-term financial forecasts and the corporate project.

Attendance of each individual director at the strategy committee's meetings

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

Dexia SA Management Board

The Management Board is entrusted with managing the company by the Board of Directors, which delegates its powers for this purpose, in accordance with Article 524bis of the Companies Code.

Composition

The members of the Management Board, other than the CEO, are appointed and dismissed by the Board of Directors based on proposals from the CEO. With the exception of the Chairman, they are appointed for a renewable four-year period unless the Board of Directors decides otherwise.

COMPOSITION OF THE MANAGEMENT BOARD AS AT 31 DECEMBER 2013

Karel DE BOECK
Chief Executive Officer
Chairman of the Management Board

Claude PIRET
Head of Risk Monitoring, in charge of risk analysis, shared services and international subsidiaries

Philippe RUCHETON
Head of Financial Services, in charge of financial management, mergers and acquisitions activities, treasury, financial markets and the management of branches of Dexia Crédit Local S.A. in the United States and Ireland

On 13 December 2013, the Board of Directors decided to increase the number of Management Board members with a view to adjusting Dexia's governance in line with the

Group's mission. At 1 January 2014, the composition of the Management Board was:

COMPOSITION OF THE MANAGEMENT BOARD AS AT 1 JANUARY 2014

Karel DE BOECK
Chief Executive Officer
Chairman of the Management Board

Marc BRUGIERE
Chief Risk Officer

Pierre VERGNES
Chief Financial Officer

Benoît DEBROISE
In charge of finance and markets

Johan BOHETS
General Secretary, in charge of Legal and Conformity

Claude PIRET
Head of Assets

Philippe RUCHETON
Member of the Management Board until 31 March 2014

On 19 February 2014, the Board of Directors has then unanimously decided, at the proposal of the appointments and compensation committee, to reduce the number of the Management Board members to three members only with effect from 1 March 2014.

COMPOSITION OF THE MANAGEMENT BOARD AS AT 1 MARCH 2014

Karel DE BOECK
Chief Executive Officer
Chairman of the Management Board

Claude PIRET
Head of Assets

Pierre VERGNES
Chief Financial Officer

Attributions

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

Operation

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

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

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

• Rules relating to decision-taking

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

• Rules relating to meetings

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

• Conflicts of interest

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

• Transactions between Management Board members and Group companies

Transactions between Dexia Group companies and Management Board members must be entered into under normal market conditions.

Transactions on Dexia financial instruments

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

Executive committee

To support the Management Board, the Board of Directors of 19 February 2014 created, effective from 1 March 2014, a new enlarged committee that meets weekly and that has the objective to ensure the operational management of the Group. The executive committee is composed of, besides the members of the Management Board, of the following persons:

- **Johan Bohets,** General Secretary, in charge of Legal and Conformity;
- **Marc Brugière,** Chief Risk Officer;
- **Benoît Debroise,** in charge of finance and markets.

Group Committee

The group committee is an exchange platform that meets twice a month and that consists of the members of the management of Dexia SA, meeting in extended format, and the heads of the Communication, Operations and Information Systems, Financial Management, Risk Reporting, Metrics and Quantification, Human Resources divisions and, since 1 January 2014, the Transformation division, namely:

- **Véronique Hugues**, in charge of financial management;
- **Caroline Junius**, in charge of communication;
- **Christine Lensel Martinat**, in charge of operations and information systems;
- **Michael Masset**, in charge of human resources;
- **Wim Ilsbroux**, in charge of transformation ;
- **Rudolph Sneyers**, in charge of risk reporting, metrics and quantification (Rudolph Sneyers will be remplaced by Thomas Guittet as of 1 April 2014);
- **Thomas Guittet**, in charge of audit, who attended but was not a member (Thomas Guittet will be replaced by Rudolph Sneyers as from 1 April 2014).

Furthermore, the Group committee can meet the Heads of the major international entities or branches which are Dexia Crediop, Dexia Kommunalbank Deutschland and DCL North America.

Compensation report

Compensation of Dexia SA directors for 2013

Review of the principles applied

Dexia SA's 2006 Ordinary Shareholders' Meeting decided to pay an annual maximum global compensation amount of EUR 1,300,000 to the directors for their services, effective 1 January 2005.
This meeting also authorised the Board to determine the practical procedures of this compensation and its allocation which comprises a fixed amount and fees.
At its meeting on 23 May 2002, the Board of Directors decided to grant each director a fixed annual compensation of EUR 20,000 (or fixed amount of EUR 5,000 per quarter), and directors' fees of EUR 2,000 per Board meeting or specialist committee meeting. Directors who have been in office for less than one full year shall earn a proportion of the fixed fee based on the number of quarters during which they have effectively been in office.
Non-executive directors receive no performance-related compensation, such as bonuses or long-term incentives, or any benefits in kind or benefits associated with pension plans.

For the section of Dexia's transformation plan focused on cost control, the directors decided to reduce their fixed compensation from 2009. At its meeting on 29 January 2009, the Board of Directors decided to award each director a fixed annual sum of EUR 10,000 (or fixed compensation of EUR 2,500 instead of EUR 5,000 per quarter). This measure was also retained by the Board of Directors for subsequent years.

Compensation paid to the Chairman of the Board of Directors

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

Compensation paid to the Chief Executive Officer

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

Payment of social security contributions for certain directors

All Dexia SA Board members are considered in Belgium as self-employed workers and must therefore join an independent workers' pension scheme and, in principle pay social insurance. Some Board members already benefit from social insurance under another system and may therefore be required to pay contributions in Belgium simply because of their office held with Dexia SA without benefiting from increased social insurance protection.
For instance, this is the case for Board members not resident in Belgium who already benefit, in their country of residence, from social insurance and who are required to contribute in Belgium to an unrecovered annuity. Likewise, a Board member resident in Belgium who is subject to the salaried employees system or to the system applicable for public servants as a principal activity and who is required to contribute as an independent worker additionally because of their office held in Belgium without benefiting from increased social insurance compared with what they already qualify for because of their principal activity.

In order to offset the unrecovered social security cost paid by directors who are in this position (subject to an annual review in order to reflect changes in status), the Ordinary Shareholders' Meeting of 10 May 2006 decided that Dexia SA will pay the unrecovered social security contributions and the other amounts owed for serving as a director of Dexia and, therefore, raised the maximum limit for directors' compensation from EUR 700,000 to EUR 1,300,000.
To qualify for this payment, directors must meet the conditions required. The amount of the contributions owed for the year in 2013 and paid by Dexia totalled EUR 40,419.74

COMPENSATION FOR SERVING AS A DIRECTOR OF DEXIA SA AND OTHER GROUP ENTITIES

(gross amounts in EUR)	BoD (fix. comp.)	BoD (var. comp.)	Strategy Committee	Audit Committee	Appointment & Compensation Committee	Total 2013	Total 2012	Other group entities 2013[3]	Other group entities 2012
Directors									
R. de Metz	250,000	0	0	0	0	250,000	152,000	0	0
K. De Boeck	0	0	0	0	0	0	15,667	0	0
Ph. Rucheton	0	0	0	0	0	0	0	0	0
B. Bronselaer	10,000	24,000	0	10,000	10,000	54,000	2,000	13,500	0
K. Van Loo	10,000	22,000	2,000	10,000	10,000	54,000	72,000	15,000	15,000
P. Bodart	10,000	20,000	0	10,000	10,000	50,000	NA	13,500	NA
A. De Geest	10,000	22,000	2,000	0	0	34,000	NA	13,500	NA
Th. Francq[1]	7,500	14,000	2,000	8,000	6,000	37,500	NA	12,000	NA
D. d'Amarzit[1]	7,500	12,000	2,000	0	0	21,500	NA	9,000	NA
H.de Villeroché[1]	2,500	4,000	0	0	0	6,500	NA	0	NA
O.Bourges[1]	2,500	4,000	0	0	0	6,500	60,000	0	0
G. Benoist[2]	0	2,000	0	0	0	2,000	58,000	0	0
B. Chanoine[2]	0	2,000	0	0	0	2,000	56,000	0	0
B. Herman[2]	0	2,000	0	0	0	2,000	19,000	0	0
C. Kopp[2]	0	2,000	0	0	0	2,000	58,000	0	0
M. Tinant[2]	0	2,000	0	0	0	2,000	70,000	0	0

(1) In accordance with Article 139 of the French Law on the new economic regulations, directors' fees for mandates performed by representatives of the French government are to be paid to the French government account.
(2) Resigning directors at 31 December 2012. Compensation received for the board of directors meeting on 27 December 2012.
(3) Compensation received for the director's mandate in Dexia Crédit Local SA

Compensation for Management Board members

Introduction

Procedure

The compensation of Management Board members is set by the Board of Directors of Dexia SA based on proposals from the Appointment and Compensation Committee.
The Appointment and Compensation Committee analyses the levels of compensation of Management Board members with regard to compensation granted in other companies in the sector. In this respect, compensation consultants might be used to obtain information on salary developments on the labour market for the financial sector.
Considering these benchmarking analyses, the Appointment and Compensation Committee proposes to the Board of Directors, regarding the members of the Management Board of Dexia SA, that they make possible adaptations in terms of compensation which, if necessary, would be justified by changes in the markets, while taking account of the company's situation.

Regulatory context

Compensation for executives of companies in the financial sector has been governed by numerous new regulations for several years.
The Board of Directors undertook to respect this new regulatory framework, taking changes to it into consideration on the basis of national and international provisions aimed at strengthening corporate governance, particularly in terms of compensation, as well as based on Circulars and communications from the supervisory authorities.

A global compensation policy for the Dexia Group, in accordance with Belgian and European regulations, as well as principles regarding sound compensation practices, has been adopted and forwarded to the supervisory authorities.
Dexia's compensation policy has been prepared by the Human Resources Department in conjunction with the Audit, Risk and Compliance Departments, and submitted to Dexia SA's Appointment and Compensation Committee.
The Appointment and Compensation Committee's proposals were submitted to the Board of Directors of Dexia SA which validated the Group compensation policy.
Dexia's compensation policy, updated in April 2013 to reflect the changes in the Group since October 2011, automatically incorporates changes and developments in connection with the disposal of the asset management activity. These updates also factor in the behavioural undertakings given by the Belgian and French states to the European Commission. On the one hand, the compensation policy sets out the general principles for all Dexia Group staff. On the other hand, observing the principle of proportionality, it contains specific provisions exclusively applicable for a population identified as liable to impact the Dexia Group's risk profile in view of the nature or level of their functions and/or compensation.
The compensation policy includes specific provisions for asset management, which will no longer apply once the business has been divested.
The compensation policy and its implementation are regularly assessed in order to identify any provisions requiring adaptations, notably as a result of new legal or regulatory provisions coming into force.

Compensation for Management Board members

Breakdown of compensation

Compensation for Management Board members is now based exclusively on a fixed element, with no performance conditions, and constitutes a whole from which, unless the Board of Directors decides otherwise on a proposal from the Appointment and Compensation Committee, a deduction is made of any director's fees or percentage paid to a Management Board member by a Dexia Group company or by a third party company in which an office is held in the name and on behalf of Dexia. Since then, no variable compensation was or will be awarded in relation to 2013 to the Management Board.

Moreover, in accordance with the undertakings made by Dexia within the framework of the 2013 guarantee agreement concluded with the Belgian and French states and for so long as the guarantee obligations exist or are liable to be issued, and unless agreed with the states, Dexia shall not award any stock options, warrants or free shares or pay any elements of variable compensation, indemnities and benefits indexed to performance, or deferred compensation to the following: Chairman of the Board of Directors, Chief Executive Officer(s) and members of the Board of Directors.
Dexia has voluntarily extended this restriction to include all the members of the Group Management Board.

Compensation in respect of 2013

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

Basic compensation with respect to 2013

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

SUMMARY TABLE OF THE BASIC COMPENSATION AND OTHER BENEFITS FOR THE CHAIRMAN OF THE MANAGEMENT BOARD

(EUR)	Basic compensation paid in 2013	Representation fees	Car (1)
Karel De Boeck (3)	600,000	6,324	-

(1) In 2013, Mr De Boeck did not wish to exercise his entitlement to a company car that could be available for private use.

SUMMARY TABLE OF THE BASIC COMPENSATION AND OTHER BENEFITS FOR OTHER MANAGEMENT BOARD MEMBERS (1)

(EUR)	Basic compensation paid in 2013	Other benefits (2)
Other Management Board members	980,000	25,681

(1) Mr Claude Piret and Mr Philippe Rucheton
(2) This amount includes annual lump-sum payments for representation fees and the tax benefit associated with the provision of a company car used for private purposes for each of the Management Board members.

Function premium for 2013

SUMMARY TABLE OF FUNCTION PREMIUMS FOR THE CHAIRMAN OF THE MANAGEMENT BOARD

(EUR)	
Karel De Boeck	0

SUMMARY TABLE OF FUNCTION PREMIUMS FOR THE OTHER MANAGEMENT BOARD MEMBERS (1)

(EUR)	
Other Management Board members	196,000

(1) Mr Claude Piret and Mr Philippe Rucheton.

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Deferred part of variable compensation for 2010 payable in 2013

We refer to pages 46 and following of the 2010 Annual Report for an explanation of the principles for the deferment of variable compensation for 2010.

As proposed by the Appointment and Compensation Committee, the Board of Directors accepted the Management Board's proposal and decided to make use of the opportunity to a posteriori reduce the deferred parts of the variable compensation. The deferred part of the variable compensation for 2010 in cash and the deferred part of the variable compensation in the form of instruments with a one-year holding period (awarded in 2013 and payment in 2014) were not awarded in 2013.

Discretionary pensions

The members of the Management Board benefit from a discretionary pension scheme set up by Dexia.

Characteristics of applicable extra-legal pension schemes

The supplementary pension schemes for Management Board members give a right, at the time of retirement, to capital built up through the capitalisation of annual contributions. These represent a fixed percentage of a capped annual fixed compensation.

Amounts paid within the framework of complementary pension schemes

Annual premiums of EUR 318,454.04 were paid in 2013 for the Management Board members, including EUR 120,967.74 for the Chief Executive Officer.

Supplementary cover for death, permanent invalidity and medical costs

Collective annual premiums of EUR 215,896.23 were paid in 2013 for the Management Board members for supplementary cover for death, permanent invalidity and the costs of medical treatment, including EUR 84,309.42 for the Chief Executive Officer, broken down as follows:

DISCRETIONARY PLANS	(EUR)
Death, orphan capital	62,183.67
Invalidity	21,322.47
Hospitalisation	803.28

Option plan

During 2013, no options were awarded to the Management Board members.

Conditions relating to departure

Provisions relating to the leaving indemnities within Dexia's compensation policy

Under Dexia's compensation policy for the Management Board members, the total amount of benefits granted will not exceed 12 months of fixed and variable compensation. Under specific circumstances, the Appointment and Compensation Committee may, with its substantiated opinion, propose to the Board of Directors that there be leaving indemnity above 12 months but not exceeding 18 months of fixed and variable compensation. A leaving indemnity exceeding 18 months of fixed and variable compensation can only be agreed exceptionally with the approval of the first Shareholders' Meeting thereafter.

Moreover, the agreement providing for a leaving indemnity to be awarded will contain a performance condition in the sense that the contractual leaving indemnities will be reduced in the case where the performance assessment of the executive over the two years preceding the termination of the agreement reveals a significant deterioration in those performances. As relevant, this is intended to penalise any failure. This, in order to avoid that the leaving indemnities would be rewarding a failure.

These principles will be applied in accordance with the collective bargaining agreements and legal provisions.

Any severance benefits agreement entered into with a Management Board member since the Dexia Group compensation policy came into force, as adopted in 2011, will respect these provisions. Dexia will review when needed its compensation policy in order to ensure conformity with possible laws and regulations which might be adopted in the future.

Departures during the year 2013

No member of the Management Board has left the Group over the year 2013.

Provisions relating to leaving indemnities contained in management agreements with Management Board members

Mr Karel De Boeck is entitled, if his contract is terminated by Dexia on grounds other than of serious misconduct, to a single inclusive benefit payment representing three months of compensation. If Mr Karel De Boeck terminates his contract under the same conditions, he must give Dexia three months' notice.

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

Provisions relating to leaving indemnities contained in employment contracts of Management Board members

The termination of Mr Claude Piret's employment contract (the execution of which is suspended for the term of his mandate with the Management Board) is governed by Belgian legislation relating to employment contracts. His employment contract stipulates moreover that he will be entitled, without prejudice to any mandatory legal provisions, if his contract is terminated by Dexia before he reaches the age of 65, to a benefit payment equal to the fixed and variable compensation and other benefits corresponding to a 24 month period.

Internal audit and risk management system

Principal characteristics of the internal audit and risk management system

Internal audit framework and missions

In March 2003, Dexia SA, a financial company under Belgian law, concluded a framework agreement with the Banking, Finance and Insurance Commission (CBFA), now taken over by the Belgian National Bank (BNB). This agreement was replaced by a cooperation agreement concluded between the BNB and the Prudential Control Authority (ACP) on 24 January 2012 relating to the supervision of the Dexia Group.
Internal control is a process which provides reasonable assurance that the objectives of the organisation, the effectiveness and efficiency of its operations, the reliability of its financial information and compliance with the laws and regulations reach the desired level. As with any control system, it is conceived to reduce the residual risk to a level accepted by Dexia's requirements.

More specifically, the tasks assigned to internal control in force within Dexia SA may be grouped together in five principal lines:
• Verify the effectiveness of the risk management process: the internal control function is designed to provide the Management Board with a guarantee that the risks assumed by the Group are compatible with the policy established by the Board of Directors and the Management Board, and with the level of risk accepted;
• Ensure that the accounting and financial information produced is accurate and relevant: the principal objective of financial information is to give a true image of Dexia SA's situation on a regular, complete and transparent basis. The internal control system is focused on achieving this objective;
• Ensure compliance with all regulations and rules concerning ethics and compliance, both internal and external: for the Dexia Group to operate properly, this requires strict compliance with the legislative and regulatory obligations in each of the countries in which it is established, as well as the standards it sets itself beyond those obligations, particularly regarding corporate governance, compliance or sustainable development. The internal control system aims to ensure that these principles are observed;.
• Improve the functioning of Dexia SA by ensuring the effective management of all available resources: the decisions taken by the Management Board for that purpose must be able to be put into practice quickly. The internal control procedures ensure the integrity of information flows, the compliance of the initiatives set in place and the verification of all results;
• Ensure the effectiveness and operational efficiency of all the business lines: the proper functioning of operational processes is of constant concern at all levels of the decision-making process. Many initiatives have been taken to ensure this goal, in constant collaboration with the business line and support entities that also measure these initiatives using indicators and regular reports.

Dexia SA has established a range of procedures and controls as part of the organisation of the internal control system designed to improve the Group's compliance with all regulations and capital adequacy policies, while ensuring that available resources are managed effectively. The internal control process provides reasonable assurance on the expected level of the fixed objectives. It should be mentioned that this system, like any control system, cannot be considered an absolute guarantee that the Company will achieve its objectives.

General architecture of the mechanism

The general architecture of the internal control system is based on a series of basic principles, which are adapted to all of the business lines and support functions.
The Dexia Group's internal control system is based on activities incorporated into all operating, support, management, accounting and other processes, which the Group's management is responsible for monitoring continuously, with successive levels of control.
Within the framework of a project common to the "control support" lines (risk, compliance, audit), Dexia has gradually completed a risk and control reference system. This revolves around five areas, i.e. the control environment, risk analysis, control activities, information, communication and lastly monitoring.
In terms of the control environment, a clear separation of functions was conceived to maintain and guarantee a clear distinction between the operators involved in an action or transaction and those charged with validation, monitoring or regulation. Additionally, a series of instructions, consisting of charters, codes, lines of conduct and procedures has been introduced in order, inter alia, to ensure that internal control operators can be coordinated.
From this perspective, the general architecture of the Dexia Group's internal control system is based on an organisation split into three levels:
• The first level of control is performed by each employee and their superiors, in accordance with responsibilities that have been expressly delegated to them, procedures applicable to the activity they perform, and with instructions provided to them;
• The second level of control is performed by specialised functions, independent from the operations controlled and which report directly to the Management Board. The fields concerned are, for example, compliance, permanent control (a function which supervises controls) and risk management;
• The third level of control is performed by the Dexia Group audit function, which is responsible for continuously ensuring the efficient and effective performance of both of the levels of control defined above, within the parent company and all of its subsidiaries and branches.

The main internal audit participants

In order to ensure the proper functioning and development of the Dexia Group, its Management Board is responsible in the last resort for the introduction and maintenance of an appropriate internal audit system. It defines and coordinates the Dexia Group's management policy within the context of the strategy defined by the Board of Directors. It allocates the means and sets the deadlines for the implementation of actions decided within the framework of this policy. It checks that the given objectives are achieved and that the internal audit system is appropriate for all requirements. Lastly, it adjusts these requirements in relation to the internal and external developments observed.

The departments most specifically concerned by internal control are the following :

• **The Risk Management Team**, under the responsibility of the Chief Risk Officer, supervises the risk management policy. It establishes lines of conduct for limits and delegations, monitors and measures risks aggregated at Group level and puts harmonised methods in place in the different entities.

• **The Chief Compliance Officer**, under the responsibility of the General Secretary, runs the compliance support line through the different entities and ensures compliance with the policy of integrity and the development of the ethical culture and professional ethics.

• **Permanent Control**, in place within the Dexia Group since the last quarter of 2009, under the responsibility of the team in charge of operational risk. From 1 April 2014, Permanent Control will be part of a Compliance and Permanent Control Department.

• **Internal Audit**, reporting directly to the Chief Executive Officer, Chairman of the Management Board, defines the methodology used in the Group, defines the Group audit plan, coordinates, runs and performs audit tasks, and monitors action plans associated with recommendations from Internal Audit and the banking supervisory authorities.

For its internal control supervision mission, Dexia SA's Board of Directors is supported by the audit committee, the operations and remits of which are described above.

Internal Audit

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

Organisation and governance

Role of the internal audit function

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

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

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

In line with international standards, a Dexia Group Audit Charter sets out the fundamental principles governing the internal audit function within the Group and describing its objectives, role and responsibilities, as well as how it operates. This charter was updated at the beginning of 2013 to take account of the Group's new configuration and the recommendations of the Basel Committee.

So that each Dexia Group employee can appreciate the importance of the internal audit function's role within the Dexia Group's internal control and management support systems, the audit charter has been published on the Dexia website (www.dexia.com).

Guidelines

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

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

• each internal audit department reports directly to the highest level of authority within the entity for which it is responsible;

• the absence of involvement in the organisation and operational management of Group entities. The Group Management Boards may exceptionally call on internal audit for opinions, advice or assistance;

• unconditional and immediate access to information: under the terms of its assignment, the internal audit function has access to all the information, documents, premises, systems and persons within the entity for which it is responsible, including all management reports and the minutes of and information packages prepared for any advisory and decision-making bodies. The Dexia Group Internal Audit Department has access to all the information in all Group entities. Any breach of these principles is liable to be reported to the Management Board and, if relevant, the Audit Committee;

• the provision of the means necessary to perform its task: Internal Audit receives from the Group's Management Board the means necessary to perform its task so as to respond constantly to changes in the Group's structures and environment.

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

This means observance of the following fundamental principles:

• Integrity: the integrity of internal auditors is the basis for confidence in and the credibility of their judgement;

• Objectivity: auditors must show the highest degree of professional objectivity in collecting, assessing and communicating information relating to the activity or process examined. Internal auditors fairly assess all the relevant elements and are not influenced in their judgement by their own interests or those of others;

• Confidentiality: internal auditors have a duty of professional secrecy, they respect the value and ownership of the information they receive and only disclose this information with the required authorisations, unless a legal or professional obligation forces them to do so;.

• Competence: internal auditors use and apply the knowledge, know-how and experience required for the performance of their tasks.

Scope for intervention

All the Dexia Group's activities, processes, systems and entities are within the scope of action for internal audit, without any reservations or exceptions. The scope includes all processes, whether operational, support, management, corporate governance and risk management and control processes. Outsourced essential activities also fall within the audit scope, given that operational services are responsible for organising the conditions for the possibility of audits by including audit clauses in service agreements.
Other than exceptions associated in particular with requests from the supervisory authorities, the audit scope does not however cover the activities of companies in which the Dexia Group only holds a minority interest. However, Dexia's representative on the board of directors is responsible for learning about the state of the internal control mechanism and, if necessary, to alert the Management Board and the audit department of the entity which holds that interest.

Organisation of the function

Principles

The function operates as an integrated support line, with its organisational structure aligned with the Group's organisation by segments (asset management, market activities, balance sheet management, risks and finance, operations, information systems and other support functions). Like the rest of the Dexia Group, the organisation of the support line is being changed to adapt it to the Group's new context and new objectives.

Organisation

The Dexia Group's internal audit support line is headed by the General Auditor of Dexia SA, who is also the General Auditor of Dexia Crédit Local SA.
To help him with his periodic control duties, the Group General Auditor is assisted by the head office supervisors, by the Audit Departments of the subsidiaries and branches, as well as by an Audit Management Office (AMO) unit.
Each supervisor has responsibility for different segments. Liaising with the directors of operations concerned, the supervisors are responsible for the identification and monitoring of risks relating to the segments entrusted to them, as well as the supervision of all audit tasks relating to these segments at the headquarters, and monitoring the main assignments relating to these segments. The supervisors are assisted in their tasks by "correspondents", audit managers or senior auditors, more specifically instructed to monitor the recommendations for an activity sub-set.
The AMO ensures the maintenance and organises the application of audit methodologies in association with the Audit Management Committee (AMC). Within the framework of transversal projects, it oversees the implementation of support tools for the principal audit processes. It coordinates the work and/or prepares various reports produced by the audit support line. It is responsible for preparing and planning all the assignments included in the audit plan, as well as any ad hoc assignments. It monitors the schedule for the entire audit support line and monitors exchanges with the banking supervisory authorities.

Management of the audit support line

In order to manage the support line, an Audit Management Committee (AMC) has been created. It is made up of the General Auditor of Dexia SA, also General Auditor of Dexia Crédit Local SA, and supervisors.
The AMC's missions include:
• defining the audit strategy and monitoring its implementation in the various audit departments;
• managing the support line's human and financial resources;
• defining and ensuring the proper application of the internal audit methodology applicable within the Dexia Group;
• defining the Dexia Group audit universe and ensuring it is updated;
• drawing up the global audit plan for the Group to be presented for approval to the various committees of Dexia SA and the operating entities, and monitoring Its implementation ;
• providing optimum planning of the audit tasks;
• validating the various reports produced by the support line, particularly reporting on the monitoring of recommendations and the Audit and Inspection internal control report;
• monitoring audit tasks for the entire support line in order to have cross-business knowledge of the various risks.

Management guidelines

Dexia SA internal audit is headed by a General Auditor, who is also the General Auditor of Dexia Crédit Local SA.
The General Auditor ensures adequate cover for risks over the entire Dexia scope and has authority over the audit departments of the Group's subsidiaries and branches. The General Auditor monitors the supervision bodies in the entities and their subsidiaries and branches, as well as all the tasks performed by local banking supervisory authorities.
Each Audit department is responsible for fulfilling its duty towards the Chairman of the Management Board depending on local regulations and towards the Board of Directors of the entity or subsidiary, with potential support from an Audit Committee. Each General Auditor attends the meetings of the Management Board of the entity for which he is responsible (i) when that Board so requests, (ii) when presenting an audit report or (iii) at his own request, when he wishes to raise a particular point falling within the scope of his remits and responsibilities. Each General Auditor has direct access to the Chairman of the Board of Directors, the members of the Audit Committee and the Statutory Auditors of the entity for which he is responsible.

Operational guidelines

The work performed by internal audit is based on proven methods in line with international best audit practices. The audit assignments and risk analyses in all Dexia Group entities are based on one common set of methodologies. They are adjusted regularly to reflect changes in standards, feedback from the field and changes in structures.
Internal audit performs its task on the basis of an annual audit plan approved by the Management Board as well as by the Audit Committee and the Board of Directors. The risk analysis method aims to precisely target tasks on the critical audit units behind key risks. The frequency of audits for a given audit unit also depends on the quality of the internal control system in place for the audit unit in question.

The method for performing audit tasks is common to all the Dexia Group entities. The various stages in the process are presented in a procedure which describes the different stages to be monitored when performing an internal audit task (preparation, implementation, reporting, monitoring of recommendations), as well as the formats of documents expected at each stage. The procedure also determines the roles and responsibilities and the conditions for reviewing, approving and archiving documents.
The Dexia Group audit methodology is based around four main phases: preparation, implementation, reporting and monitoring of recommendations.

Preparation

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

Implementation

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

Reporting

Each task is subject to a written report intended for the persons audited and Management. The report contains an assessment of the risks identified and recommendations on the measures to mitigate these risks. The audit assigns a critical level for each of the recommendations made.
The recommendations made by internal audit are submitted to the operational management teams concerned, who may accept the recommendations or ask for a "risk acceptance" from the Management Board. The recommendations accepted by the operational management teams are subject to a detailed action plan for which the provisional implementation date must also be defined by the service concerned. Internal audit must add its comments for the attention of the Management Board on requests for risk acceptance and on the appropriateness of the action plans and the deadlines proposed.
Action plans and requests for risk acceptance are contained in the draft audit report presented to the Management Board. The Management Board rules on the recommendations, action plans and their deadlines, as well as any requests for risk acceptance. The definitive report integrates the Management Board's decisions and in particular the settlement reached in the event of any disagreement on the recommendations between audit and the services concerned. Once approved, recommendations must be implemented.

Monitoring of recommendations

Each task gives rise to recommendations set out in action plans under the responsibility of the head of the service audited. Responsibility for implementation of the recommendations approved by the Management Board falls on the recipient services. These are required to account for the implementation of action plans on the basis of a progress report and supporting documents sent to internal audit through systems provided for this purpose by the latter.
On this basis, internal audit regularly reviews each of the action plans. Internal audit maintains a database of all the recommendations made in audit reports and has defined a formal procedure for monitoring the implementation of these recommendations. This procedure requires at least two quantitative and qualitative monitoring stages, the results of which are presented to the Management Board and to the Audit Committee. The Management Board and the Audit Committee validate any requests for the cancellation of recommendations proposed over the monitoring period (e.g. recommendations that are no longer applicable).

Training

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

Relations with the supervisory authorities and legal auditors

Internal audit maintains regular dialogue with the banking supervisory authorities and external auditors (Réviseurs d'Entreprises, Commissaires aux Comptes) on subjects of common interest.
Internal audit is responsible for coordinating and centralising exchanges, whether incoming or outgoing, with the various banking supervisory authorities, whatever the support line concerned. Internal audit is also responsible for coordinating the inspection tasks of the various supervisory authorities. In this context, the General Auditor or the head of audit for the entity is the point of contact for the supervisory authorities. He coordinates the process of gathering data within the entity and the responses to inspection reports or to requests for additional information. Internal audit also monitors recommendations made by the supervisory authorities under the same conditions as for recommendations made by internal audit.
In order to avoid any duplication of tasks, internal audit maintains regular exchanges with the external auditors on internal control matters. These exchanges are aimed at sharing observations made by both parties on internal control matters and ensuring the complementary nature of the work carried out.

General overview of activities in 2013

In 2013, internal audit tasks covered most of the Group's major support lines: management activities for outstanding loans, particularly with audits of the Bond Portfolio Management function, Project Finance Portfolio Management activities or the new process for entering into contracts for operations with the French local public sector; market activities (TFM), through unannounced controls on the trading floor, liaising with the Inspection function; Risks, through the auditing of the Financial Market

Risk or insurance management; Information System and Operations, through the auditing of collateral management and information system management audits. In addition, an audit was carried out focusing on the management of the main projects relating to standards and regulations (IFRS 13, FATCA, EMIR and Basel III). Lastly, the head office audit function also carried out a comprehensive audit of the internal control system in place at Dexia Sabadell.
The rate of implementation for the 2013 audit plan was satisfactory for the DSA/Dexia Credit Local scope, as well as for the various subsidiaries and branches of Dexia Credit Local.
Contacts with the Dexia Group's various supervisors, whether through inspection tasks or meetings, continued to take up a considerable amount of the internal audit staff's time during 2013. Audit's role involves monitoring tasks and ensuring that the elements requested are correctly transmitted to the inspectors during their implementation. Once tasks have been completed, it coordinates the formulation of action plans in line with recommendations issued by the banking supervisory authorities, then monitoring them in the same way as those based on its own recommendations.
The inspection assignments conducted by the supervisory authorities in respect of Dexia Crédit Local SA and its French banking subsidiaries concerned the risk of disputes relating to the effective annual percentage rate (EAPR) and the credit risk associated with the local public sector (Dexia Crédit Local SA and CLF Banque scope). A Banque de France inspection focused on the quality and eligibility of the loans submitted to Banque de France to guarantee monetary policy operations.

Inspection Unit

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

Organisation and governance
The Inspection unit performs its tasks within the Internal Audit Department and is responsible for the performance of its tasks in relation to the Group General Auditor.
Inspection performs these tasks for Dexia SA and Dexia Crédit Local SA, as well as for all the branches, subsidiaries and sub-subsidiaries depending on them, which do not have their own inspection function. The function is performed full-time by an inspector reporting to the Group General Auditor. If necessary, the function is performed working closely with the head of internal audit for the entity concerned.
An Inspection Charter sets out the fundamental principles governing the function, describing the objectives, roles, powers, duties and responsibilities, terms of operation and the basic rules governing it, including rules of professional ethics.

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

Compliance

The Compliance function is independent. It carries out its activities without any influence, interference or restrictions likely to affect its independence, its integrity, its impartiality and its objectivity.
The role and fields falling within the Compliance function, as well as the principles of governance underlying the approach adopted by Dexia regarding compliance are set out in the compliance policy, which was approved and entered into force in 2009.
The compliance fields are as follows:
- fight against money laundering and the financing of terrorism;
- market abuse and personal transactions;
- integrity of markets in financial instruments;
- integrity towards clients in all Dexia activities;
- data protection and professional secrecy;
- prevention of conflicts of interest;
- external mandates;
- independence of the auditors;
- whistleblowing;
- any other field indicated by the Management Board or the Board of Directors.

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

Organisation and positioning

The Group's Chief Compliance Officer reports to the General Secretary. Escalation rights ensure that the Group Chief Compliance Officer is able to report any significant incidents directly to the Chairman of the Board of Directors of Dexia SA or to the Audit Committee members.
Dexia SA Compliance evolved in 2013 to take account of the orderly resolution plan. The reduction of the Dexia Group's geographic scope and the abandonment of certain activities

have led to an adaptation of this function's organisation and workforce. In this way, the Chief Compliance Officer functions for Dexia SA and DCL were combined.

Oversight

The disposal of the main operating entities, Belfius in 2011, Banque Internationale à Luxembourg and DenizBank in 2012, Société de Financement Local in 2013 and Dexia Asset Management on 3 February 2014, has led to a redefinition of the support line's governance approach, replacing the previous Compliance Committee with a certain number of regular meetings dedicated to each entity present within the Group.
The production of periodic reports by each of these entities has been stopped following their disposal date and a consolidated report has been prepared for the remaining scope and submitted to the Audit Committee.
The mapping of compliance risks, which was drawn up during 2010 and identified a moderate level of residual risk,i has been updated at the beginning of 2014. The aim with this exercise is to ensure the application of policies, guidelines and procedures, if necessary to trace malfunctions and implement corrective measures to enable better oversight for the support line.
Several actions were taken to ensure the implementation of measures intended to protect information within the context of the various projects for disposals or the restructuring of the Group and, in particular, to strengthen the protection of personal data (particularly for the treatment of data violations) and the protection of clients.
The rules concerning the prevention of insider trading in Dexia financial instruments define the statuses attributed to staff members according to the access to inside/sensitive information which they have or are liable to have through the performance of their tasks, and set the restrictions/obligations associated with each status. These obligations were recalled on several occasions during the Group restructuring operations.
Training sessions were organised in all the entities in the compliance fields, including training on the code of professional ethics, in order to recall the key compliance principles, as well as on prevention, with the fight against money laundering and the financing of terrorism.
Compliance has also supported work by the operating departments in connection with moves to ensure compliance with the FATCA regulations on the one hand, and on the other, the EMIR regulations and Chapter 7 of the Dodd Frank Act.
Concrete actions were gradually put in place to improve supervision of the network of subsidiaries and branches.

Characteristics of internal audit within the context of producing financial information

The Finance support line has the following five departments, reporting to the Chief Financial Officer (CFO): Finance IT Support, Accounting, Consolidation, Strategic Planning and Controlling, and Balance Sheet Management, as well as the Financial Management division, which groups together the finance section's transversal services, including Financial Communications, and reports until March 31 2014 to Philippe Rucheton, a member of Dexia SA's Management Board until 31 March 2014, at which date he will be replaced at that date by Pierre Vergnes.
Dexia's basis for consolidation includes the following direct subsidiaries, also known as the operational entities: Dexia Crédit Local SA and Dexia Asset Management (until 3 February 2014). It also includes the subsidiary Dexia Nederland BV, resulting from the merger of Dexia Nederland Holding BV and Dexia Bank Nederland.

Production of the financial statements

The Accounting and Consolidation department produces the Dexia Group's consolidated financial statements, the periodic prudential reports and the corporate financial statements of Dexia SA.
It also monitors and audits the accounting data of the permanent establishments of Dexia SA in France and Luxembourg and, within the context of the consolidation process, of its direct subsidiaries. In particular, it checks that the information provided is consistent and complies with Group rules.
At the end of 2013, there were three departments, given the exit of the "Consolidation Information Systems" service from the perimeter at end March 2013:
- Accounting Standards;
- Consolidation;
- General Accounting;

Dexia SA consolidated financial statements

Dexia SA has mainly an interest in Dexia Crédit Local SA. This company prepares consolidated financial statements and these are in turn consolidated with the financial statements of the holding company, Dexia SA, and of directly associated subsidiaries.
The main adjustments booked by the Dexia Group Consolidation division relate to the elimination of reciprocal accounts and intra-Group transactions (asset acquisitions/disposals, dividends, etc.). They also relate to the restatement of companies held by different Group entities.
If there are any difficulties interpreting the accounting principles, all the entities may call on the Dexia SA Consolidation division. Working with the Accounting Standards division, it gives them an appropriate answer.
When the consolidated financial statements have been finalised, they are submitted for review to the Chief Financial Officer who has them approved by the Management Board. They are then presented to the Audit Committee and approved by the Board of Directors of Dexia SA. The consolidated financial statements of DCL, prepared by the Dexia SA Consolidation team, are presented for review to the Head of Accounting of the entity, who approves them and has them approved by the entity's Chief Financial Officer.

Consolidation tool

Consolidation reporting uses a common tool deployed in all Dexia subsidiaries and branches. It operates via a common database, with Dexia SA having access to all the accounting bundles.
The shared use of this common database enables consolidated data to be prepared at Dexia level and at an operational entity level. The selection of data, for each entity or subsidiary, is managed on the basis of consolidation scopes established by each consolidation level.

Notes to the consolidated annual financial statements

Some of the notes to the consolidated annual financial statements are not drawn up directly by the Accounting and Consolidation department, but come from the following departments:
- Strategic Planning and Controlling (analytical segmentation);
- Risk Management (notes on risks);
- Legal (note relating to litigation, state guarantees, related parties transactions);
- Human Resources (related parties transactions – management, stock options).

The planning for gathering this information and ultimate responsibility for the content of the consolidated annual financial statements are assumed by the Finance department.

Dexia SA annual financial statements

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

Accounting standards

The Accounting Standards department has become the competence centre for the entire Group. Its mission is to:
- monitor, analyse and interpret International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) / International Financial Reporting Interpretation Committee (IFRIC) / système d'information comtable (SIC) accounting standards published and endorsed by the European Union;
- monitor, analyse and interpret regulatory standards published and endorsed by the European Union and the various countries;
- ensure the compliance of the consolidated financial statements and regulatory reports with these standards;
- analyse transactions proposed by the business lines, determine their IFRS treatment and assist entities and other departments on questions relating to standards, financial structures and new products;
- represent Dexia in relation to external organisations such as EFRAG (European Financial Reporting Advisory Group), EBF (European Banking Federation), Febelfin (“umbrella federation” for the Belgian financial sector).
- centralise updated documents relating to standards and make them available to entities and subsidiaries.

Periodic prudential reporting

Standardised Common Reporting or COREP and the calculation of solvency margins are sent to the National Bank of Belgium four times a year; they are also sent to the French and Luxembourg supervisory authorities. The regulatory ratios (CAD) are calculated and published quarterly.

COREP reporting components

COREP reporting is carried out with contributions from the following support lines and divisions:
- Finance for calculating regulatory capital, and capital requirements for the market risk in line with the standard method;
- Credit Risk Management for calculating capital requirements for the credit risk;
- Market Risk Management for calculating capital requirements for the market risk in line with Dexia’s internal model;
- Operational Risk Management for calculating capital requirements for the operational risk.

Equity capital requirements are calculated by different divisions within the Risk Management support line and are subject to checks defined within this same support line. The Finance support line checks plausibility by comparison with requirements declared in the previous period.

FINREP reporting components

Since 2011, Dexia SA has been subject to the quarterly Financial Reporting or FINREP for financial institutions.

Relations with the Statutory Auditors

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

External control

Statutory Auditor

In accordance with Article 14 of the articles of association of Dexia SA, the auditing of the company’s financial position and annual financial statements is entrusted to one or more auditors who are appointed by the Shareholders’ Meeting for a maximum of three years on the recommendation of the Board of Directors and after validation by the works council.
The statutory auditing of Dexia SA’s financial statements has been entrusted to Deloitte Reviseurs d’Entreprises SC s.f.d. SCRL, a company represented by Misters B. De Meulemeester and F. Verhaegen, Statutory Auditors, whose mandate was renewed by the Ordinary Shareholders’ Meeting in May 2011 for a term of three years closing at the end of the Ordinary Shareholders’ Meeting in May 2014. This Shareholders’ Meeting will be invited to decide on the renewal of the Statutory Auditor’s mandate.

Compensation of the Statutory Auditor

This table gives a summary of the compensation paid to the Statutory Auditor for its services in 2013 for Dexia SA and the whole Group.

DELOITTE (EUR)	**Services provided for Dexia SA**	**Services provided for Dexia Group (consolidated amounts)** [1]
a) Audit of the financial statements	382,620	2,354,761
b) Certification work	0	0
c) Tax advice	0	0
d) Due diligence	0	0
e) Other work (not certification)	220,000	303,015
TOTAL	**602,620**	**2,657,776**

(1) Including entities held for sale.

Protocol for the Dexia Group's prudential structure

Financial supervision on a consolidated basis for the financial company Dexia SA, parent company of the Dexia Group, is exercised by the Belgian National Bank.
In accordance with the provisions of the European directives on banking coordination, and considering the Dexia Group's current structure and changes in its share price, on 24 January 2012 the Belgian National Bank and the Prudential and Resolution Control Authority concluded a new cooperation agreement in relation to the supervision of the Dexia Group. This agreement aims to ensure close coordination between the decisions taken by the authorities at financial company level and those taken at sub-Group level, namely for Dexia Crédit Local, by common positions being taken prior to the respective decisions of the two authorities. It replaces the earlier agreement concluded between the Belgian, French and Luxembourg supervisory authorities in relation to the consolidated supervision of the Dexia Group.
Within the framework of the implementation of a single supervisory mechanism (SSM) by the European Central Bank, a complete review of the Group's risks is being realized by the European Central Bank.

General information

Overview of Dexia SA's direct holdings as at 31 December 2013

The main direct holdings of Dexia SA as at 31 December 2013 are as follows:
- Dexia Crédit Local SA (France): 100%;
- Dexia Nederland BV (Netherlands): 100%;
- Dexiarail SA (France): 100%;
- DCL Investissements SA (France): 100%;
- Dexia Asset Management Luxembourg SA: 100% (until 3 February 2014);
- Popular Banca Privada (Spain): 40% (until 19 February 2014);

Dexia SA has two permanent establishments, one in France and one in Luxembourg.

Agenda for the Shareholders' Meetings

The agendas for the Ordinary Shareholders' Meeting and the Extraordinary Shareholders' Meeting to be held on Wednesday 14 May 2014 in Brussels are available on the Dexia SA Internet site: www.dexia.com.

Notifications under the legislation on transparency

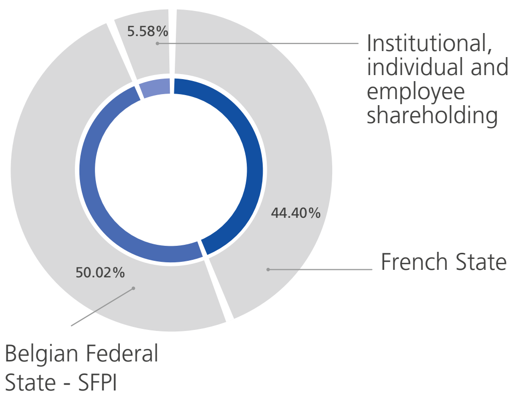
Under the terms of the Law of 2 May 2007 (the "Law"), relating to the disclosure of major holdings in issuers whose shares are admitted for trading on a regulated market, and the Royal Decree dealing with its execution dated 14 February 2008, which came into force on 1 September 2008, and on the basis of Article 5 of the articles of association of Dexia SA, shareholders are required to notify their holdings to the Banking, Finance and Insurance Commission and to Dexia, whenever these reach a threshold of 1%, 3%, then 5% or a multiple of 5%.
To calculate percentages of holdings, the numerator consists of the number of voting rights attached to shares conferring voting rights or not associated with shares, reduced or

increased by the number of voting rights which may be acquired on the exercising of similar financial instruments held by the person making the declaration. The denominator consists of the total number of existing voting rights in Dexia SA as published on the website.

In 2013, Dexia SA received the following two notifications:

- Norges Bank (The Central Bank of Norway), which passively fell below the minimum statutory threshold of 1% following the capital increase on 31 December 2012;
- Caisse des Dépôts et Consignations, which fell below the minimum statutory threshold of 1% on 15 May 2013.

The breakdown of the shareholder structure at 31 December 2013 is as follows:



Legislation on tender offers

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

Capital structure as at 31 December 2013

The shareholder structure is detailed on page 52, and the information relating to the share capital is provided on page 43 of the Annual Report.

Legal or statutory restriction on the transfer of shares

Not applicable.

Holders of any securities bearing special control rights

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

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

Not applicable.

Legal or statutory restriction on the exercising of voting rights

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

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

Not applicable.

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

The rules relating to the appointment and replacement of members of the Board of Directors are detailed on page 57 of the Declaration of Corporate Governance, as well as in the Corporate Governance Charter published on the company's website.

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

Powers of the administrative body, particularly concerning the power to issue or repurchase shares

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

- The authorisation to increase the capital granted by the Shareholders' Meeting on 13 May 2009 is valid for a five-year period ending in 2014. A proposal will be submitted at the General Shareholders' Meeting on 14 May 2014 to renew this authorisation for a further five-year period.
- The authorisation to acquire and dispose of own shares was granted by the Shareholders' Meeting on 8 May 2013 and is valid for a five-year period ending in 2018.

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

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

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

Not applicable.

Consolidated Financial Statements as at 31 December 2013

Consolidated balance sheet

Considering the convergence of scope of Dexia Crédit Local and Dexia SA and to facilitate a comparison of the consolidated financial statements of the two entities, Dexia decided, for Dexia SA from 1 January 2013, to use the publication format proposed by the Autorité des Normes Comptables (ANC) in France (in line with the Recommendation no 2013-04 from 7 November 2013 "Regarding the format of the consolidated financial statements of credit institutions, prepared in accordance with IFRS which supersedes the recommendation 2009-R04 of 2 July 2009) used by Dexia Crédit Local. This change has no impact on the presentation of the net income and the equity capital, since it only involves reclassifications between accounts within the balance sheet and the income statement. The reclassification of certain headings nonetheless involves a change in certain aggregates and ratios. The consolidated balance sheet and the consolidated statement of income are thus presented following the ANC scheme. Please refer to note 1.1 Accounting policies and valuation methods - accounting methods and consolidation scope and to note 9. Passage from the presentation of the accounts in the Dexia scheme to the presentation in the ANC scheme (Autorité des Normes Comptables).

ASSETS (EUR million)		Note	31/12/12	31/12/13
I.	Cash and central banks	2.0	1,054	1,745
II.	Financial assets at fair value through profit or loss	2.1 & 4.1	23,380	18,348
III.	Hedging derivatives	4.1	9,371	5,945
IV.	Financial assets available for sale	2.2	36,060	29,224
V.	Interbank loans and advances	2.3	10,865	8,807
VI.	Customer loans and advances	2.4	149,564	129,039
VII.	Fair value revaluation of portfolio hedges		3,526	1,035
VIII.	Financial assets held to maturity	2.5	456	437
IX.	Current tax assets	2.6	209	193
X.	Deferred tax assets	2.6	20	42
XI.	Accruals and other assets	2.7	37,503	27,270
XII.	Non current assets held for sale	4.6	84,599	484
XV.	Tangible fixed assets	2.8	501	339
XVI.	Intangible assets	2.9	43	28
XVII.	Goodwill	2.10	59	0
TOTAL ASSETS			**357,210**	**222,936**

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

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LIABILITIES (EUR million)		Note	31/12/12	31/12/13
I.	Central banks	3.0	50,590	34,274
II.	Financial liabilities at fair value through profit or loss	3.1 & 4.1	27,831	18,840
III.	Hedging derivatives	4.1	35,760	22,265
IV.	Interbank borrowings and deposits	3.2	34,130	31,201
V.	Customer borrowings and deposits	3.3	10,727	8,590
VI.	Debt securities	3.4	109,651	96,368
VII.	Fair value revaluation of portfolio hedges		372	231
VIII.	Current tax liabilities	3.5	18	6
IX.	Deferred tax liabilities	3.5	217	135
X.	Accruals and other liabilities	3.6	4,289	5,987
XI.	Liabilities included in disposal groups held for sale	4.6	79,357	123
XIII.	Provisions	3.7	251	313
XIV.	Subordinated debt	3.8	707	644
	Total liabilities		**353,900**	**218,977**
XV.	**Equity**	3.9	**3,310**	**3,959**
XVI.	Equity, Group share		2,852	3,488
XVII.	Capital stock and related reserves		7,936	2,436
XVIII.	Consolidated reserves		5,849	8,606
XIX.	Unrealised or deferred gains and losses		(8,067)	(6,471)
XX.	Net result of the period		(2,866)	(1,083)
XXI.	Minority interests		458	471
TOTAL LIABILITIES AND EQUITY			**357,210**	**222,936**

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

Consolidated statement of income

(EUR million)		Note	31/12/12	31/12/13
I.	Interest income	5.1	17,179	14,157
II.	Interest expense	5.1	(17,909)	(14,248)
III.	Commission income	5.2	115	57
IV.	Commission expense	5.2	(249)	(44)
V.	Net gains (losses) on financial instruments at fair value through profit or loss	5.3	(80)	(340)
VI.	Net gains (losses) on financial assets available for sale	5.4	113	47
VII.	Other income	5.5	69	38
VIII.	Other expenses	5.6	(45)	(141)
IX.	**NET BANKING INCOME**		**(807)**	**(474)**
X.	Operating expenses	5.7	(513)	(368)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.8	(43)	(33)
XII.	**GROSS OPERATING INCOME**		**(1,363)**	**(875)**
XIII.	Cost of risk	5.9	(432)	(185)
XIV.	**OPERATING INCOME**		**(1,795)**	**(1,060)**
XVI.	Net gains (losses) on other assets	5.10	69	59
XVIII.	**NET RESULT BEFORE TAX**		**(1,726)**	**(1,001)**
XIX.	Income tax	5.11	2	39
XX.	Result from discontinued operations, net of tax	4.6	(1,163)	(119)
XXI.	**NET INCOME**		**(2,887)**	**(1,081)**
XXII.	Minority interests		(21)	2
XXIII.	**NET INCOME, GROUP SHARE**		**(2,866)**	**(1,083)**
	Earnings per share, group share (in EUR)	5.12		
	Basic		(1.47)	(0.56)
	- *from continuing operations*		(0.87)	(0.49)
	- *from discontinued operations*		(0.60)	(0.06)
	Diluted		(1.47)	(0.56)
	- *from continuing operations*		(0.87)	(0.49)
	- *from discontinued operations*		(0.60)	(0.06)

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(EUR million)	31/12/12			31/12/13		
	Before-tax amount	**Tax (expense) benefit**	**Net-of-tax amount**	**Before-tax amount**	**Tax (expense) benefit**	**Net-of-tax amount**
NET INCOME			**(2,887)**			**(1,081)**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	804		804	(22)		(22)
Revaluation of financial assets available for sale	1,463	(708)	755	1,559	(17)	1,542
Revaluation of hedging derivatives	88	(89)	(1)	(58)	5	(53)
Other comprehensive income from disposal groups held for sale	171	(83)	88	219	(70)	149
Elements that will never be reclassified or likely to be subsequently reclassified in net income						
Actuarial gains and losses on defined benefit plans				(2)	2	0
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	**2,526**	**(880)**	**1,646**	**1,692**	**(79)**	**1,613**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(1,241)**			**532**
of which, Group share			(1,326)			513
of which, Minority interests			85			19
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY FROM CONTINUING ACTIVITIES	**(507)**	**(692)**	**(1,199)**	**475**	**29**	**504**
of which, Group share			(1,278)			492
of which, Minority interests			79			12

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	CORE EQUITY				UNREALISED OR DEFERRED	
(EUR million)	Capital stock, additional paid-in capital	Reserves, retained earnings and net income for the period	Treasury shares	Total	Change in fair value of financial assets available for sale, net of taxes	Change in fair value of cash flow hedges, net of taxes
AS AT 31 DECEMBER 2011	**18,267**	**(10,674)**	**(4)**	**7,589**	**(7,657)**	**(879)**
Movements during the period						
Changes in capital [(1)]	1,382	4,118		5,500		
Changes in additional paid-in capital [(2)]	(11,749)	11,749		0		
Dividends						
Translation adjustments					9	2
Changes in fair value of financial assets available for sale through equity					431	
Changes in fair value of derivatives through equity						(22)
Changes in fair value of financial assets available for sale through profit or loss					294	
Changes in fair value of derivatives through profit or loss						2
Net income for the period		(2,866)		(2,866)		
Other movements [(3)]	40	656		696	(82)	12
AS AT 31 DECEMBER 2012	**7,940**	**2,983**	**(4)**	**10,919**	**(7,005)**	**(885)**
Movements during the period						
Changes in capital	(5,500)	5,500		0		
Dividends						
Translation adjustments					10	12
Changes in fair value of financial assets available for sale through equity					1,293	
Changes in fair value of derivatives through equity						(62)
Changes in fair value of financial assets available for sale through profit or loss					218	
Changes in actuarial gains and losses on defined benefit plans						
Net income for the period		(1,083)		(1,083)		
Other movements [(3)]		123		123	2	
AS AT 31 DECEMBER 2013	**2,440**	**7,523**	**(4)**	**9,959**	**(5,482)**	**(935)**

(1) Capital reduction of EUR 4,118 million by discharging part of the deferred loss, approved by the Extraordinary Shareholders' Meeting of 9 May 2012 and capital increased in cash, reserved to the Belgian and French states, for an amount of EUR 5,500 million, decision approved by the Extraordinary Shareholders' Meeting of 21 December 2012.
(2) Additional paid-in capital reduction of EUR 11,749 million by discharging the balance of the deferred loss, approved by the Extraordinary Shareholders' Meeting of 9 May 2012.
(3) Other movements are all discussed in note 3.9.c.

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

GAINS AND LOSSES					MINORITY INTERESTS			
Change in unrealised or deferred gains and losses related to non current assets held for sale	Actuarial gains and losses on defined benefit plans	Cumulative translation differences	Total	Equity, Group share	Core equity	Unrealized or deferred gains and losses	Total	Equity
(238)	**0**	**(833)**	**(9,607)**	**(2,018)**	**1,819**	**(121)**	**1,698**	**(320)**
				5,500				5,500
				0				0
					(7)		(7)	(7)
192		7	210	210				210
149			580	580		29	29	609
29			7	7				7
10			304	304				304
			2	2				2
			0	(2,866)	(21)		(21)	(2,887)
(290)		797	437	1,133	(1,318)	77	(1,241)	(108)
(148)	**0**	**(29)**	**(8,067)**	**2,852**	**473**	**(15)**	**458**	**3,310**
				0				0
					(5)		(5)	(5)
		(24)	(2)	(2)		1	1	(1)
6			1,299	1,299		18	18	1,317
			(62)	(62)		(3)	(3)	(65)
(1)			217	217		1	1	218
3	(1)		2	2		1	1	3
				(1,083)	2		2	(1,081)
139	1		142	265		(2)	(2)	263
(1)	**0**	**(53)**	**(6,471)**	**3,488**	**470**	**1**	**471**	**3,959**

Consolidated cash flow statement

(EUR million)	31/12/12[1]	31/12/13
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(2,887)	(1,081)
Adjustment for:		
- Depreciation, amortization and other impairment	276	56
- Impairment on bonds, equities, loans and other assets	(63)	72
- Net (gains) or losses on investments	844	(65)
- Charges for provisions	105	37
- Unrealised (gains) or losses	4	250
- Income from associates	0	(3)
- Deferred taxes	(293)	(107)
Changes in operating assets and liabilities [2]	(935)	(464)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(2,949)**	**(1,305)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(180)	(65)
Sale of fixed assets	37	27
Acquisitions of unconsolidated equity shares	(68)	(13)
Sales of unconsolidated equity shares	50	74
Sales of subsidiaries and of business units [2]	(11,682)	(2,525)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(11,843)**	**(2,502)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	5,500	0
Reimbursement of equity	(158) [3]	0
Issuance of subordinated debts	4	0
Reimbursement of subordinated debts	(758)	(51)
Dividends paid	(7)	(5)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**4,581**	**(56)**
NET CASH PROVIDED	**(10,211)**	**(3,863)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [1]	**16,796**	**6,765**
Cash flow from operating activities	(2,949)	(1,305)
Cash flow from investing activities	(11,843)	(2,502)
Cash flow from financing activities	4,581	(56)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents [2]	180	(54)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [1]	**6,765**	**2,848**
ADDITIONAL INFORMATION		
Income tax paid	(157)	(55)
Dividends received	10	2
Interest received	26,673	14,776
Interest paid	(22,570)	(14,774)

(1) The definition of cash and cash equivalents has been revised in 2013 in order to exclude the financial assets available for sale with remaining maturity of less than 90 days: the amounts of cash and cash equivalents have been restated consequently with EUR -3,526 million as at 31 December 2011 and with EUR -2,158 million as at 31 December 2012. We refer here to note 1.1 Accounting policies and valuation methods of the consolidated financial statements, point 1.1.26.
(2) By analogy the line changes in operating assets and liabilities have been revised for an amount of EUR +975 million as at 31 December 2012. The impact of sales of subsidiaries and of business units has been revised for an amount of EUR 397 million and the impact of the changes in interest rates and of the scope of consolidation on cash and cash equivalents has been restated by EUR -4 million as at 31 December 2012.
(3) Impact of cash-tender offer on EUR 700 million hybrid Tier 1 securities of Dexia Crédit Local.
Net cash inflows from discontinued operations are disclosed in note 4.6 "Information on disposal groups held for sale and discontinued operations".

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents include the following balances with initial maturities of less than 90 days:

a. Analysis by nature

(EUR million)	31/12/12[1]	31/12/13
Cash and central banks (note 2.0)	1,054	1,745
Interbank loans and advances (note 2.3)	3,074	1,056
Non current assets held for sale	2,637	47
TOTAL	**6,765**	**2,848**

(1) Following the text published in May 2013 by IFRS IC, the definition of cash and cash equivalents has been revised in 2013 in order to exclude the financial assets available for sale with remaining maturity of less than 90 days: the amounts of cash and cash equivalents have been restated consequently with EUR -2,158 million as at 31 December 2012.

b. Of which, restricted cash:

(EUR million)	31/12/12	31/12/13
Mandatory reserves [1]	1,015	164
of continuing operations	1,015	164
of discontinued operations	0	0
TOTAL	**1,015**	**164**

(1) Minimum reserve deposits credit institutions must have with the European Central Bank (ECB) or with other central banks.

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies and valuation methods - accounting methods and consolidation scope, significant events in 2013 and post-balance-sheet events

1.1. Accounting policies and valuation methods

GENERAL INFORMATION

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 consolidated financial statements were authorised for issue by the Board of Directors on 4 April 2014.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The common used abbreviations below are:

- IASB: International Accounting Standards Board
- IFRS IC: IFRS Interpretations Committee (ex IFRIC)
- IFRS: International Financial Reporting Standards

1.1.1. BASIS OF ACCOUNTING

1.1.1.1. General

Dexia's consolidated financial statements are prepared in accordance with the IFRS adopted by the EU.

The European Commission published Regulation EC 1606/2002 on 19 July 2002, requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.

Dexia's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to 31 December 2013, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

Our accounting principles include mainly elements where an IFRS text allows the possibility of choice.

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

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

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

The macroeconomic hypotheses underlying the business plan, validated by the Group's Board of Directors on 14 November 2012, were reviewed within the framework of a review of the entire annual plan. Initially, the macro-economic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an OIS curve for the valuation of OTC derivatives (Cf. Chapter "Financial Results" of this annual report). A new update of the plan will be performed in the 2nd quarter of 2014.

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

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

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

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

The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing on one hand the financing of a part of Dexia's assets through repo 's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with the total outstanding issued under the 2013 guarantee will reach up to 40 billion EUR in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investors' appetite for guaranteed debt.

If the absorption capacity of the market would be reduced, Dexia would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that 1 billion EUR per year financed at the rate of the ELA instead of the short term guaranteed financing rate, would have an impact of 129 million EUR over the time period 2014-2022. Conversely, if the market appetite for Dexia's guaranteed debt would allow to issue a larger than anticipated amount of guaranteed debt which would allow to reduce, maybe even eliminate, the dependence of Dexia from ELA, this would have a positive impact on the profitability of the plan.

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

The consolidated financial statements are given in millions of euro (EUR) unless otherwise stated.

1.1.1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses the information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

Judgements are made principally in the following areas:

• classification of financial instruments into the appropriate category "loans and receivables", "held to maturity", "available for sale", "held for trading" and "fair value option" for measurement purposes based on instrument's characteristic and Dexia's intention (see 1.1.6.);

• financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc (see 1.1.7.);

• determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.1.7.);

• determination on whether Dexia controls the investee, including special-purpose entities (see 1.1.3.);

• identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see 1.1.15.);

• hedge accounting (see 1.1.10., 1.1.11.);

• existence of a present obligation with probable outflows in the context of litigations (see 1.1.22.);

• identification of impairment triggers (see 1.1.6.5.).

These judgements are entered in the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:

• determination of the recoverable amount of impaired financial assets and fair value less costs to sell for non-current assets and disposal groups held for sale (see 1.1.6.5., 1.1.15.);

• the measurement of hedge effectiveness in hedging relations (see 1.1.10., 1.1.11.);

• determination of the market value correction to adjust for market value and model uncertainty (see 1.1.7.);

• determination of the useful life and the residual value of property, plant and equipment, and intangible assets (see 1.1.13., 1.1.14.);

• actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.1.21., 3.7.);

• estimate of future taxable profit for the recognition and measurement of deferred tax assets (see 1.1.20.);
• estimate of the recoverable amount of cash-generating units for goodwill impairment (see 1.1.16.2.).
We draw the attention on the points included in the note 4.6. Information on disposal groups held for sale and discontinued operations which include judgements and estimates having a material impact on the financial statements of 2013.

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

1.1.2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2013

• IFRS 13 "Fair Value Measurement". This standard describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. The change in fair value arising from initial application of IFRS 13 is treated as a change in accounting estimate and recognised in profit and loss. This standard has an impact on the determination of the fair value of Dexia's financial assets and liabilities and has no impact on the measurement of its non-financial assets as they are measured at cost. In order to comply with IFRS 13, applicable as from 1 January 2013, and to be in line with market practices, Dexia uses an OIS curve to determine the value of its collateralized derivatives. Dexia has also adjusted its methodology for calculating the CVA - Credit Value Adjustment and has recognised a DVA - Debit Value Adjustment. The changes were recognised in profit and loss and disclosed in the note 7.1. "Fair value".
• Amendment to IFRS 7 "Financial instruments: Disclosures" on offsetting financial assets and financial liabilities. This amendment has an impact on the notes to Dexia's financial statements disclosed in the note 4.3. "Offsetting financial assets and financial liabilities".
• Amendment to IAS 19 "Employee Benefits". This amendment principally changes the recognition and measurement of post employment defined benefit plans (including removal of the corridor mechanism) and enhances the disclosure requirements for these plans. This amendment does not have a material impact on Dexia's financial statements, due to limited impact of defined benefit plans at Dexia's group level. Following the removal of the corridor method, Dexia recognises actuarial gains and losses in other comprehensive income.
• Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income". This amendment clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability.
• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation does not impact the financial statements of Dexia.
• Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets". This amendment does not impact the financial statements of Dexia as Dexia measures these assets at amortised cost.
• Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". This amendment does not impact the financial statements of Dexia, which is no longer a first-time adopter.
• "Annual Improvements 2009-2011 cycle", which are a collection of minor amendments to some IFRS standards. These amendments have no impact on Dexia.
• Amendment to IFRS 1 "Government Loans". This amendment does not impact the financial statements of Dexia, which is no longer a first-time adopter.

1.1.2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2013

• Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance". New standards IFRS 10, IFRS 11 and IFRS 12, including these amendments, are effective as from 1 January 2014. Dexia does not expect these standards to have a material impact on its financial statements.
• Investment entities – Amendments to IFRS 10, IFRS 12 and IAS 27. These amendments are effective as from 1 January 2014 and will not impact the financial statements of Dexia.
• Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets". This amendment is effective as from 1 January 2014 and Dexia does not expect this amendment to have a material impact on its financial statements.
• Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting".This amendment is effective as from 1 January 2014 and Dexia does not expect this amendment to have a material impact on its financial statements.

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

• IFRIC 21 "Levies" (issued by IASB in May 2013). This interpretation is effective as from 1 January 2014 and Dexia does not expect this interpretation to have a material impact on its financial statements.
• Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" (issued by IASB in November 2013). This amendment becomes effective for annual periods beginning on or after 1 July 2014 and Dexia 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.
• Amendments to IFRS 9 "Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39" (issued by IASB in November 2013). These amendments introduce three major changes to IFRS 9:
- introduction of a new general hedge accounting model (excluding macro hedging);
- amendment related to early adoption of the requirement for the presentation of fair value changes due to own credit on

financial liabilities designated as at fair value through profit or loss;
- removal of the mandatory effective date of IFRS 9.
The impact of these amendments on Dexia's financial statements is currently being assessed.
• "Annual Improvements 2010-2012 cycle" and "Annual Improvements 2011-2013 cycle" (issued by IASB in December 2013), which are a collection of amendments to existing IFRS. These amendments become effective for annual periods beginning on or after 1 July 2014. Dexia does not expect these amendments to have a material impact on its financial statements as those amendments are related to minor adjustments of some IFRS standards.
• The IFRS IC published a text in May 2013 which states that the classification of instruments as "cash equivalents" should be made on the basis of the maturity from the date of acquisition rather than on the basis of the remaining period to maturity at the balance-sheet date. Dexia's financial statements were brought into line with IFRS IC's interpretation, although this classification does not reflect the group's management practice because Dexia manages its liquidity on the basis of the remaining term and not on the basis of initial term.

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

As from 1 January 2013, the consolidated financial statements of Dexia SA are prepared in accordance with the ANC presentation. As at 31 December 2013, they are compliant with ANC Recommendation 2013-04 issued on 7 November 2013 "on the presentation of the consolidated financial statements of banks prepared in accordance with International Financial Reporting Standards" which cancels and replaces the Recommendation 2009-R.04 issued on 2 July 2009.
Following the sale of its main operational subsidiaries in 2012 and 2013, Dexia SA holds only Dexia Crédit Local as a direct operational subsidiary. In 2004, Dexia chose to present its IFRS consolidated financial statements in a format which took into account the various activities of the group. Dexia Crédit Local, which is a French bank, like the other French banks, always used the presentation proposed by the ANC (Autorité des Normes Comptables, Authority for Accounting Standards, formerly CNC – Conseil National de la Comptabilité, National Accountancy Council).
In order to allow the management and the users of the financial statements to compare more easily the consolidated figures of Dexia Crédit Local and of Dexia, the management of Dexia decided to present the financial statements of Dexia using the ANC format as from 1st January 2013 onwards.
These changes in presentation have no impact on the net result nor on the equity. These are only reclassifications within balance-sheet accounts or in the income statement. Nevertheless, as some items are classified in a different way, some sub-totals are modified, some aggregates and ratios are also impacted. The name of some accounting headings has been modified to conform to the wording used in France.

The main changes in classification are disclosed in the note 9. "Passage from the presentation of the accounts in the Dexia scheme to the presentation in the ANC scheme (Autorité des Normes Comptables)" and are the followings:

Balance sheet:
• Reclassification of collaterals from the headings related to Banks and Customers to "Accruals and other assets "/ "Accruals and other liabilities",
• Reclassification of trading derivatives to the "Financial assets at fair value through profit or loss"/"Financial liabilities at fair value through profit or loss",
• Breakdown between current taxes and deferred taxes.
Assets:
• The following headings are presented separately:
- Financial assets held to maturity
- Financial assets available for sale
- Goodwill
Liabilities and equity:
• Central banks are presented separately,
• Subscribed capital, additional paid-in capital and Treasury shares are aggregated into "Capital stock and related reserves",
• Hybrid instruments considered as own funds (group share) are reclassified from "Reserves and retained earnings" to "Capital stock and related reserves",
• No breakdown between unrealised or deferred gains or losses,
• "Non-controlling interests" are named "Minority interests".

Income statement:
• Reclassifications made are the followings:
- From "Dividends" to « Net gains (losses) on financial assets available for sale",
- For gains and losses on tangible and intangible assets and on assets held for sale, as well as gains or losses on consolidated shares (if not classified in discontinued operations): they are included in "Net gains (losses) on other assets",
- For impairments and gains or losses on impaired debt instruments classified as "Financial assets held to maturity" or "Financial assets available for sale": they are reclassified to "Cost of risk",
- From "Impairments on tangible and intangible assets" to "Depreciation, amortisation and impairment of tangible fixed assets and intangible assets",
- From "Staff expense" and "General and administrative expense" to "General operating expenses",
• "Other net income" is split into "Other income" and "Other expenses",
• "Provisions for legal litigations" are included in "Other expenses".

1.1.3. CONSOLIDATION

1.1.3.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets

transferred by Dexia, the liabilities incurred by Dexia to former owners of the acquiree and the equity interests issued by Dexia in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.
Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.
When the consideration transferred by Dexia in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.
Subsequent changes in the fair value of the contingent consideration are typically recognised in profit or loss.
When a business combination is achieved in stages, Dexia's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Dexia obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

1.1.3.2. Subsidiaries
Subsidiaries are those entities over whose financial and operating policies Dexia, directly or indirectly, may exercise control. Subsidiaries are fully consolidated as of the date on which effective control is transferred to Dexia and are no longer consolidated as of the date on which Dexia's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia's companies have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia.
Changes in the Dexia's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
When Dexia loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:
- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary at the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.1.3.3. Jointly controlled entities
A joint venture (JV) is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for via the proportionate consolidation method. In the financial statements, joint ventures are integrated by combining their share of the assets, liabilities, income and expenses on a line-by-line basis.
The same consolidation treatment as applied to subsidiaries, is applied to intercompany transactions. Where necessary, the accounting policies of the jointly controlled entities have been amended to ensure consistency with the policies adopted by Dexia.

1.1.3.4. Associates
Investments in associates are initially measured at cost and accounted for using the equity method. Associates are investments in which Dexia has significant influence, but does not exercise control. This is usually the case, when Dexia owns between 20% and 50% of the voting rights. The ownership share of net income for the year is recognised as income of associates, whereas the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets increased with related goodwill.
Gains on transactions between Dexia and its "equity method investments" are eliminated to the extent of Dexia's interest. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia has incurred or guaranteed legal or constructive obligations in respect of the associates' undertakings. Where necessary, the accounting policies of the associates have been amended to ensure consistency with the policies adopted by Dexia.

1.1.3.5. Special purpose entities (SPE's)
An SPE shall be consolidated when the substance of the relationship between Dexia and the SPE indicates that the SPE is controlled by Dexia.
Control may arise through the predetermination of the activities of the SPE (operating on 'autopilot') or otherwise. The following circumstances require judgement and may indicate a relationship in which Dexia controls an SPE (which it should consequently consolidate):

- The activities of the SPE are being conducted on behalf of Dexia according to its specific business needs;
- Dexia has the decision-making powers or delegated these powers to obtain the majority of the benefits of the activities of the SPE;
- Dexia has the right to obtain the majority of the benefits of the SPE and may be exposed to its risks or
- Dexia retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

1.1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset (and consequently, the net amount only is reported) when Dexia has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

1.1.5.1. Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from Dexia's presentation currency are translated into Dexia's presentation currency (EUR) at the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.
Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the statement of income as part of the gain or loss on disposal.
Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

1.1.5.2. Foreign currency transactions

For individual Dexia entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies at period- or year-end are translated at period or year-end exchange rates for monetary items and non-monetary items carried at fair value. Historical rates are used for non-monetary items carried at cost. The resulting exchange differences from monetary items are recorded in the consolidated statement of income; except for the foreign exchange impact related to fair value adjustments on available-for-sale bonds, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.1.6. FINANCIAL ASSETS AND LIABILITIES

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its investments at initial recognition. However, under certain conditions, financial assets could subsequently be reclassified.

1.1.6.1. Recognition and derecognition of financial instruments

Dexia recognises and derecognises financial assets held for trading on trade date. For these financial assets, Dexia recognises in the statement of income and as of the trade date, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia recognises these unrealised gains and losses under "Net gains (losses) on financial instruments at fair value through profit or loss".
All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia.
Dexia recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia derecognises financial liabilities only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

1.1.6.2. Loans and advances due from banks and customers

Dexia classifies non-derivative financial assets with fixed or determinable payments that are not quoted on an active market into this category (labelled by IAS 39 as Loans and Receivables – L&R) except for:
- those that Dexia intends to sell immediately or in the near term, which are classified as held for trading, and those that Dexia, upon initial recognition, designates as being at fair value through profit or loss;
- those that Dexia, upon initial recognition, designates as available-for-sale; or
- those for which Dexia may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Dexia recognises interest-bearing loans and advances initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is calculated using the effective interest rate method and recognised in net interest income.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

1.1.6.3. Financial instruments measured at fair value through profit or loss

1.1.6.3.1. Loans and securities held for trading

Dexia reports loans held for trading purposes in the line "Financial assets at fair value through profit or loss" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest income is accrued using the effective interest rate method and is recognised in net interest income.

Trading securities are securities acquired for generating a profit from short-term fluctuations in price or dealer's margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Dexia initially recognises trading securities at fair value and subsequently re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest earned is recognised in net interest income, and dividends received under "Net gains (losses) on financial instruments at fair value through profit or loss".

1.1.6.3.2. Liabilities held for trading

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- an instrument contains a non-closely related embedded derivative:

- that significantly modifies the cash flows that otherwise would be required by the contract; or
- for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

1.1.6.3.4. Liabilities designated at fair value through profit or loss (FVO)

For subsequent measurement, these financial liabilities are subject to the same accounting principles as described earlier under the heading "Financial instruments measured at fair value through profit or loss".

1.1.6.3.5. Derivatives – Trading portfolio

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of derivatives are the currency and the interest-rate derivatives.

Dexia, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate.

All changes in fair value are recognised in the statement of income.

Dexia reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Dexia treats certain derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income.

1.1.6.4. Financial investments

1.1.6.4.1. Held-to-maturity

Dexia classifies the interest-bearing financial assets with fixed maturity quoted in an active market as "Financial assets held to maturity" (HTM) when management has both the intent and the ability to hold the assets to maturity.

Dexia recognises such interest-bearing financial assets initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is recognised based on the effective interest rate method and recorded in net interest income.

1.1.6.4.2. Available-for-sale

Dexia classifies financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as "Financial assets available for sale" (AFS).

Dexia recognises financial assets initially at fair value (including transaction costs). Interest is recognised based on the effective interest-rate method and recorded in net interest income. Dexia recognises dividend income from variable-income securities under "Net gains (losses) on financial assets available for sale".

Dexia subsequently re-measures available-for-sale financial assets at fair value (see 1.1.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised within equity under the heading "Unrealised or deferred gains and losses".

When assets are disposed of, or impaired, Dexia recycles the related accumulated fair value adjustments in the statement of income in "Net gains (losses) on financial assets available for sale". However, the gains and losses on impaired debt instruments are recognised in "Cost of risk".

1.1.6.5. Impairments on financial assets

Dexia records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events occurring after initial recognition and evidencing (a) a decline in the expected cash flows and (b) the impact on the estimated future cash flows that can be reliably estimated.

1.1.6.5.1. Financial assets valued at amortised cost

Dexia first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Determination of the impairment

• Specific impairments – If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity are impaired, the amount of the impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated recoverable amount, being the present value of expected cash flows, including judgements on the amounts recoverable from guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below). When an asset is assessed as being impaired, it is excluded from the portfolio on which a collective impairment is calculated. Assets with small balances that share similar risk characteristics follow the principles as described below.

• Collective impairments – Collective impairments cover losses incurred where there is no specific impairment but objective evidence of losses in segments of the portfolio or other lending-related commitments at the balance-sheet date. Dexia estimates them based upon the historical patterns of losses in each segment, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate. Dexia develops for that purpose credit-risk models using an approach that combines appropriate default probabilities and loss-given defaults that are subject to regular back-testing and are based on Basel II data and risk models, consistently with the "incurred-loss" model. Assumptions are made to define the way inherent losses are modelled and to determine the required parameters, based on historical experience.

Accounting treatment of the impairment

Dexia recognises changes in the amount of impairment losses in the statement of income in "Cost of risk". The impairment losses are reversed through the statement of income if the increase in fair value relates objectively to an event occurring after the impairment was recognised.

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the statement of income under the heading "Cost of risk" and the net loss is recorded under the same heading. Subsequent recoveries are also accounted for under this heading.

1.1.6.5.2. Reclassified financial assets

In rare circumstances, Dexia can reclassify financial assets initially classified as "held for trading" or "available-for-sale" into "held-to-maturity" or "loans and receivables" categories. In such circumstances, the fair value at the date of transfer becomes the new amortised cost of those financial assets. Any fair value adjustment previously recognised under "Other comprehensive income" is "frozen" and amortised on the residual maturity of the instrument. Regarding the calculation of impairment, reclassified financial assets are governed by the same estimates, judgements and accounting principles as financial assets initially valued at amortised cost. If there is objective evidence that reclassified financial assets are impaired, Dexia calculates the amount of the impairment on reclassified assets as the difference between the net carrying amount of the asset and the net present value of the expected cash-flows discounted at the recalculated effective yield at the time of reclassification. Any unamortized part of the frozen AFS reserve is recycled in the statement of income and reported under the heading "Cost of risk" as a part of the impairment.

1.1.6.5.3. Available-for-sale assets

Dexia recognises the impairment of available-for-sale assets on an individual basis if there is objective evidence of impairment as a result of one or more events occurring after initial recognition.

Determination of the impairment

• Equities – For equities quoted in an active market, any significant decline in their price (more than 50% at reporting date) or a prolonged decline (5 years) compared to the acquisition price is considered as an objective evidence of impairment. In addition, management can decide to recognise impairment losses should other objective evidence be available.

• Interest-bearing financial instruments – In the case of interest bearing financial instruments, impairment is triggered based on the same criteria as applied to individually impaired financial assets valued at amortised cost (see 1.1.6.5.1).

Accounting treatment of the impairment

When available-for-sale equity securities are impaired, the total AFS reserve is recycled and these impairment losses are reported by Dexia in the statement of income in "Net gains (losses) on financial assets available for sale". Additional decline in fair value is recorded under the same heading for equity securities.

When an impairment loss has been recognised on interest-bearing financial instruments, any subsequent decline in fair value is recognised in "Cost of risk" if there is objective evidence of impairment. In all other cases, changes in fair value are recognised in "Other comprehensive income".

Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.

1.1.6.5.4. Off-balance sheet exposures

Dexia usually converts off-balance sheet exposures such as credit substitutes (e.g., guarantees and standby letters of credit) and loan commitments into on-balance sheet items when called. However, there may be circumstances such as uncertainty about the counterparty, where the off-balance sheet exposure should be regarded as impaired. Dexia classifies loan commitments as impaired if the credit worthiness of the client has deteriorated to such an extent as to make the repayment of any loan and associated interest payments doubtful.

1.1.6.6. Borrowings

Dexia recognises borrowings initially at fair value, being generally their issue proceeds, net of any transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Dexia recognises any difference between their initial carrying amount and the redemption value in the statement of income over the period of the borrowings using the effective interest rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts rather than their legal form.

1.1.7. FAIR VALUE OF FINANCIAL INSTRUMENTS

1.1.7.1 Valuation principles

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions. Dexia'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.

All fair values should be approved by Dexia validation team. This is an independent team that is part of Risk Management Department.

1.1.7.2. Valuation techniques

Dexia's approach to the valuation of its financial instruments (instruments at fair value through profit or loss, assets available for sale and valuations for disclosures) can be summarized as follows:

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

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

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

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

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

Financial instruments for which no quoted market prices are available in an active market are valued by means of valuation techniques. The models that Dexia uses range from standard market models (discount models) to in-house developed valuation models.

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

In order to comply with IFRS 13, applicable as from 1 January 2013, and to be in line with market practices, Dexia uses an OIS curve to determine the value of its collateralized derivatives.

Dexia has also adjusted its methodology for calculating the Credit Value Adjustment (CVA) and has recognised the Debit Value Adjustment (DVA) for derivatives. A CVA reflects the counterparty's risk of default and a DVA reflects Dexia'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. The Loss Given Default (LGD) parameters are based on market data, except for counterparts belonging to project and local authorities sectors for which historical data are used.
For bonds and loans for which no active market exists, Dexia uses a Mark-to-Model approach. The valuation price is composed of a market price component and a model price component. The weight granted to the model price component reflects an assessment of the activity level of the market.
For its Mark-to-Model price, Dexia uses a discount cash-flow model, based on a discounted spread that incorporates both CDS/credit spread and cash/CDS basis. The credit spread is estimated from the security specific characteristics (sector, rating, Loss Given Default, …) and from the level of some liquid CDS indices. A cash/CDS component is added to the credit component to obtain the bond's spread.
Dexia performs regular back testings for Mark-to-Model prices.

1.1.7.2.2. Financial instruments measured at amortised cost (valuations in IFRS disclosures on fair value)

Financial instruments reclassified from Trading or AFS to L&R

As a response to the financial crisis, the IASB issued on 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.
These assets are valued using Dexia's Mark to Model approach described above for the bonds for which no active market exists.

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

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

General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds classified in HTM and L&R since inception and for liabilities, the valuation is done as for bonds classified in AFS.

Interest rate part

- the fair value of fixed-rate loans or liabilities and mortgages reflects interest rate movements since inception;
- embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables or liabilities;
- the fair value of variable-rate loans or liabilities is assumed to be approximated by their carrying amounts.

Credit risk part

- credit spreads changes since inception are reflected in the fair value.

1.1.8. INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through P&L.
Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.
Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.
Once an interest bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the interest that was used to discount the future cash flows for measuring the recoverable amount.

1.1.9. FEE AND COMMISSION INCOME AND EXPENSE

Commissions and fees arising from most of Dexia's activities are recognised on an accrual basis over the life of the underlying transaction.
Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.
For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.
Loan commitment fees are recognised as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry if no loan is granted.

1.1.10. HEDGING DERIVATIVES

Hedging derivatives are categorised as either:
- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognized asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

Dexia designates derivatives as hedging instruments if certain criteria are met:

• formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
• the hedge is documented in such a way as to show that it is expected to be highly effective both prospectively and retrospectively in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
• the hedge is effective at inception and on an ongoing basis.

Dexia records changes in the fair value of derivatives that are designated, and qualify, as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge, Dexia amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the statement of income over the remaining life of the hedged or hedging instrument if shorter by an adjustment of the yield of the hedged item.

Dexia recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges, in "Other comprehensive income" under the heading "Unrealised or deferred gains and losses" (see "Consolidated statement of changes in equity"). Any non-effective portion of the changes in the fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

1.1.11. HEDGE OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO

As explained in 1.1.1.1 General, Dexia makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Dexia manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

Dexia performs a global analysis of interest-rate risk exposure. It consists in assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

Dexia applies the same methodology to select which assets and/or liabilities will be entered into the hedge of interest rate risk exposure of the portfolio. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio based on behavioural study for estimating expected maturity date. Dexia may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale assets or loan portfolios.

On the basis of this gap analysis, which is realised on a net basis, Dexia defines, at inception, the risk exposure to be hedged, the length of the time-bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Dexia recognises the hedging items at fair value with adjustments accounted for in the statement of income.

Dexia reports hedged interest rate risk revaluation of elements carried at amortised cost on the balance sheet under the line "Fair value revaluation of portfolio hedge".

1.1.12. DAY ONE PROFIT OR LOSS

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:
• the transaction price and the quoted market price; in cases where the transaction is quoted; or
• the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment in cases where the transaction is not quoted.

If Dexia considers the main parameters of the model as observable and if Risk Management validates the model, the day one profit or loss will be recognised immediately in the statement of income.

If Dexia does not consider the main parameters as observable or if Risk management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, Dexia will recognise the remaining portion of day one profit or loss in the statement of income.

In cases of early termination, the remaining portion of day one profit or loss will be recognised in the statement of income. In cases of partial early termination, Dexia will recognize in the statement of income the part of the day one profit or loss relating to the partial early termination.

1.1.13. TANGIBLE FIXED ASSETS

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

The main useful lives are as follows:
• Buildings (including acquisition costs and non deductible taxes): 20 to 50 years;

• Computer equipment: 3 to 6 years;
• Leasehold improvements, equipment and furniture: 2 to 12 years;
• Vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:

• Structure of the building: 50 years;
• Roof and frontage: 30 years;
• Technical installations: 10 to 20 years;
• Fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually the Group determines the recoverable amount of the cash generating unit or group of cash generating units to which the asset belongs. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".

Investment properties are those properties held to earn rentals or for capital appreciation. Dexia may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property if Dexia holds an insignificant portion for its own use.

Investment properties are recorded at its cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation on buildings and other assets given in operating lease are booked under "Other expenses".

1.1.14. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programs are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period is can be up to 10 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".

1.1.15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets (or groups of assets) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as non-current assets (or disposal groups) "held for sale" if:

• they are available for immediate sale in their present condition; and
• their sale is highly probable within one year.

Dexia measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. When a disposal group is classified in held for sale, items of Other Comprehensive Income are isolated in a separate publication line of the equity. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for previous periods is performed.

1.1.16. GOODWILL

1.1.16.1. Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between

• The sum of the following elements:
- Consideration transferred,
- Amount of any non-controlling interests in the acquiree, and
- Fair value of the acquirer's previously held equity interest in the acquiree (if any);
• Net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

1.1.16.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Dexia allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of cash-generating units to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is the higher). The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU.

The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

For subsidiaries operating in economically mature and financially stable markets, the discount rate used is the Cost of Equity of Dexia defined under a dividend discount model.

For subsidiaries operating in emerging markets, a specific discount rate is applied on a case-by-case basis.

1.1.17. ACCRUALS AND OTHER ASSETS

Accruals and other assets mainly include collaterals, accrued income (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standard less any allowance for impairment if applicable or following the applicable standard. Plan assets are recognised in accordance with IAS 19 (revised) requirements.

1.1.18. LEASES

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.1.18.1. Dexia is the lessee

Dexia grants operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the statement of income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception the asset is recorded as the present value of the minimum lease payments or the fair value (whichever is the lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to Dexia. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

1.1.18.2. Dexia is the lessor

Dexia grants both operating and finance leases.

Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, Dexia recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.1.19. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is entered under "Interbank borrowings and deposits" or "Customer borrowings and deposits", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Interbank loans and advances" or "Customer loans and advances".

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are not derecognised but, rather recorded in the financial statements in the same heading.

Securities borrowed are not recognised in the financial statements.

If they are sold to third parties, the gain or loss is entered under "Net gains (losses) on financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities at fair value through profit or loss".

1.1.20. DEFERRED INCOME TAX

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loan and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.
The rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.
Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.
Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Deferred tax related to the fair value remeasurement of available-for-sale investments and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.1.21. EMPLOYEE BENEFITS

1.1.21.1. Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.
Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

1.1.21.2. Post-employment benefits

If Dexia has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia offers a number of defined benefit and defined contribution plans, the assets of which are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Dexia and its employees.
In some cases, Dexia provides post-retirement health care benefits to its retirees.

1.1.21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, which have terms to maturity approximating to the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate.
For defined benefit plans, the cost is determined using the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to built up the final obligation.
The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods), reduced by the fair value of plan assets at the balance-sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and are recorded separately if those assets are held by a Group entity. Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding net interest) and any change in the effect of the asset ceiling (excluding net interest), they are recognised immediately in other comprehensive income and are not reclassified to profit or loss in a subsequent period.
Current service cost, past service cost (which is the change in the present value of the defined benefit obligation, resulting from a plan amendment or a curtailment) and any gain or loss on settlement are recognised in profit or loss.
Net interest on the net defined benefit liability (asset) is recognised in profit or loss. It is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset), both as determined at the start of the annual reporting period, and taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Qualified internal and external actuaries carry out valuations of these defined benefit obligations. All valuations assumptions and results are reviewed and validated by an external actuary for Dexia that ensures that all calculations are harmonised and calculated in compliance with IAS 19 (as revised in 2011).

1.1.21.2.2. Defined contribution pension plans

Dexia's contributions to defined contribution pension plans are charged to the statement of income in the year to which

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they relate. Under such plans, Dexia's obligations are limited to the contributions that Dexia agrees to pay into the fund on behalf of its employees.

1.1.21.2.3. Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

1.1.21.2.4. Retirement termination payments

Retirement termination payments are treated as defined benefit plans.

1.1.21.3. Other long-term benefits

These mainly includes provisions for jubilee premiums that employees receive after completion of specified periods of service.
Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the statement of income.

1.1.21.4. Termination benefits

A termination benefit provision is recorded at the earlier of the following dates:
- when Dexia can no longer withdraw the offer of those benefits; and
- when Dexia recognises costs for a restructuring that involves the payment of termination benefits.

1.1.21.5. Share-based payment

Dexia offered equity-settled share-based payments like stock options plans (SOPs) and employee share purchase plans (ESPPs) and cash-settled share-based payments.
The fair value of equity-settled plans was measured at grant date by reference to the fair value of the underlying equity instrument based on valuation techniques and on market data and took into account market-based vesting conditions. The impact of other vesting conditions was reflected in the accounts via an adjustment of the number of equity instruments included in the measurement. The fair value, recognised as a remuneration expense, was credited against equity.
In cash-settled share-based payments, the services received and the liability incurred, to pay for those services, were measured at the fair value of the liability. This fair value was measured at the grant date and at each reporting date until settled. The value was recognised as a remuneration expense with a corresponding increase in liabilities.

1.1.22. PROVISIONS

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.
Provisions are recognised when:
- Dexia has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognised when there is uncertainty about the creditworthiness of the counterparty.

1.1.23. SHARE CAPITAL AND TREASURY SHARES

1.1.23.1. Share issue costs

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity net of any related income tax.

1.1.23.2. Dividends on Dexia's ordinary shares

Dexia recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

1.1.23.3. Preferred shares

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

1.1.23.4. Treasury shares

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

1.1.24. FIDUCIARY ACTIVITIES

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

1.1.25. RELATED-PARTY TRANSACTIONS

Two parties are considered to be related if one has the ability to control the other or exercises significant influence over the other party's financial policy or operational decisions. Transactions with companies accounted for by the equity method are reported, as are those with the Directors.

1.1.26. CASH AND CASH EQUIVALENTS

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

1.1.27. EARNINGS PER SHARE

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

1.2. Group companies and consolidation methods

a. Criteria for consolidation and use of the equity method

The Dexia Group applies all rules with regard to the consolidation scope resulting from:
- IAS 27 on the preparation and presentation of consolidated financial statements;
- IFRS 3 on business combinations and the impact of accounting methods on the consolidated accounts;
- IAS 28 on Investments in associates;
- IAS 31 on Interests in joint ventures.

The policies laid down by these standards imply that all companies over which the Group exercises exclusive or joint control or notable influence must be consolidated.
Consequently, all companies exclusively or jointly controlled, or over which the group holds a notable influence, are consolidated.
Pursuant to the principle of a true and fair view of the financial statements of the Group, any companies whose contribution to the consolidated financial statements is not material shall not be included in the consolidation scope.

b. Changes in the consolidation scope compared with 31 December 2012

The following entities were deconsolidated as at 1st January 2013 as a result of the finalization of their disposal: Dexia Municipal Agency (31 January 2013), Dexia Kommunalkredit Bank Polska (28 March 2013) and Dexia Bail (2 April 2013).
The following entities were deconsolidated as at 1st July 2013 and as a result the group consolidated income statement includes their contribution for the first six months of 2013: Public Location Longue Durée (6 September 2013), Dexia Sofaxis (30 September 2013) and Domiserve including its subsidiary Domiserve+ (4 October 2013). ADTS, the IT services subsidiary sold to IBM Group, was deconsolidated on 1st October 2013.
On 12 July 2013, the Austrian banking subsidiary of Dexia Crédit Local, Dexia Kommunalkredit Bank (DKB) was dissolved without liquidation through a cross-border absorption by its 100% parent company Dexia Crédit Local. Dexia Crédit Local acquired as a result all of DKB assets and liabilities.

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

The changes in scope with significant impact on the 2013 consolidated financial statements are described below in section 1.4.

1.3. Scope of the Dexia Group as at 31 December 2013 : main subsidiaries and affiliated companies [1]

Name	Head Office	% of capital held (**)	Consolidation method
DIRECT PARTICIPATIONS OF DEXIA SA			
Dexia Asset Management Luxembourg SA (Group) (*)(***)	136, route d'Arlon, L-1150 Luxembourg	100	fully
Dexia Nederland BV	Parnassusweg 819, NL- 1082 LZ Amsterdam	100	fully
Popular Banca Privada (Group) S.A. (*) (****)	Juan Ignacio Luca de Tena 11, E-28027 Madrid	40	equity method
MAIN SUBSIDIARIES OF SUB-GROUP DEXIA CREDIT LOCAL SA			
Dexia CLF Banque SA	1, Passerelle des Reflets - Tour Dexia La Défense 2, 92919 LA DEFENSE France	100	fully
Dexia Crediop Ireland	6 George's Dock, IRL-IFSC Dublin 1	100	fully
Dexia Crediop S.p.a.	Via Venti Settembre 30, I-00187 Roma	70	fully
Dexia Crédit Local SA	1, Passerelle des Reflets - Tour Dexia La Défense 2, 92919 LA DEFENSE France	100	fully
Dexia FP Holdings Inc.	445, Park Avenue, 5th floor, NY - 10022	100	fully
Dexia Holdings Inc.	445 Park Avenue 5th Floor, New York, NY 10022 – USA	100	fully
Dexia Israël Bank Ltd	19 Ha'arbaha st., "Hatihon" building, Tel Aviv 61200. P.O.B 7091	65.99	fully
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82, D-10969 Berlin	100	fully
Dexia LdG Banque S.A.	69, route d'Esch, L-1470 Luxembourg	100	fully
Dexia Sabadell SA	Paseo de las 12 Estrellas 4, Campo de las Naciones, E-28042 Madrid	100	fully
FSA Global Funding Ltd	PO Box 1093 GT, Boundary Hall, Cricket Square, Grand Cayman, Cayman Islands, KY1-1102 Cayman Islands	100	fully

(1) Complete list available on request.
(*) Subsidiaries which have been transferred to disposal groups held for sale, following the restructuration of Dexia Group, have been indicated with an asterisk.
(**) Part of the capital held by the direct shareholder.
(***) Closing of the sale of Dexia Asset Management Luxembourg SA (Group) on 3 February 2014.
(****) Closing of the sale of Popular Banca Privada (Group) SA on 19 February 2014.

1.4. Significant events in 2013

• The Dexia Group actively carried on the implementation of its orderly resolution plan validated by the European Commission.

Signature of a tripartite funding guarantee agreement

Within the framework of the Group's orderly resolution plan, a funding guarantee was granted to Dexia by the three Belgian, French and Luxembourg States and came into force on 24 January 2013, for a period extending until 31 December 2021. This guarantee replaces the December 2011 guarantee scheme in relation to new securities issued under guarantee. The 2013 guarantee mechanism covers amounts up to EUR 85 billion in principal over the short and long term. The maximum maturity on the securities issued under the guarantee has been set at 10 years in order to give the Group the possibility to carry its assets at the long term.
The remuneration of the 2013 guarantee has been set at 5 basis points per year, enabling the Dexia Group to achieve a significant reduction of its funding costs. The costs paid in 2012 under the provisional guarantee was an average of 85 basis points.
The short and long-term debt guarantee programs for Dexia Crédit Local are rated respectively at A-1+ and AA by Standard & Poor's, at F1+ and AA by Fitch Ratings and at P1 and Aa3 with stable outlook by Moody's, reflecting the outlook for the sovereign Belgium, the main guarantor.

The guarantee has been validated by the parliaments of all three States. Following challenges regarding the validity of the initial approval process, a reparation law was published on 28 June 2013, in Belgium, containing measures for legislative ratification of the Royal Decrees authorising the grant of the State guarantees to Dexia.

Since the granting of this funding guarantee by Belgium, France and Luxembourg on 24 January 2013, Dexia Crédit Local has launched two long-term State-guaranteed funding programs, in euro (EMTN) and in US dollar (US MTN), which were given a favorable welcome by investors. In 2013 this enabled a total of EUR 7.1 billion in long-term guaranteed funding to be raised via three public benchmark issues : an inaugural issue in Euro on 2 July 2013, with a maturity of 3 years, followed by a 3-year issue in US dollars and a 5-year issue in Euro, as well as private placements.

As at 31 December 2013, the total outstanding amount under the guarantee mechanism set up in 2008 represents EUR 9.6 billion and the outstanding amount under the mechanisms set up in 2011 and 2013 represents EUR 65.7 billion. The total expense recognized by Dexia as a remuneration of these guarantees was EUR 154 million as at 31 December 2013 (versus EUR 542 million as at 31 December 2012).

Finalization of the disposals of operating entities planned in the orderly resolution plan:

- On 31 January 2013, Dexia Crédit Local (DCL) finalized the sale of the Société de Financement Local (SFIL), a proprietary holding of the Caisse Française de Financement Local (CAFFIL, formerly Dexia Municipal Agency (DMA) to the French State as the majority shareholder, the Caisse des Dépôts and the Banque Postale for an amount of 1 euro.

The accumulated estimated loss recognized up till December 2012 amounted to EUR – 1,707 millions (EUR – 1,069 million in 2011 and EUR – 638 million in 2012). A EUR – 143 million additional loss has been recorded in 2013. This additional loss includes a EUR - 142 million amount of negative fair value reserves of available for sale financial assets held by Dexia Municipal Agency, recycled and recognized as part of the result of the disposal according to the IFRS5 recommendations. This disposal resulted in a significant decrease (EUR 84 billion) of Dexia's total assets versus 2012.

In other respects, a provision was recognized in 2012 to cover the impacts of the offsetting of derivatives between DCL and DMA. In 2013, in accordance with the IFRS rules on corrections of estimates, a EUR 130 million amount has been recorded in the group's equity for the difference between the realized impact of the settlement of these derivatives and the estimate previously recorded.

- On 28 March 2013, Dexia Kommunalkredit Bank Polska, Dexia Kommunalkredit Bank's polish subsidiary was sold to Getin Noble Bank. This sale had no impact on 2013 consolidated result as a EUR 9.5 million provision had been accrued in 2012 to cover for the loss resulting from the difference between the equity disposed of and the consideration received;
- On April 2, 2013, Dexia Bail was sold to a company controlled by Sofimar. An additional EUR 6 million loss was recorded in the 2013 result taking the overall loss on the sale to EUR 20 million.
- On 6 September 2013, Public Location Longue Durée (Public LLD) was sold to Arval Service Lease, for an amount of EUR 0.4 million with no significant gain.
- On 30 September 2013, Dexia finalized the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT) for a fixed price of EUR 136 million. This sale generated a gain of EUR 64 million in the 2013 consolidated accounts.

Next to the undertakings made by the States to the European Commission, Dexia Kommunalkredit Bank was dissolved without liquidation by way of cross-border merger by absorption by its parent company Dexia Crédit Local. The Group also sold to IBM its holding in ADTS, a company offering IT services to several banks, formerly members of the Dexia Group.

The results obtained from the disposal of DMA and ADTS are recorded in the line Result from discontinued operations, net of tax.

New method for calculating the market value of collateralized derivatives

Applying the IFRS 13 "Fair value Measurement", and in order to comply with the principles of derivative valuation most commonly used on the market, since its H1 2013 closing Dexia Group has been using a discount curve based on the daily rate (OIS),to calculate the market value of collateralized derivatives. Dexia also adjusted its methodology for calculating the Credit Value Adjustment (CVA), which corresponds to the adjustment of value of derivatives linked to the counterparty's risk and recognised a Debit Value Adjustment (DVA), mirror of CVA, which reflects the impact on the derivatives price of the credit risk taken by the counterpart.

These changes of the parameters used for the valuation of derivatives led, in 2013, to a negative impact on Dexia Group's consolidated income in the order of EUR 196 million (a loss of EUR 275 million due to the use of OIS, a loss of EUR 27 million on the change of methodology in measuring CVA and a gain of EUR 106 million on DVA). This impact does not correspond to any cash outflow. It will be gradually written back as and when derivatives, mainly used in the context of a hedging relationship, are amortised. It nonetheless constitutes a potentially significant element of volatility in Dexia Group's quarter-by-quarter income, depending on market conditions.

Evolution of credit risk

In 2013, the cost of risk of Dexia was impacted by the booking of specific provisions on the US local public sector. A net provision of EUR -90 million was recognized on the city of Detroit, placed under Chapter 9 bankruptcy protection on 18 July 2013 and a EUR -52 million impairment was recorded in the consolidated result following the deterioration of the financial situation of Puerto Rico.

Update on structured loans granted by Dexia Crédit Local

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

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

DCL did not make any representation or give any warranty as to the loan assets of CAFFIL at the occasion of its divestment in January 2013, but DCL, as the legal representative of DMA up to the time of the sale, under certain conditions continues to be responsible for damages awarded to a borrower resulting from an infringement of its contractual or regulatory obligations in the origination or commercialisation of structured credits held by CAFFIL at the time of its divestment.

A provision for litigations linked to structured credits in France subject to a writ of summons was recorded for an amount of EUR 63 million in 2013.

Other events

Dexia Crediop realized a gain before taxes of EUR 39 million by selling loans recorded in the special purpose vehicle Dexia Crediop per la Cartolarizzazione (DCC).

1.5. Post-balance-sheet events

In January 2014, the European Commission refused to authorize Dexia to repurchase the XS0273230572 financial instrument issued by Dexia Funding Luxembourg (DFL) stating that subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions having been granted State aid. The Undated Deeply Subordinated Notes FR0010251421 issued by Dexia Crédit Local have similar characteristics and are considered likewise by the Commission.

The European Commission also extended until 28 June 2014 the authorization for Dexia Crediop to grant new funding to its existing clients within a limit of EUR 200 million.

On 3 February 2014, Dexia finalized the sale of 100% of its participation in Dexia Asset Management to New York Life Investments for a firm price of EUR 380 million. The net capital gain resulting from the sale is estimated at EUR 68 million and will be booked in Q1 2014 in Dexia SA’s consolidated results.

On 19 February 2014, Dexia announced the closing of the sale of its 40% stake in Popular Banca Privada to Banco Popular Español for a firm price of EUR 49.2 million. All regulatory authorizations have been received. Based on the valuation of Popular Banca Privada in Dexia SA consolidated financial statements as at 31 December 2013, the capital gain on the sale amounts to EUR 20.7 million. This gain will be booked in Dexia SA’s consolidated statements for the first quarter of 2014.

In a decision dated 7 March 2014, the Superior Court of Nanterre ruled that, concerning the EAPR, in absence of indication of the period reference rate and its duration, the statutory interest rate was applicable. DCL, in connection with SFIL, is currently analysing the appropriate actions to be taken, following this decision.

The loans referred to in the Court’s decision fall within the scope of the disposal of the SFIL and, if confirmed, the judgement would have no financial impact for the Dexia Group, as the assets sold are now borne by the CAFFIL.

Should the Superior Court of Nanterre’s decision be confirmed and become established case law, its extension to other financings on Dexia’s balance sheet would be likely to introduce significant risks, which at this stage are difficult to assess.

2. Notes on the assets

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

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

(EUR million)	31/12/12	31/12/13
Cash	7	4
Mandatory reserve deposits with central banks	1,015	164
Other central banks deposits	32	1,576
TOTAL	**1,054**	**1,745**
of which included in cash and cash equivalents	*1,054*	*1,745*

2.1. Financial assets at fair value through profit or loss (Item II - Assets)

This line includes both the portfolio held for trading and all financial assets at fair value through profit or loss (see point regarding "Financial assets at fair value through profit or loss" in note 1.1 "Accounting policies and valuation methods").

(EUR million)	31/12/12	31/12/13
Loans and securities	2,225	1,802
Derivatives (see note 4.1.b)	21,155	16,546
TOTAL	**23,380**	**18,348**

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

	31/12/12			31/12/13		
(EUR million)	Held for trading	Designated at fair value	Total	Held for trading	Designated at fair value	Total
Public sector	0	6	6	0	6	6
Banks	8	0	8	0	0	0
Other	2,190	20	2,210	1,774	22	1,796
TOTAL	**2,198**	**27**	**2,225**	**1,774**	**28**	**1,802**

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

	31/12/12			31/12/13		
(EUR million)	Held for trading	Designated at fair value	Total	Held for trading	Designated at fair value	Total
Loans	0	5	5	0	0	0
Bonds issued by public bodies	0	0	0	0	0	0
Other bonds and fixed-income instruments	2,198	22	2,220	1,774	27	1,801
Equities and other variable-income instruments	1	0	1	0	1	1
TOTAL	**2,199**	**27**	**2,225**	**1,774**	**28**	**1,802**

c. Treasury bills and other eligible bills for refinancing with central banks

Nil.

d. Securities pledged under repurchase agreements (repos)

Nil.

e. Analysis by maturity and interest rate

See notes 7.6 and 7.4

f. Analysis of the fair value

See note 7.1

g. Reclassification of financial assets (IAS39 amended)

See note 2.13

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

a. Analysis by counterparty

(EUR million)	31/12/12	31/12/13
Public sector	16,999	14,981
Banks	12,771	8,700
Other	6,159	5,413
Performing assets	**35,929**	**29,094**
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	160	69
Impaired equities and other variable-income instruments	126	131
Impaired assets	**286**	**200**
TOTAL ASSETS BEFORE IMPAIRMENT	**36,215**	**29,294**
Specific impairment	(155)	(70)
TOTAL	**36,060**	**29,224**

b. Analysis by nature

(EUR million)	31/12/12	31/12/13
Bonds issued by public bodies	13,279	12,114
Other bonds and fixed-income instruments	22,411	16,774
Equities and other variable-income instruments	526	406
TOTAL ASSETS BEFORE IMPAIRMENT	**36,215**	**29,294**
Specific impairment	(155)	(70)
TOTAL	**36,060**	**29,224**

c. Transfers between portfolios
Nil.

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

e. Analysis by maturity and interest rate
See notes 7.6 et 7.4

f. Analysis of fair value
See note 7.1

g. Analysis of quality
See note 2.12

h. Reclassification of financial assets (IAS39 amended) :
See note 2.13

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

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Nostri accounts	1,300	638
Reverse repurchase agreements (reverse repos)	116	550
Other interbank loans and advances	5,498	4,153
Debt instruments	3,957	3,471
Performing assets	**10,871**	**8,812**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**10,871**	**8,812**
Collective impairment	(7)	(5)
TOTAL	**10,865**	**8,807**
of which included in cash and cash equivalents	*3,074*	*1,056*

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

c. Analysis of fair value

See note 7.1

d. Analysis of quality

see note 2.12

e. Reclassification of financial assets (IAS39 amended) :

See note 2.13

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

a. Analysis by counterpart

(EUR million)	31/12/12	31/12/13
Public sector	93,075	79,629
Other	55,977	48,978
Performing assets	**149,052**	**128,607**
Impaired loans and advances	945	855
Impaired debt instruments	377	536
Impaired assets	**1,322**	**1,391**
TOTAL ASSETS BEFORE IMPAIRMENT	**150,375**	**129,998**
Specific impairment	(395)	(545)
Collective impairment	(416)	(414)
TOTAL	**149,564**	**129,039**
of which included in finance leases	*1,782*	*1,630*

b. Analysis by nature

(EUR million)	31/12/12	31/12/13
Loans and advances	92,156	81,445
Debt instruments	56,897	47,162
Performing assets	**149,053**	**128,607**
Impaired loans and advances	945	855
Impaired debt instruments	377	536
Impaired assets	**1,322**	**1,391**
TOTAL ASSETS BEFORE IMPAIRMENT	**150,375**	**129,998**
Specific impairment	(395)	(545)
Collective impairment	(416)	(414)
TOTAL	**149,564**	**129,039**
of which included in finance leases	*1,782*	*1,630*

c. Analysis by maturity and interest rate

See notes 7.6 and 7.4

d. Analysis of fair value

See note 7.1

e. Analysis of quality :

See note 2.12

f. Reclassification of financial assets (IAS39 amended)

See note 2.13

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

a. Analysis by counterpart

(EUR million)	31/12/12	31/12/13
Public sector	361	310
Banks	77	127
Other	18	0
Performing assets	**456**	**437**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**456**	**437**
Specific impairment	0	0
Collective impairment	0	0
TOTAL	**456**	**437**

b. Analysis by nature

(EUR million)	31/12/12	31/12/13
Bonds issued by public bodies	333	287
Other bonds and fixed-income instruments	122	149
TOTAL	**456**	**437**

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

d. Analysis of fair value
See note 7.1

e. Analysis of quality
See note 2.12

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

(EUR million)	31/12/12	31/12/13
Current tax assets	209	193
Deferred tax assets (see note 4.2)	20	42

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

(EUR million)	31/12/12	31/12/13
Other assets	886	728
Cash collateral	36,617	26,542
TOTAL	**37,503**	**27,270**

Other assets

Analysis by nature (EUR million)	**31/12/12**	**31/12/13**
Accrued income	11	8
Deferred expense	24	27
Other accounts receivable	826	691
Plan assets	3	0
Inventories	3	0
Other taxes	8	2
Performing assets	**875**	**728**
Impaired assets	**29**	**9**
TOTAL ASSETS BEFORE IMPAIRMENT	**904**	**737**
Specific impairment	(18)	(9)
TOTAL	**886**	**728**

2.8. Tangible fixed assets (Items XV - Assets)

a. Net book value

	Land and buildings		**Office furniture and other equipment**			**Investment property**	**Total**
(EUR million)	**Own use owner**	**Own use finance lease**	**Own use owner**	**Own use finance lease**	**Operating lease [1]**		
Acquisition cost as at 1 January 2012	**423**	**1**	**277**	**119**	**221**	**95**	**1,137**
- Transfer in disposal groups held for sale	(22)	0	(184)	(119)	0	(95)	(421)
- Acquisitions	1	0	7	0	60	0	67
- Disposals	0	0	(3)	0	(53)	0	(56)
- Transfers and cancellations	0	0	(1)	0	0	0	(1)
Acquisition cost as at 31 December 2012 (A)	**401**	**1**	**95**	**0**	**228**	**0**	**724**
Accumulated depreciation and impairment as at 1 January 2012	**(65)**	**(1)**	**(146)**	**(68)**	**(74)**	**(46)**	**(399)**
- Transfer in disposal groups held for sale	6	0	73	68	0	46	194
- Depreciation booked	(8)	0	(6)	0	(31)	0	(45)
- Disposals	0	0	3	0	24	0	27
- Transfers and cancellations	0	0	1	0	0	0	1
Accumulated depreciation and impairment as at 31 December 2012 (B)	**(67)**	**(1)**	**(74)**	**0**	**(81)**	**0**	**(222)**
Net book value as at 31 December 2012 (A)+(B)	**335**	**0**	**20**	**0**	**147**	**0**	**501**

(1) mainly cars.

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Own use finance lease	Own use owner	Operating lease	
Acquisition cost as at 1 January 2013	**401**	**1**	**95**	**228**	**725**
- Acquisitions	0	0	2	41	43
- Disposals	0	(1)	(3)	(39)	(43)
- Change in consolidation scope (out)	(6)	0	(14)	(230)	(250)
- Transfers and cancellations	0	0	(1)	0	(1)
- Other	0	0	0	1	1
Acquisition cost as at 31 December 2013 (A)	**395**	**0**	**79**	**1**	**475**
Accumulated depreciation and impairment as at 1 January 2013	**(67)**	**(1)**	**(74)**	**(81)**	**(223)**
- Depreciation booked	(7)	0	(5)	(15)	(27)
- Disposals	0	1	3	16	20
- Change in consolidation scope (out)	5	0	10	80	95
- Transfers and cancellations	0	0	1	0	1
Accumulated depreciation and impairment as at 31 December 2013 (B)	**(69)**	**0**	**(65)**	**0**	**(134)**
Net book value as at 31 December 2013 (A)+(B)	**326**	**0**	**14**	**1**	**339**

b. Fair value of investment property

Nil.

c. Capitalised expenses on the construction of tangible fixed assets

Nil.

d. Contractual obligations relating to Investment property at the end of the period

Nil.

e. Contractual obligations relating to property, plant and equipment at the end of the period

Nil.

2.9. Intangible assets (Item XVI - Assets)

	2012			2013		
	Internally developed software	Other intangible assets (1)	Total	Internally developed software	Other intangible assets (1)	Total
Acquisition cost as at 1 January	**161**	**396**	**557**	**174**	**134**	**308**
- Transfers in disposal groups held for sale	0	(264)	(264)	0	0	0
- Acquisitions	12	5	17	7	3	10
- Disposals	0	0	0	(1)	(3)	(4)
- Change in scope of consolidation (out)	0	0	0	(16)	(6)	(22)
- Transfers and cancellations	1	(2)	(1)	0	0	0
- Translation adjustments	0	0	0	0	(1)	(1)
Acquisition cost as at 31 December (A)	**174**	**134**	**308**	**164**	**127**	**291**
Accummulated amortization and impairment as at 1 January	**(126)**	**(288)**	**(414)**	**(138)**	**(127)**	**(265)**
- Transfers in disposal groups held for sale	0	175	175	0	0	0
- Booked	(12)	(15)	(27)	(20)	(1)	(21)
- Change in scope of consolidation (out)	0	0	0	11	6	17
- Write-back	0	0	0	1	2	3
- Disposals	0	0	0	0	1	1
- Transfers and cancellations	0	1	1	0	0	0
- Translation adjustments	0	0	0	0	1	1
Accumulated amortization and impairment as at 31 December (B)	**(138)**	**(127)**	**(265)**	**(146)**	**(118)**	**(264)**
Net book value as at 31 December (A)+(B)	**36**	**8**	**43**	**18**	**9**	**28**

(1) Other intangible assets include primarily purchased software.

2.10. Goodwill (Item XVII - Assets)

(EUR million)	2012	2013
Acquisition cost as at 1 January	**1,307**	**322**
- Change in scope of consolidation (out) (2)	0	(73)
- Transfers	(2)	(249)
- Transfer in disposal groups held for sale	(983)	0
Acquisition cost as at 31 December	**322**	**0**
Accumulated amortization and impairment as at 1 January	**(265)**	**(263)**
- Change in scope of consolidation (out) (2)	0	14
- Transfers	2	249
Accumulated amortisation and impairment as at 31December (1)	**(263)**	**0**
Carrying amount as at 31 December	**59**	**0**

(1) Acccumulated amortisation of positive goodwill represents an amount of EUR -80 million as at 31 December 2012. This amount was booked before the application of IFRS.

(2) Sale of Sofaxis

2.11. Leases

a. Group as lessor

Finance leases

Gross investment in finance leases (EUR million)	31/12/12	31/12/13
Less than 1 year	122	109
1 year to 5 years	418	371
Over 5 years	1,240	1,148
Subtotal (1)	**1,780**	**1,628**
Unearned future finance income on finance leases (2)	0	0
Net investment in finance leases (1)-(2)	**1,780**	**1,628**

Additional information (EUR million)	31/12/12	31/12/13
Uncollectible finance lease receivables included in the provision for loan losses at the end of the period	1	0
Estimated fair value of finance leases	1,780	1,626

Operating leases

Future net minimum lease receivables under operating leases (EUR million)	31/12/12	31/12/13
Less than 1 year	35	1
1 year to 5 years	42	2
Over 5 years	1	0
TOTAL	**78**	**3**
Amount of contingent rents recognized in income during the period	3	0

Following the sale of Public Location Longue Durée, the amounts are non-significant.

b. Group as lessee

Finance leases

Nil.

Operating leases

Future net minimum lease payments under non-cancellable operating leases (EUR million)	31/12/12	31/12/13
Less than 1 year	12	12
1 year to 5 years	54	60
Over 5 years	45	40
TOTAL	**111**	**112**
Future minimum sublease payments expected to be received under non-cancelable subleases at the balance sheet date	1	1

Lease and sublease payments recognized as expenses during the year (EUR million)	31/12/12	31/12/13
- Minimum lease payments	7	5
- Sublease payments	0	0
TOTAL	**7**	**5**

2.12. Quality of financial assets

(EUR million)	31/12/12	31/12/13
Analysis of performing financial assets		
Interbank loans and advances	10,872	8,812
Customer loans and advances	149,052	128,607
Financial assets held to maturity	456	437
Financial assets available-for-sale	35,929	29,094
of which fixed revenue instruments	*35,529*	*28,819*
of which variable revenue instruments	*400*	*275*
Other accounts receivable (note 2.7)	826	691
TOTAL PERFORMING FINANCIAL ASSETS	**197,135**	**167,641**
Collective impairment	(423)	(419)
NET TOTAL PERFORMING FINANCIAL ASSETS	**196,712**	**167,222**

(EUR million)	Gross amount		Specific impairment		Net amount	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Analysis of impaired financial assets						
Customer loans and advances	1,322	1,391	(395)	(545)	927	846
Financial assets available-for-sale	286	200	(155)	(70)	131	130
of which fixed revenue instruments	*160*	*69*	*(119)*	*(32)*	*41*	*37*
of which variable revenue instruments	*126*	*131*	*(35)*	*(38)*	*90*	*93*
Other accounts receivable (note 2.7)	29	9	(18)	(9)	11	0
TOTAL	**1,637**	**1,600**	**(567)**	**(624)**	**1,069**	**976**
Analysis of performing and impaired financial assets						
Interbank loans and advances	10,872	8,812	0	0	10,872	8,812
Customer loans and advances	150,374	129,997	(395)	(545)	149,980	129,453
Financial assets held to maturity	456	437	0	0	456	437
Financial assets available-for-sale	36,215	29,294	(155)	(70)	36,060	29,224
of which fixed revenue instruments	*35,690*	*28,888*	*(119)*	*(32)*	*35,570*	*28,856*
of which variable revenue instruments	*526*	*406*	*(35)*	*(38)*	*490*	*368*
Other accounts receivable (note 2.7)	855	700	(18)	(9)	837	691
TOTAL FINANCIAL ASSETS	**198,772**	**169,240**	**(567)**	**(624)**	**198,205**	**168,617**
Collective impairment					(423)	(419)
NET TOTAL	**198,772**	**169,240**	**(567)**	**(624)**	**197,782**	**168,198**

2.13. Reclassification of financial assets (IAS 39 amended)

The Dexia Group decided to apply the amendment of IAS 39 and IFRS 7 "Reclassification of Financial Assets" for some assets, and opted to reclassify certain assets from "Financial assets held for trading" to "Financial assets available for sale" or "Loans and advances", as well as from "Financial assets available for sale" to "Loans and advances".

	31/12/12						
Continuing activities (EUR million)	**Carrying amount of assets reclassified, at October 1, 2008**	**Carrying amount of reclassified assets at December 31,2012**	**Fair value of reclassified assets at December 31, 2012**	**Amount not taken through profit or loss due to reclassification**	**Amount not taken through AFS reserve due to reclassification**	**Premium/ Discount amortization through net income**	**Premium/ Discount amortization through AFS reserve**
From "Financial assets held for trading" to "Loans and advances"	3,565	2,037	1,840	(197)		17	
From "Financial assets held for trading" to "Financial assets available for sale"	2,264	4	4	0		0	
From "Financial assets available for sale" to "Loans and advances"	64,396	48,305	47,757		(548)		157

	31/12/13						
Continuing activities (EUR million)	**Carrying amount of assets reclassified, at October 1, 2008**	**Carrying amount of reclassified assets at December 31,2013**	**Fair value of reclassified assets at December 31, 2013**	**Amount not taken through profit or loss due to reclassification**	**Amount not taken through AFS reserve due to reclassification**	**Premium/ Discount amortization through net income**	**Premium/ Discount amortization through AFS reserve**
From "Financial assets held for trading" to "Loans and advances"	3,565	1,718	1,557	(161)		3	
From "Financial assets available for sale" to "Loans and advances"	64,396	41,169	40,303		(866)		213

IMPACT OF RECLASSIFICATION ON 2013 EQUITY AND NET INCOME

a. Transfer from "Financial assets held for trading" to "Loans and advances" and "Financial assets available for sale"

The difference between the carrying amount at the reclassification date and the reimbursement amount is amortised over the remaining life of the reclassified asset. The impact of this amortisation on net income for the period is shown in the column "Premium/discount amortisation through profit or loss".

In 2013, Financial assets held for trading reclassified as available for sale left the group's portfolio as a result of their maturity or their disposal to external parties.

The difference between the carrying amount of reclassified assets as at 31 December 2013 and their fair value represents the cumulative changes in fair value from reclassification date until 31 December 2013. It also includes the cumulative amortisation of the premium or discount since reclassification. The difference is negative in 2012 and 2013 as spreads have increased.

b. Transfer from "Financial assets available for sale" to "Loans and advances"

The nature of Dexia Group's available-for-sale portfolio is very specific as it consists of securities with very long maturities, resulting in significant changes in value following small shifts in spreads. The impact of the transfer on the cost of risk consists in the net amount of accruals and usage of collective as well as specific provisions.

In 2013, a EUR 15 million loss was recorded as collective impairment (in 2012, the amount was EUR 9 million)

When there is objective evidence of impairment for a financial asset initially classified in "Financial assets available for sale" but reclassified in "Loans and advances" in accordance with the amended IAS 39, any difference between the net present value of expected future cash flows, discounted at the effective interest rate as at the reclassification date, and the carrying amount is recognised as an impairment loss. Consequently, any outstanding unamortised amount recognised in the available-for-sale reserve is also recognised as an impairment loss. This category mainly includes non-economic losses that will be reversed in the future through net interest income.

The decrease in the carrying amount of reclassified assets comes mainly from partial or early repayments, maturities and sales made in connection with the policy of reducing the Group's balance sheet.

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

c. Impact of reclassifications on the interest margin

For assets transferred from "Financial assets available for sale" to "Loans and advances", the amortisation of the premium/discount on the asset is offset by the amortisation of the fair value reserve frozen at the time of reclassification, with no resulting impact on net interest income.

For assets transferred from "Financial assets held for trading" to "Financial assets available for sale" or "Loans and advances", the impact on net interest income in 2013 amounts to EUR 13 million (EUR 17 million in 2012).

2.14. Transfer of financial assets

The Group enters into transactions as repurchase agreements, securities lending agreements or total return swaps, in which the Group transfers financial assets, mainly loans and advances or debt securities, but retains substantially all of the risks and rewards of those assets.

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

	31/12/12		31/12/13	
(EUR million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Loans and advances not derecognised due to following transactions:				
Repurchase agreements	13,033	12,765	11,509	11,228
Securities lending agreements	2,218		0	
TOTAL	**15,251**	**12,765**	**11,509**	**11,228**
Financial assets held to maturity not derecognised due to following transactions:				
Repurchase agreements	48	51	13	13
TOTAL	**48**	**51**	**13**	**13**
Financial assets available for sale not derecognised due to following transactions:				
Repurchase agreements	3,215	2,751	1,857	1,933
Securities lending agreements	1,058		0	
Total return swaps	386	516	400	483
TOTAL	**4,659**	**3,267**	**2,257**	**2,416**
Financial assets held for trading not derecognised due to following transactions:				
Repurchase agreements	266	209	130	139
Securities lending agreements	289		0	
TOTAL	**555**	**209**	**130**	**139**
TOTAL	**20,513**	**16,292**	**13,909**	**13,795**

3. Notes on the liabilities

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

3.0. Central banks (Item I - Liabilities)

(EUR million)	31/12/12	31/12/13
Central Banks [1]	50,590	34,274
TOTAL	**50,590**	**34,274**

(1) Given the scarcity of interbank liquidity, the Group continued to use in 2012 and 2013 the refinancing facilities offered by central banks.

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

(EUR Million)	31/12/12	31/12/13
Liabilities designated at fair value	3,931	2,327
Derivatives (see note 4.1.b)	23,900	16,514
TOTAL	**27,831**	**18,840**

a. Analysis by nature of liabilities held for trading

Nil

b. Analysis by nature of liabilities designated at fair value

(EUR Million)	31/12/12	31/12/13
Non subordinated liabillities	3,931	2,327
TOTAL	**3,931**	**2,327**

c. Analysis by maturity and interest rate

See note 7.4 and 7.6

d. Analysis of fair value

See note 7.1 and 7.2.h for the own credit risk

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

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

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

a) Fixed rate liabilities that are highly customised funding contracts tailored to the specific needs of the investor (GIC activities). The own credit spread is calculated based on benchmark spread;

b) FSA Global Funding fixed rate liabilities.

The credit spread used is the Long Term Funding spread used by Dexia for its own funding.

2) In case of issuance of debt with embedded derivatives.

3.2. Interbank borrowings and deposits (Item IV - Liabilities)

a. Analysis by nature

(EUR Million)	31/12/12	31/12/13
Demand deposits	570	33
Repurchase agreements	19,307	16,766
Other debts	14,253	14,401
TOTAL	34,130	31,201

b. Analysis by maturity and interest rate

See note 7.4 and 7.6

c. Analysis of fair value

See note 7.1

3.3. Customer borrowings and deposits (Item V - Liabilities)

a. Analysis by nature

(EUR Million)	31/12/12	31/12/13
Demand deposits	2,314	2,198
Saving deposits	1	0
Term deposits	4,938	5,017
Total customer deposits	**7,253**	**7,215**
Repurchase agreements	805	1
Other borrowings	2,669	1,374
Total customer borrowings	**3,474**	**1,375**
TOTAL	10,727	8,590

b. Analysis by maturity and interest rate

See note 7.4 and 7.6

c. Analysis of fair value

See note 7.1

3.4. Debt securities (Item VI - Liabilities)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Certificates of deposit	27,381	28,201
Savings bonds	1	0
Non-convertible bonds issue (1)	82,268	68,167
TOTAL (2)(3)	109,651	96,368

(1) As at 31 December 2013, the amount of covered bonds was EUR 24,4 billion (EUR 29 billion in 2012).
(2) As at 31 December 2013, the total amount issued with the State guarantees was EUR 76 billion (EUR 74 billion in 2012), of which EUR 19 billion (14 billion in 2012) have been purchased or subscribed by Group companies.
(3) The implementation of the Orderly Resolution Plan has given rise to a dispute with a creditor of Dexia Crédit Local, formerly affiliated with the Group and currently in liquidation. The creditor has alleged that one of the main disposals by the Group – on the terms required by the Orderly Resolution Plan - has triggered an event of default in respect of the notes held by it. Dexia considers this allegation to be without merit and will contest it vigorously.

b. Analysis by maturity and interest rate

See note 7.4 and 7.6

c. Analysis of fair value

See note 7.1

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

(EUR million)	31/12/12	31/12/13
Current tax liabilities	18	6
Deferred tax liabilities (see note 4.2)	217	135

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

(EUR million)	31/12/12	31/12/13
Other liabilities	1,148	863
Cash collateral	3,141	5,124
TOTAL	4,289	5,987

Other liabilities

(EUR million)	31/12/12	31/12/13
Accrued costs	97	35
Deferred income	52	32
Grants	90	83
Other assistance received	0	1
Salaries and social charges (payable)	28	13
Dividends payable to shareholders	94	94
Other taxes	24	22
Other accounts payable and other liabilities	763	582
TOTAL	1,148	863

3.7. Provisions (Item XIII - Liabilities)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Litigation claims	100	194
Restructuring	73	53
Defined benefit plans	14	8
Other long-term employee benefits	2	2
Provision for off-balance sheet credit commitments	53	52
Onerous contracts	5	3
Other provisions	4	2
TOTAL PROVISIONS	251	313

b. Movements

(EUR million)	Litigation claims	Restructu-ring	Pensions and other employee benefits	Provision for off-balance sheet credit commit-ments	Onerous contracts	Other provisions	Total
AS AT 01/01/2012	**124**	**75**	**46**	**78**	**3**	**6**	**332**
Additions	13	72	2	2	2	3	94
Unused amounts reversed and amounts utilized during the year	(34)	(55)	(12)	(9)	(1)	(4)	(115)
Passage of time and effect of changes in discount rate	0	0	0	(1)	0	0	(2)
Transfers in non current assets held for sale	(2)	(20)	(19)	(16)	0	0	(58)
Translation adjustment	(1)	0	0	0	0	0	(1)
AS AT 31/12/2012	**100**	**73**	**16**	**53**	**5**	**4**	**251**

(EUR million)	Litigation claims	Restructu-ring	Pensions and other employee benefits	Provision for off-balance sheet credit commit-ments	Onerous contracts	Other provisions	Total
AS AT 01/01/2013	**100**	**73**	**16**	**53**	**5**	**4**	**251**
Additions	113	4	2	7	0	2	128
Unused amounts reversed and amounts utilized during the year	(17)	(49)	(7)	(7)	(1)	(3)	(84)
Change in consolidation scope (out)	0	0	(2)	0	0	(1)	(3)
Translation adjustment	(2)	0	0	0	0	0	(2)
Other movements	0	26	0	0	0	0	26
AS AT 31/12/2013	**194**	**53**	**10**	**52**	**3**	**2**	**313**

c. Provisions for pension and other long term benefits

After the sale of most of its operating subsidiaries, Dexia holds only several subsidiaries with significant staff number in a few countries. Except commitments for legal pension and for defined contribution plans, commitments for defined benefit plans are limited.
They mainly concern retirement allowances in France, pension plans in Italy and pension plans for Belgian staff of the holding with less than 100 people.
Due to the downsizing of the group, the commitments decrease accordingly and the DBO (defined benefit obligation, long-term employee benefits and post-retirement obligations) represents less than 5% of consolidated equity. The provision for retirement and other employee benefits (actuarial liabilities less corresponding assets) amounts to EUR 9 million as at 31/12/2013 and EUR 13 million as at 31/12/2012.

The assets for pension plans include 90% of bonds in insurers and pension funds. The impact of a change in interest rate or inflation rate on the consolidated balance sheet is limited.

d. Defined contribution plan

Dexia SA has Belgian "Defined Contribution (DC)" plans, which are insured externally. The Belgian minimum legal return on employer and employee contributions has been always reached. The minimum liability of the plans is lower than EUR 1 million and is therefore not significant.

e. Impact of IAS 19 - Revised

The impact of the IAS19 Revised on companies not reported as discontinued operations (IFRS5) is limited to EUR 3 million. The impact of recalculation of the net interest cost on 2012 is insignificant (less than EUR 1 million).

3.8. Subordinated debt (Item XIV - Liabilities)

a. Analysis by nature

Convertible subordinated debt
Nil

Non-convertible subordinated debts

(EUR million)	31/12/12	31/12/13
Perpetual subordinated notes	0	0
Other subordinated notes	707	644
TOTAL	707	644

List available on request

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

c. Analysis of fair value
see note 7.1

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3.9 Information on Equity

a. Capital stock

As at 1st of January 2013, the subscribed capital of Dexia SA amounted to EUR 6,000,000,000 represented by 30,896,352,895 shares, of which 1,948,984,474 no per value class A shares and 28,947,368,421 no per value class B shares.
The Extraordinary Shareholder's Meeting of 8 May 2013 decided to reduce the share capital by an amount of EUR 5,500,000,000 to EUR 500,000,000 by discharging, for the same amount, the statutory deferred loss, as set forth in the annual financial statements as at 31 December 2012.
Pursuant to Article 4b2(e) of Dexia SA's Articles of Association, this capital reduction is booked in priority against class A shares and, as the amount of the capital reduction is higher than the portion of the capital represented by class A shares, the total amount of the share capital which could be redeemed on all class A shares will amount to, following the capital reduction, a global amount of one euro (EUR 1).
The subscribed fully paid up share capital amounts to EUR 500,000,000 divided into 1,948,984,474 no per value class A shares and 28,947,368,421 no per value class B shares.

b. Super-subordinated perpetual note

In 2012, Dexia Credit Local repurchased EUR 644 million of Deeply Subordinated Non-Cumulative Notes issued on 18 November 2005 for EUR 700 million at the price of 24% (expressed in percentage of nominal), generating a result of EUR 486 million net of costs. The notes were booked in minority interests. The result has been booked in core shareholders' equity, in accordance with the IFRS standards. Henceforth, the outstanding is EUR 56 million, booked in minority interest.
Moreover, in 2012, Dexia purchased Deeply Subordinated Non-Cumulative Notes issued on october 2006 by Dexia Funding Luxembourg (91,84 % of the outstanding) acquired by Belfius (previously DBB) pursuant to the tender offer it launched on 20 February 2012. The original issue amount was EUR 498 million, of which Belfius purchased EUR 458 million. Following the merger of Dexia and DFL, as at the 1st January 2012, since 2012, the notes still held by the investors (EUR 40 million) are booked in core shareholders' equity, and no longer in minority interests.

c. Other movements

Other movements in core equity in 2012 comprise:
- the effects of the repurchase of the Undated Deeply Subordinated Notes DCL (EUR 486 million) and DFL (EUR 40 million), see above b).
- the impact of variation of percentage of capital held in Dexia Sabadell for an amount of EUR 169 million.

And other movements in Minority Interests comprise:
- the effects of the repurchase of the Undated Deeply Subordinated Notes DCL (EUR -644 million) and DFL (EUR -498 million), see above b).
- the impact of variation of percentage of capital held in Dexia Sabadell for an amount of EUR -169 million.

Other movements in core equity in 2013 comprise:
- the difference of EUR 130 million between the estimated impact in 2012 and the realised impact due to the settlement of derivatives between Dexia Crédit Local and Dexia Municipal Agency, shown in equity, in accordance with the IFRS rules on corrections of estimations.
- an amount of EUR - 3 million due to the first time application of IAS 19R Employee Benefits.
- an amount of EUR - 3 million due to the change in scope of consolidation, in particular the disposal of ADTS.

Other movements in Minority Interests comprise:
- an amount of EUR +146 million of unrealised or deferred gains and losses recycled through result following the deconsolidation of Dexia Municipal Agency, Dexia Sofaxis and ADTS.
- an amount of EUR - 3 million due to the first time application of IAS 19R Employee Benefits.

4. Other notes on the balance sheet

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

4.1. Derivatives

a. Analysis by nature

	31/12/12		31/12/13	
(EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.1 and 3.1)	**21,155**	**23,900**	**16,546**	**16,514**
Derivatives designated as fair value hedges	6,745	28,743	5,045	19,629
Derivatives designated as cash flow hedges	319	1,059	146	819
Derivatives designated as portfolio hedges	2,307	5,958	754	1,817
Hedging derivatives (Item III of Assets and of Liabilities)	**9,371**	**35,760**	**5,945**	**22,265**
TOTAL DERIVATIVES	**30,526**	**59,660**	**22,491**	**38,779**

b. Detail of derivatives held at fair value through profit or loss

	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR million)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**24,424**	**24,378**	**1,463**	**621**	**34,354**	**33,752**	**1,688**	**545**
Foreign exchange forward	1,761	1,755	57	16	1,328	1,330	1	8
Cross currency swap	6,917	6,826	1,406	591	11,958	11,189	1,522	522
Foreign exchange option	413	412	0	1	0	0	0	0
Other foreign exchange derivatives	15,333	15,384	0	13	21,068	21,233	165	15
Interest rate derivatives	**176,139**	**176,251**	**18,893**	**23,077**	**237,223**	**236,857**	**14,330**	**15,823**
Option-Cap-Floor-Collar-Swaption	1,017	855	123	29	793	567	93	16
Interest rate swap	175,117	174,392	18,769	23,047	236,430	235,974	14,237	15,807
Interest future	5	1,001	0	1	0	316	0	0
Other interest rate derivatives	0	3	0	0	0	0	0	0
Equity derivatives	**111**	**111**	**0**	**0**	**10**	**10**	**0**	**0**
Other equity derivatives	111	111	0	0	10	10	0	0
Credit derivatives	**6,302**	**1,650**	**798**	**201**	**5,438**	**1,555**	**528**	**145**
Credit default swap	6,302	1,650	798	201	5,438	1,555	528	145
TOTAL	**206,975**	**202,390**	**21,155**	**23,900**	**277,025**	**272,174**	**16,546**	**16,514**

c. Detail of derivatives designated as fair value hedges

	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR million)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**11,047**	**12,564**	**375**	**3,947**	**9,178**	**9,350**	**453**	**2,269**
Cross currency swap	11,047	12,564	375	3,947	9,178	9,350	453	2,269
Interest rate derivatives	**123,863**	**123,671**	**6,271**	**24,794**	**108,407**	**108,322**	**4,514**	**17,359**
Option-Cap-Floor-Collar-Swaption	236	142	0	9	85	20	0	7
Interest rate swap	123,626	123,529	6,271	24,785	108,322	108,302	4,514	17,352
Equity derivatives	**1,612**	**1,521**	**99**	**2**	**647**	**556**	**78**	**1**
Equity option	91	0	58	0	91	0	61	0
Other equity derivatives(1)	1,521	1,521	41	2	556	556	17	1
TOTAL	**136,521**	**137,756**	**6,745**	**28,743**	**118,232**	**118,228**	**5,045**	**19,629**

(1) This position includes hedging derivatives for securities with revenues partly linked to the evolution of a basket of equities.

d. Detail of derivatives designated as cash flow hedges

	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR million)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**1,256**	**1,397**	**28**	**186**	**422**	**587**	**1**	**260**
Cross currency swap	1,256	1,397	28	186	422	587	1	260
Interest rate derivatives	**6,611**	**6,611**	**290**	**874**	**16,560**	**16,560**	**145**	**559**
Interest rate swap	6,611	6,611	290	874	13,560	13,560	145	559
Forward rate agreement	0	0	0	0	3,000	3,000	0	0
TOTAL	**7,867**	**8,008**	**319**	**1,059**	**16,982**	**17,147**	**146**	**819**

(EUR million)	31/12/12	31/12/13
Amount removed from equity and included in the carrying amount of a non-financial instrument (in case of a cash flow hedge on a highly probable transaction)	**0**	**0**

e. Detail of derivatives designated as hedges of a net investment in a foreign entity

Nil.

f. Detail of derivatives designated as portfolio hedges

	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	115,241	115,241	2,307	5,958	22,714	22,714	754	1,817
TOTAL	**115,241**	**115,241**	**2,307**	**5,958**	**22,714**	**22,714**	**754**	**1,817**

4.2. Deferred taxes

a. Analysis by nature

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Deferred tax assets	4,312	154	4,304	38
Unrecognised deferred tax assets	(4,291)	(11)	(4,262)	(12)
Recognised deferred tax assets (see note 2.6)[1]	**20**	**143**	**42**	**26**
Deferred tax liabilities (voir note 3.5)[1]	**(217)**	**(1)**	**(135)**	**0**
TOTAL	**(196)**	**142**	**(93)**	**26**

(1) Deferred tax assets and liabilities are netted out when they concern the same tax entity.

The effects of movements in deferred tax on net income and on unrealised or deferred gains and losses are analysed in note 5.11 "Income tax" and in the "Consolidated statement of comprehensive income" respectively.

b. Movements for continuing operations

(EUR million)	2012	2013
AS AT 1 JANUARY	**576**	**(196)**
Charge/credit recognised in the income statement : "Income tax"	109	106
Movements directly recognized in shareholders' equity	(795)	(11)
Change in scope of consolidation	0	3
Transfer in non current assets held for sale	(82)	0
Translation adjustment	1	6
Other movements	(5)	0
AS AT 31 DECEMBER	**(196)**	**(93)**

c. Deffered taxes from continuing operations

	31/12/12	31/12/13
Deffered tax assets	4,312	4,304
Deffered tax liabilities	(217)	(135)
DEFFERED TAXES	**4,095**	**4,169**

Deferred taxes coming from assets of the balance sheet (EUR million)	31/12/12 Total	31/12/12 of which, change through profit or loss	31/12/13 Total	31/12/13 of which, change through profit or loss
Loans (and loan loss provisions)	(1,101)	375	(573)	530
Securities	(468)	(1,647)	(771)	(126)
Derivatives	(571)	(876)	(2,376)	(1,863)
Tangible fixed assets and intangible assets	(24)	(5)	(11)	3
Accruals and other assets	20	15	19	0
TOTAL	**(2,144)**	**(2,138)**	**(3,712)**	**(1,456)**

Deferred taxes coming from liabilities of the balance sheet (EUR million)	31/12/12 Total	31/12/12 of which, change through profit or loss	31/12/13 Total	31/12/13 of which, change through profit or loss
Derivatives	2,126	506	3,905	1,900
Borrowings, deposits and debt securities	1,615	314	1,110	(388)
Provisions	100	23	86	(12)
Pensions	7	(4)	5	(2)
Non-deductible provisions	(196)	88	(23)	173
Accruals and other liabilities	(64)	(65)	(57)	3
TOTAL	**3,588**	**862**	**5,026**	**1,674**

Deferred taxes coming from other elements (EUR million)	31/12/12 Total	31/12/12 of which, change through profit or loss	31/12/13 Total	31/12/13 of which, change through profit or loss
Tax losses carried forward[1]	2,682	(746)	2,883	242
Entity with special tax status	(32)	28	(28)	5
TOTAL	**2,650**	**(718)**	**2,855**	**247**

(1) The Belgian and French States significantly increased their percentage holdings in the Dexia Group as a result of the capital increase of 31 December 2012. This change of shareholder structure turned certain tax losses previously recognised in the United States as non deductible. The deffered tax relating to these losses was provisioned: a reversal of provision is also recognised for the same amount.

	31/12/12	31/12/13
TOTAL DEFFERED TAXES	**4,095**	**4,169**

d. Expiry date of unrecognised deffered tax assets - continuing operations

Nature	31/12/12 Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	(1,756)	(1,756)
Tax losses carried forward	(1,085)	0	(1,450)	(2,535)
TOTAL	**(1,085)**	**0**	**(3,206)**	**(4,291)**

Nature	31/12/13 Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	(1,473)	(1,473)
Tax losses carried forward	(1,147)	(104)	(1,538)	(2,789)
TOTAL	**(1,147)**	**(104)**	**(3,011)**	**(4,262)**

4.3. Offsetting financial assets and financial liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information is required by the amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" which is effective as from 1 January 2013.
The column "Gross amounts set off on the balance sheet" discloses the amounts offset in accordance with the IAS 32 criteria described in note "Accounting principles and rules governing the consolidated financial statements". Amounts set off are related to Dexia's derivative instruments and repurchase agreements traded with clearing houses and the amounts are non-significant.
The column "Impact of Master Netting agreements and similar agreements" includes the amounts of financial instruments that are subject to an enforceable master netting arrangement or similar agreement but which do not meet the offsetting criteria defined by IAS 32. This is the case of Dexia's transactions that are subject to ISDA Master Netting Agreements and Global Master Repurchase Agreements for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the counterparties.
The Dexia Group Master Netting Agreement ("DGMNA") dated as of 2 November 2009 had been concluded between Dexia SA/NV, Banque Internationale à Luxembourg S.A. (formerly known as Dexia Banque Internationale à Luxembourg S.A.), Belfius Bank SA/NV (formerly known as Dexia Bank Belgium SA/NV), Dexia Crédit Local S.A. and Dexia Crediop SpA. The DGMNA permits netting or "Set-Off" amounts owed under transactions governed by different agreements, including one or more ISDA Master agreements or other trading agreements ("Principal Agreements") between the parties to the DGMNA. The DGMNA essentially aims at allowing netting in the event of a default on behalf of one of the parties, and therefore permits netting only when the transactions under the Principal Agreements are accelerated, terminated, liquidated or canceled (a so-called "Close Out" situation).
When a party is in default under the DGMNA, each other non defaulting Party may elect to Close Out all of the transactions under each Principal Agreement to which such non defaulting Party is a party.
Banque Internationale à Luxembourg is no longer part of the DGMNA since 29 January 2014.
The columns "Cash collateral" and "Financial instruments received or given as collateral" disclose the amounts related to financial collateral. They mainly include Dexia's guarantee deposits and securities received or given as collateral and disclosed at their fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the counterparties.
Dexia includes instruments at their recognized amounts, however the amount of collateral is limited to the amount of the guaranteed asset or liability.

a. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/12						
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	
Derivatives held for trading	28,914	0	28,914	(17,673)	(2,103)	0	9,138
Reverse repurchase and similar agreements	116	0	116	0	0	(116)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**29,030**	**0**	**29,030**	**(17,673)**	**(2,103)**	**(116)**	**9,138**

b. Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

(EUR million)	31/12/12 Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
Derivatives held for trading	59,239	0	59,239	(17,673)	(35,900)	(3,427)	2,239
Reverse repurchase and similar agreements	19,306	0	19,306	0	(133)	(18,950)	223
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**78,545**	**0**	**78,545**	**(17,673)**	**(36,033)**	**(22,377)**	**2,462**

c. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

(EUR million)	31/12/13 Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
Derivatives held for trading	21,059	0	21,059	(12,001)	(1,976)	(56)	7,024
Reverse repurchase and similar agreements	550	0	550	0	0	(550)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**21,609**	**0**	**21,609**	**(12,001)**	**(1,976)**	**(606)**	**7,024**

d. Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

(EUR million)	31/12/13 Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
Derivatives held for trading	38,415	0	38,415	(12,001)	(20,870)	(4,933)	611
Reverse repurchase and similar agreements	16,766	0	16,766	0	(851)	(15,882)	33
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**55,181**	**0**	**55,181**	**(12,001)**	**(21,721)**	**(20,815)**	**644**

4.4. Related-party transactions

a. Related-party transactions

As from 31 December 2012, due to subscription by Belgian and French States, they are the two only shareholders having a significant influence on Dexia.
Group transactions with these shareholders are described in 4.4.c. below. Pursuant to IAS 24 § 25, the detail of loans, borrowings or commitments with the Shareholders States are not subject to a separate disclosure.
As at 31 December 2013, as a result of the ongoing restructuring plan of the group, Dexia does not have any transactions with related parties anymore. As at 31 December 2012, a EUR 2 million loan to joint ventures was still in the books and net commissions had been paid to associates for an amount of EUR -1 million.

b. Compensation of key management personnel (*)

(EUR million)	2012	2013
Short-term benefits (1)	5	4

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

Details are reported in the Compensation report on page 67 of the annual report.

c. Transactions with the Belgian, French and Luxembourg States

Guarantee mechanism in favour of Dexia's financing

2011 Temporary Guarantee Agreement
On 16 December 2011, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("DCL") entered into a First Demand Guarantee Agreement pursuant to the Belgian royal decree of 18 October 2011 "granting a State guarantee for certain loans of Dexia SA and Dexia Crédit Local SA, the French amending finance law no. 2011-1416 of 2 November 2011 (the "French Enabling Law"), and the Luxembourg law concerning the state's budget of revenues and expenses for the 2012 financial year of 16 December 2011 (the "Luxembourg Enabling Law").

Pursuant to this Temporary Guarantee Agreement, the three States guarantee severally, but not jointly, the performance by Dexia and DCL of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued (with a maturity of up to three years) between 21 December 2011 and 31 May 2012. This initial deadline has been extended (i) until 30 September 2012 with the consent of the Parties and of the European Commission pursuant to an Amendment n°1 of 30 mai 2012; and (ii) until 31 January 2013 pursuant to an Amendment n°3 of 28 September 2012.

The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.

The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum limit of EUR 45 billion in principal (increased up to EUR 55 billion pursuant to Amendment n°2 of 5 June 2012), it being understood that the amounts which are so capped include outstanding guaranteed obligations at any moment during the term of this Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

On 21 December 2011, the European Commission authorised this guarantee mechanism on a temporary basis for a period until 31 may 2012, until the Commission has adopted a final decision within the frame of a new State aid investigation procedure. This decision was adopted on 28 December 2012. The temporary guarantee mechanism was authorized until the entry into force of the 2013 Guarantee Agreement described below.

Furthermore, in 2011, the three States, Dexia and DCL have entered into a "Supplemental Agreement" supplementing the Temporary Guarantee Agreement on the obligation to collateralise the issue of guaranteed obligations, subject to exceptions, as well as on allocation priorities of the proceeds of such guaranteed obligations. This Supplemental Agreement was terminated on 24 January 2013 pursuant to a Guarantees Issuance Agreement, which provides the release of first ranking security interests granted by Dexia and DCL in favour of the States. Second ranking security interests granted by DCL on assets provided as security for repayment obligations under ELA (Emergency Liquidity Assistance) lending granted by Banque de France to DCL are maintained.

Early 2012, the three States, Dexia and DCL have entered into a "Supplemental Agreement on Alert Mechanics" with a view to, among other things, supplement the Temporary Guarantee Agreement on information to be provided to the States on the liquidity position of Dexia. This supplemental agreement provides, among other things, the weekly delivery of a consolidated financing plan including Dexia, DCL, and DCL subsidiaries, covering a month period. Early 2012, the three States, Dexia and DCL have finally entered into an "Operational Memorandum" and a "Reporting Protocol" supplementing the Temporary Guarantee Agreement. These agreements remain applicable in the framework of 2013 Guarantee Agreement described below.

Pursuant to the Temporary Guarantee, the following guarantee fee was due to the States:
(i) an upfront commission equal to 0.50% of the EUR 45 billion limit, i.e. EUR 225,000,000 (increased by EUR 50 million as a supplemental fee for the increase of the limit up to EUR 55 billion pursuant to Amendment n°2 of 5 June 2012);
(ii) a monthly fee, calculated on the amount of guaranteed fundings outstanding comprising, depending on the maturity of the guaranteed obligation,
– a fixed or variable amount,
– increased by a supplement depending on Dexia and/or DCL's rating in relation to fundings having an initial maturity of less than 12 months, and
– decreased by a deduction in case of collateralisation of the States guarantee commitment.

As at 31 December 2013, the total outstanding amount of obligations guaranteed by the States pursuant to the 2011 Temporary Guarantee Agreement was EUR 1.5 billion and in 2013, Dexia paid a total monthly remuneration of EUR 28 million to the States for this guarantee.

2013 guarantee agreement

On 24 January 2013, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main issuer and main operating entity of the group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 "granting a State guarantee for certain loans of Dexia SA and Dexia Crédit Local SA, the French Enabling Law, as amended by the amending finance law n°2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.

Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.
This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.

The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); and
(iii) 3.0% for the Luxembourg State (corresponding to a maximum amount of EUR 2.55 billion).

Pursuant to the Guarantees Issuance Agreement, the following guarantee fee is due to the States:
(i) an upfront commission equal to 0.50% of the EUR 85 billion limit, less the upfront commission already paid in connection with the 2011 Temporary Guarantee i.e. a balance of EUR 150 million.
(ii) a monthly fee, calculated at a rate per annum of 0.05% on the amount outstanding under the guaranteed obligations, both on the preexisting guaranteed amounts outstanding under the 2011 Temporary Guarantee and the new guaranteed amounts outstanding under guarantees issued in accordance with the Guarantees Issuance Agreement (it being understood that such monthly fee shall, with respect to the portion of the outstanding amount of the guaranteed obligations that would be held by BDF Gestion SA or by the Banque de France, the National Bank of Belgium, be calculated in accordance with the 2011 Temporary Guarantee Agreement (as long as the ECB accepts the all-in fee principle).

As was the case for the 2011 temporary guarantee, in order to be as transparent as possible, the outstanding amount of the guaranteed debt will be disclosed on a daily basis on the website of the Belgian National Bank (http://www.nbb.be/DOC/DQ/warandia/index.htm).

As at 31 December 2013, the total outstanding amount of obligations guaranteed by the States pursuant to the 2013 Guarantee Agreement was EUR 64.2 billion and in 2013, Dexia paid a total monthly remuneration of EUR 31 million to the States for this guarantee.

2008 Guarantee Agreement

On 9 December 2008, the French, Belgian and Luxembourg States and Dexia entered into a First Demand Guarantee Agreement implementing the principles set forth in the Protocol of 9 October 2008 between the three States and Dexia. Pursuant to this guarantee agreement, the three States guarantee severally, but not jointly, the performance by Dexia

SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Crédit Local (including certain of their branches and issuance vehicles) of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued between 9 October 2008 and 31 October 2009 and maturing at the latest on 31 October 2011.

The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.

To supplement the Guarantee Agreement on operational and procedural aspects, the three States and Dexia have entered into an Operational Memorandum. This memorandum provides, among other things, for a monitoring process of the guaranteed financings on a daily basis, including a daily publication of the aggregate guaranteed amount and, with respect to guaranteed bond issues of Dexia, a system of eligibility certificates whereby the States issue, on Dexia's request, certificates confirming for each bond issue that it is covered by the Guarantee Agreement.

On 19 November 2008, the European Commission authorised this guarantee mechanism for a period of 6 months as from 3 October 2008, with an automatic extension until the Commission's definitive decision, on condition that a restructuring plan be filed with the Commission. In March 2009, the three States confirmed the extension of the guarantee in accordance with the decision of the European Commission of 13 March 2009.

By an Addendum to the above-mentioned Guarantee Agreement of 9 December 2008, dated 14 October 2009, the Belgian, French and Luxembourg States and Dexia agreed to renew the guarantee scheme for a period of one year, covering financings contracted or issued at the latest on 31 October 2010. The parties also wished to effect certain changes to the guarantee in order to limit the States' intervention to a strict minimum and to allow an orderly exit out of the guarantee within a credible time-horizon. The changes include:
(i) the decrease of the maximum of the total amount of guaranteed financings from EUR 150 billion to EUR 100 billion, with a commitment by Dexia to undertake its best efforts to limit this amount to EUR 80 billion;
(ii) the extension to 4 years of the maximum duration of the new financings contracted or issued; and
(iii) the waiver by Dexia of the benefit of the guarantee, as from 16 October 2009, for all new contracts with a maturity of less than one month and all contracts with an indefinite term.

The Guarantee Agreements provided for the following remuneration to be paid by Dexia to the States:
(i) for financings with a maturity of less than 12 months: 50 bps on an annual basis calculated on the average amount guaranteed financings outstanding; and
(ii) for financings with a maturity of 12 months or more: 50 bps on an annual basis, increased by the lowest of (i) the median of the Dexia CDS 5 years spread calculated between 1 January 2007 and 31 August 2008 or (ii) the median of the 5 years CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated on the average amount guaranteed financings outstanding.

The renewal and modifications as provided for in the Addendum of 14 October 2009 have been duly authorised by an interim decision of the European Commission for a period of 4 months as from 30 October 2009 (i.e. until 28 February 2010) or until the final decision – if such decision is adopted prior to 28 February 2010 – of the European Commission in the context of the State aid procedure opened on 13 March 2009.

By separate agreement dated 17 March 2010, the Belgian, French and Luxembourg States and Dexia amended and supplemented the above-mentioned Addendum to the Guarantee Agreement of 14 October 2009 to reflect the terms of the final decision of the European Commission in the context of the State aid procedure of 26 February 2010. The changes include:
(i) advancing the latest issue date for guaranteed financings to 31 May 2010 (for financings with a maturity of less than 12 months) resp. 30 June 2010 (for financings with a maturity equal to or of more than 12 months);
(ii) advancing the expiry date of the guarantee on deposits (and equivalents) to 1 March 2010;
(iii) a gradual increase of the remuneration payable by Dexia, pro rata temporis, if the outstanding amount of guaranteed obligations exceeds certain thresholds (by 50 bps on the portion of guaranteed obligations between EUR 60 billion and EUR 70 billion, 65 bps on the portion of guaranteed obligations between EUR 70 billion and EUR 80 billion, and 80 bps on the portion of guaranteed obligations above EUR 80 billion).

As at 30 June 2010, Dexia has fully exited the States' guarantee liquidity framework. All outstanding instruments issued pursuant to the 2008 Guarantee Agreement, as amended, before 30 June 2010 will continue to benefit from such guarantee in accordance with their terms and conditions.

As at 31 December 2013, the total outstanding amount of repayment obligations guaranteed by the States pursuant to the 2008 Guarantee Agreement, as amended, was EUR 9,6 billion and in 2013, Dexia paid a total remuneration of EUR 95 million to the States for this guarantee.

All the above mentioned agreements, as well as the total outstanding amount of guaranteed repayment obligations and the list of securities for which the States have issued eligibility certificates are available on the website www.dexia.com.

Guarantee for the financial products portfolio

Dexia entered into an agreement for the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured) on 14 November 2008; the sale was completed on 1 July 2009. The Financial Products activity of FSA, managed by FSA Asset Management (FSAM), was carved out of the transaction and remains under Dexia's ownership.
In that context, the Belgian and French States agreed to provide a guarantee on the Financial Products assets portfolio. The terms of this guarantee are set out in two agreements (the First Demand Guarantee Agreement relating to the "financial products" portfolio of FSA Asset Management LLC and the Guarantee Reimbursement Agreement) entered into by the Belgian and French States and Dexia. The main relevant terms of these agreements have been described in the 2011 Annual Report page 165.
Pursuant to these agreements, the Belgian and French States each agreed to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to a put agreement which gave FSAM the right to "put" to Dexia and/or DCL certain assets (the Put Portfolio Assets) included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.
With the consent of the Belgian and French States, FSAM sold to DCL during 2011 all the remaining Put Portfolio Assets. DCL subsequently sold substantially all of the Put Portfolio Assets to third parties. As at 31 December 2011, there were no longer any Put Portfolio Assets held by FSAM that can be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) require the States to make a payment to FSAM. Dexia also no longer owes the States any guarantee fee with respect thereto. The guarantee by the Belgian and French States on the Put Portfolio Assets, however, technically remains outstanding. The States are thus still entitled to recover from Dexia any amounts paid pursuant to their guarantee. This recourse of the States can be exercised either in cash or in the form of instruments representing Tier 1 capital of Dexia (ordinary shares or profit shares). The terms of the profit shares were approved by the Extraordinary Shareholders' Meeting of Dexia on 24 June 2009 and are set out in Article 4bis of the Articles of Association of Dexia.
Dexia issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be compensated, through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The agreements require that the reissuance of the existing warrants for a new period of 5 years is submitted to the approval of the general meeting of shareholders every year. In case of failure to re-issue the warrants, a penalty will be applied (500 bps per annum for a period of two years, compounded on the guarantee commission). Since all Put Portfolio Assets held by FSAM and that could be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) could require the States to make a payment to FSAM, were sold by the Dexia Group to third parties in 2011, the Belgian and French States have agreed to waive the annual re-issue of the warrants for the year 2014. The warrants issued to the Belgian and French States at the general meeting of shareholders of 11 May 2011, however, remain outstanding for the remainder of their 5-year term.

This guarantee was approved by the European Commission on 13 March 2009.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009, as last updated by the Special Board Report of 18 March 2011 relating to the re-issue of the warrants, both available on the website of Dexia (www.dexia.com).

4.5. Acquisitions and disposals of consolidated companies

a. Acquisitions

There were no significant acquisitions in 2012 and 2013.

b. Disposals

In 2012 and 2013, Dexia continued actively to implement the plan to dispose of its main operating entities.
The sale of the 50% holding of Banque Internationale à Luxembourg in RBC Dexia investor Services (RBC-D) to the Royal Bank of Canada was finalised on 27 July 2012. Its results for the first six months 2012 are presented together with the result of the sale in the "Net result from discontinued operations".
In September 2012, Dexia completed the sale of DenizBank and its subsidaries to Sberbank. Their results for the first nine months 2012 are presented together with the result of the sale in the "Net result from discontinued operations".
The sale of Banque Internationale à Luxembourg (BIL) was closed on 5 October 2012. The Dexia Group's 99,906% holding in BIL was sold to Precision Capital and the Grand Duchy of Luxembourg. The scope of the sale excluded the Legacy asset portfolio which was transferred to Dexia Credit Local as well as the subsidiaries RBC-D, Dexia Asset Management Luxembourg, Dexia LdG Banque , Popular banca Privada and Parfipar.
On 31 January 2013, Dexia finalised the sale of the Société de Financement Local (SFIL), a proprietary holding of the Dexia Municipal Agency (renamed Caisse Française de Financement

Local) to the French State as the majority shareholder, the Caisse des Dépôts and the Banque Postale.
On 28 March 2013, Dexia Kommunalkredit Bank Polska, the Polish subsidiary of Dexia Kommunalkredit Bank, was sold to Getin Noble Bank.
On 2 April 2013, the sale of Dexia Bail to Sofimar was finalised.
On 6 September 2013, Dexia finalised the sale of its participation in Public Location Longue Durée (Public LLD) to Arval Service Lease.
On 30 September 2013, Dexia finalised the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT).
On 4 October 2013, the Group sold its 50% holding in Domiserve to Axa Assistance Participations.
On 6 December 2013, the sell of ADTS to IBM was finalised.

The assets and liabilities disposed were as follows:	**As at 31 December 2012**			**As at 31 December 2013**						
(EUR million)	**RBC-D**	**Deniz-Bank**	**BIL**	**Dexia Municipal Agency**	**Dexia Kommunal-kredit Bank Polska**	**Sofaxis**	**Domi-serve**	**Public Loca-tion Longue Durée**	**Dexia Bail**	**ADTS**
Cash and cash equivalents	8,303	3,110	4,649	2,562	14	4	1		14	47
Financial assets at fair value through profit or loss	123	315	512	2,301						
Hedging derivatives	5	31	279	9,192						
Financial assets available for sale	1,543	2,969	1,491	1,124		230	1			
Interbank loans and advances	69	68	57	939			9			
Customers loans and advances	585	15,885	9,444	67,681	106				99	
Fair value revaluation of portfolio hedges			27	1,444						
Financial assets held to maturity		105	50		10					
Deferred tax assets	24	89	370	115		1	1			8
Accruals and other assets	211	460	1,490	(1,271)	(7)	49	3	19		9
Intangible assets and goodwill	141	1,336	349			69		150		14
Intercompany accounts : net position	531	(155)	256	(5,064)	(18)	11	(2)	(135)	(92)	
Central banks			(49)							
Financial liabilities at fair value through profit or loss	(104)	(123)	(4,437)	(970)						
Hedging derivatives	(1)	(35)	(205)	(9,183)						
Interbank borrowings and deposits	(395)	(4,520)	(879)		(91)	(10)		(9)		
Customer borrwings and deposits	(10,064)	(14,660)	(10,370)				(1)			(14)
Debt securities		(695)	(621)	(62,477)						
Fair value revaluation of portfolio hedges			(90)	(2,873)						
Other liabilities	(154)	(594)	(457)	(3,519)		(281)	(13)	(25)	(9)	(53)
Provisions	(21)	(52)	(72)	(9)		(3)				(26)
Subordinated debt		(239)	(803)							
NET ASSETS	**795**	**3,295**	**991**	**(9)**	**13**	**70**	**1**	**1**	**12**	**(15)**
Sale price (2)	838	3,025	730	0	13	136	2	0	0	(8)
Less: cost of the transaction (1)	(2)	(2)	(3)	(9)		(3)				(1)
Less: cash and cash equivalents in the subsidiary sold	(8,303)	(3,110)	(4,649)	(2,562)	(14)	(4)	(1)		(14)	(47)
NET CASH INFLOW ON SALE	(7,468)	(87)	(3,922)	(2,570)	(1)	129	1	0	(14)	(56)

(1) Cost of transaction on RBC-D, Denizbank and BIL: only part of cost accounted in 2012
(1) Cost of transaction on DMA: only part of cost paid in 2013
(2) The sale price of ADTS is reduced by a payment of EUR 9 million related to pension obligations

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

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

In the context of the reorganisation of the group announced in October 2011, Dexia decided to sell several subsidiaries.
According to IFRS5, a non current asset or a group of assets and liabilities from a disposal group can be recorded as held for sale only if the following conditions are met:
- the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups);
- and its sale must be highly probable.

Non-current assets and assets of the disposal groups are reported in one single line in the assets, liabilities of the disposal groups are reported in one single line in the liabilities, and the Other Comprehensive Income (OCI) relating to those disposal groups are reported in one single line in the OCI.

Amounts reported in the table below are the contribution of the entities to the consolidation of Dexia, after elimination of intercompany balances. Those net balance of intercompany accounts (assets – liabilities) are reported in the line "Intercompany accounts –net assets less liabilities". It must be noted that when the entities will be sold, the impact on the Dexia total balance sheet will depend on intercompany balances existing at that date. If Dexia has still receivables, those receivables will no longer be eliminated and the total Dexia balance sheet will be increased by this amount. According to IFRS5, opening balance sheet must not be adjusted.
In December 2012, Dexia announced the signature of a share purchase agreement with GCS Capital for the sale of Dexia Asset Management for an amount of EUR 380 million.
On 30 July 2013, the discussions with GCS Capital were abandonned, as GCS Capital had not been able to meet its contractual payment obligations
On 3 February 2014, Dexia finalised the sale of 100% of its participation in Dexia Asset Management to New York Life Investments for a firm price of EUR 380 million.
In January 2013, Dexia announced the finalisation of the sale of the Société de Financement Local (SFIL), a proprietary holding of Dexia Municipal Agency.
On 29 November 2013, Dexia sold ADTS to IBM.

	31/12/12			31/12/13
(EUR million)	Dexia Asset Management	Dexia Municipal Agency	ADTS	Dexia Asset Management
Cash and cash equivalents	25	2,562	36	47
Financial assets at fair value through profit or loss (derivatives)		2,301		
Hedging derivatives		9,192		
Financial assets available for sale	224	1,124		221
Interbank loans and advances		939		
Customers loans and advances		67,681		
Fair value revaluation of portfolio hedges		1,444		
Deferred tax assets	23	115	6	25
Other assets	65	(1,271)	16	78
Intangible assets and goodwill	65		19	70
Intercompany accounts : net liability position	3	(5,064)		(1)
Financial liabilities at fair value through profit or loss (derivatives)		(970)		
Hedging derivatives		(9,183)		
Customer borrwings and deposits			(19)	
Debt securities		(62,477)		
Fair value revaluation of portfolio hedges		(2,873)		
Other liabilities	(92)	(3,519)	(41)	(109)
Provisions	(8)	(9)	(25)	(14)
NET ASSETS	**304**	**(9)**	**(8)**	**317**

b. Income Statement

31/12/12 (EUR million)	BIL	RBC-DIS	Dexia Asset Manage-ment	Dexia Municipal Agency	DenizBank	ADTS	Popular Banca Privada	Total
Net banking income	**162**	**187**	**159**	**258**	**866**	**201**		**1,833**
Operating expenses	(234)	(187)	(125)	(91)	(465)	(200)		(1,302)
Cost of risk and other	(19)	(2)		(22)	(138)			(181)
Income before tax	**(91)**	**(3)**	**34**	**145**	**263**	**0**	**0**	**348**
Income tax	242	(2)	(9)	(48)	(62)			121
Net income	**151**	**(5)**	**24**	**97**	**202**	**0**	**0**	**469**
Loss arising from the fair value adjustment of disposal groups held for sale		0		(638)			(27)	(665)
Result on disposal	(205)	38			(801)			(968)
Income from discontinued operations, net of tax	**(54)**	**33**	**24**	**(541)**	**(599)**	**0**	**(27)**	**(1,163)**
Minority interest								6
Groupe share								(1,169)
Earning per share								
- basic								(0.6)
- diluted								(0.6)

31/12/13 (EUR million)	BIL	RBC-DIS	Dexia Asset Manage-ment	Dexia Municipal Agency	DenizBank	ADTS	Popular Banca Privada	Total
Net banking income			**182**			**140**		**322**
Operating expenses			(135)			(145)		(280)
Cost of risk and other							3	3
Income before tax			**46**			**(5)**	**3**	**45**
Income tax			(11)			1		(11)
Net income			**35**			**(3)**	**3**	**36**
Result on disposal	(8)	(1)		(143)	(8)	6		(154)
Income from discontinued operations, net of tax	**(8)**	**(1)**	**35**	**(143)**	**(8)**	**3**	**3**	**(119)**
Minority interest								7
Groupe share								(126)
Earning per share								
- basic								(0.06)
- diluted								(0.06)

c. Net cash flow

(EUR million)	31/12/12	31/12/13
Net cash inflows from operating activities	6,438	62
Net cash inflows from investing activities	(15,198)	(2,624)
Net cash inflows from financinf activities	(34)	(10)
TOTAL	**(8,794)**	**(2,572)**

4.7. Share-based payments

Dexia stock option plans (number of options)	2012	2013
Outstanding at the beginning of the period	64,474,087	60,386,176
Expired during the period	(4,087,911)	(8,065,490)
Outstanding at the end of the period	**60,386,176**	**52,320,686**
Exercisable at the end of the period	**60,386,176**	**52,320,686**

2012				2013			
Range of exercise prices (EUR)	**Number of outstanding options**	**Weighted-average exercise price (EUR)**	**Weighted-average remaining contractual life (years)**	**Range of exercise prices (EUR)**	**Number of outstanding options**	**Weighted-average exercise price (EUR)**	**Weighted-average remaining contractual life (years)**
9.12 - 10.27	7,553,684	9.12	5.50	9.12 - 10.27	7,553,684	9.12	4.50
10.28 - 10.73	8,065,490	10.28	0.56	10.28 - 10.73	0		
10.74 - 12.35	13,764,227	12.05	1.57	10.74 - 12.35	13,764,227	12.05	0.57
16.30 - 16.46	9,991,281	16.30	2.49	16.30 - 16.46	9,991,281	16.30	1.49
16.47 - 19.21	10,128,349	16.87	3.51	16.47 - 19.21	10,128,349	16.87	2.51
19.21 - 21.02	10,883,145	21.02	4.50	19.21 - 21.02	10,883,145	21.02	3.50
TOTAL	**60,386,176**			**TOTAL**	**52,320,686**		

4.8. Capital stock

	2012		2013	
	Class A	**Class B (1)**	**Class A**	**Class B (1)**
Number of shares authorized	1,948,984,474	28,947,368,421	1,948,984,474	28,947,368,421
Number of shares issued and fully paid	1,948,984,474	28,947,368,421	1,948,984,474	28,947,368,421
Number of shares issued and not fully paid				
Value per share	**no nominal value**	**no nominal value**	**no nominal value**	**no nominal value**
Outstanding as at 1 January	1,948,984,474		30,896,352,895	
Number of shares issued	28,947,368,421			
Outstanding as at 31 December	30,896,352,895		30,896,352,895	
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital		28,947,368,421		28,947,368,421
Number of treasury shares	324,633		324,633	
Number of shares reserved for issue under stock options and contracts for the sale of shares	324,633		324,633	

(1) see below the description of Class B Shares.

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

Class B shares

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

• **Voting rights:** The new preference shares have the same voting rights as existing shares.

• **Dividends:** All dividend distributions made by Dexia SA will be allocated in priority to the holders of preference shares, up to an amount per preference share corresponding to 8% per annum of the subscription price paid for such share. Any potential surplus will then be allocated to the holders of ordinary shares up to an amount per share corresponding to the amount distributed to the preference shares and any remainder will then be distributed on a pari passu basis to the holders of both classes of shares.

• **Liquidation Supplement:** Any potential shortfall, in respect of the preference shares, between the amount corresponding to the 8% of the subscription price paid for such share and the effective amount of any yearly distribution, will not be carried forward to future annual distributions, but this difference and any other differences in subsequent years will constitute a liquidation supplement (the "Liquidation Supplement") payable in priority, in accordance with the terms set forth below, to the holders of preference shares.

• **Liquidation distributions:** Upon a subsequent liquidation of Dexia, any distributions in connection therewith will be allocated in priority to the holders of preference shares up to an amount per preference share equal to the subscription price paid for such share, increased by any Liquidation Supplement and reduced by any amounts already repaid in connection with a share capital reduction. Any remainder would then be allocated to the holders of ordinary shares up to an amount representing their right to a capital reimbursement in respect of such shares and then up to an amount corresponding to the Liquidation Supplement and, any remaining amount will then be allocated on a pari passu basis to holders of both classes of shares.

• **Share capital reductions in kind, share buy-backs:** The product of future share capital reduction operation by Dexia SA carried out by repayments to shareholders, will be booked in priority against the part of the share capital represented by the preference shares and will be allocated in priority to the holders of preference shares up to an amount equal to the subscription price paid for such share, reduced by any amounts already repaid pursuant to any share capital reductions.

Subject to the occurrence of the proposed share capital increase, future share buy-backs by the Company will be carried out in priority on preference shares.

Subject to the occurrence of the proposed share capital increase, no share capital reduction operation or share buy-back transactions may be carried out in respect of ordinary shares without the prior approval of at least 75% of votes attached to the preference shares.

• **Share capital reductions in order to set-off losses or create reserves:** Future share capital reduction operations of the Company with a view to setting of losses or to create reserves will be booked in priority against the ordinary shares, meaning that any right to the reimbursement of share capital in respect of each ordinary share will be reduced by the same amount. However, such share capital reduction transactions shall be carried out in such a way as to ensure that the total amount of the right to the repayment of share capital of all the shares of a given class shall remain strictly positive. For the rest, the rights attached to the shares shall not be affected.

A full description of the terms and conditions of the preference shares issued at the occasion of the December 2012 capital increase reserved for the Belgian and French State is included in article 4 of the articles of association of Dexia SA (available on http://www.dexia.com/EN/shareholder_investor/regulated_information).

4.9. Exchange rates

The primary exchange rates are presented in the following schedule.

		31/12/12		31/12/13	
		Closing rate (1)	Average rate (2)	Closing rate (1)	Average rate (2)
Australian dollar	AUD	1.2735	1.2452	1.54120	1.39450
Canadian dollar	CAD	1.3169	1.2910	1.46510	1.37675
Swiss Franc	CHF	1.2074	1.2040	1.22730	1.22915
Czech Koruna	CZK	25.1095	25.1541	27.36200	26.03192
Danish Krone	DKK	7.4608	7.4448	7.46035	7.45784
Euro	EUR	1.0000	1.0000	1.00000	1.00000
British Pound Sterling	GBP	0.8137	0.8115	0.83330	0.85019
Hong-Kong dollar	HKD	10.2451	10.0216	10.69055	10.31981
Hungarian forint	HUF	291.1000	288.1549	297.12500	297.95875
Shekel	ILS	4.9388	4.9687	4.77460	4.78721
Japenese Yen	JPY	114.2150	103.4577	144.70500	130.28542
Won	KRW	1405.9150	1446.5134	1455.58000	1456.16583
Mexican Peso	MXN	17.1702	16.9718	18.02095	17.11752
Norwegian Krone	NOK	7.3530	7.4658	8.37900	7.87008
New Zealand dollar	NZD	1.6041	1.5869	1.67285	1.62988
Swedish Krona	SEK	8.5982	8.6794	8.88240	8.66808
Singapore dollar	SGD	1.6146	1.6074	1.74125	1.66770
New Turkish Lira	TRY	2.3575	2.3108	2.96435	2.56705
US Dollar	USD	1.3220	1.2921	1.37880	1.33045

(1) Rate observed on Reuters at 4:45 pm on the last business day of the month of December.
(2) Average of the closing rates used by the Dexia Group.

4.10. Management of capital

The information regarding management of capital is presented in the Management report pages 43 to 48.

4.11. Minority interests- Core equity

As at 1 January 2012	1,819
- Dividends	(7)
- Net income for the period	(21)
- Variation of scope of consolidation (1)	(176)
- Other (2)	(1,142)
AS AT 31 DECEMBER 2012 (3)	473
As at 1 January 2013	473
- Dividends	(5)
- Net income for the period	2
AS AT 31 DECEMBER 2013 (3)	**470**

(1) Mainly related to the repurchase of minority interest Dexia Sabadell.
(2) In 2012, Dexia Crédit Local repurchased EUR 644 millions of undated deeply subordinated non-cumulative Notes, issued and booked for EUR 700 million. Moreover, following the merge of Dexia Funding Luxembourg with Dexia SA, the undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked for 498 million, had to be recognised in core shareholder's equity
(3) This amount includes EUR 56 million of undated subordinated non-cumulative Notes issued by Dexia Crédit Local, EUR 350 million of minority interest Crediop and the balance of different companies.

5. Notes on the income statement

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

5.1 Interest income - Interest expense (Items I and II - Income statement)

(EUR million)	2012	2013
Interest income	**17,179**	**14,157**
a) Interest income on assets not measured at fair value	**6,374**	**5,230**
Cash and central banks	4	7
Interbank loans and advances	329	286
Customer loans and advances	4,647	3,825
Financial assets available for sale	1,214	989
Financial assets held to maturity	25	20
Impaired assets	4	4
Other	152	98
b) Interest income on assets measured at fair value	**10,805**	**8,926**
Loans and securities held for trading	50	41
Loans and securities designated at fair value	2	1
Derivatives held for trading	6,510	5,469
Hedging derivatives	4,244	3,415
Interest expense	**(17,909)**	**(14,248)**
a) Interest expense on liabilities not measured at fair value	**(5,123)**	**(3,236)**
Interbank borrowings and deposits	(1,493)	(756)
Customer borrowings and deposits	(187)	(163)
Debt securities	(2,839)	(2,126)
Subordinated debt	(15)	(8)
Amounts covered by sovereign guarantees	(555)	(164)
Other	(34)	(18)
b) Interest expense on liabilities measured at fair value	**(12,786)**	**(11,012)**
Liabilities held for trading	0	(1)
Liabilities designated at fair value	(195)	(131)
Derivatives held for trading	(6,387)	(5,658)
Hedging derivatives	(6,204)	(5,222)
Net interest income	**(730)**	**(92)**

5.2 Fees and commissions (Items III and IV - Income statement)

	2012			2013		
(EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	31	(6)	26	12	(4)	8
Insurance activity and broking	45	(2)	43	24	(1)	23
Purchase and sale of securities	0	(4)	(4)	0	(4)	(4)
Purchase and sales of shares of Mutual Funds	1	0	1	0	0	0
Payment services	0	(5)	(5)	0	(5)	(5)
Commissions paid to business providers	0	0	0	0	(1)	(1)
Financial engineering	1	0	1	0	0	0
Services on securities other than custodial services	0	(3)	(2)	0	(2)	(2)
Custodial services	4	(1)	3	4	(1)	3
Issuance and underwriters of securities	2	0	2	3	0	2
Intermediation on repo and reverse repo	6	(18)	(13)	0	(18)	(18)
Other [1]	25	(209)	(185)	14	(7)	7
TOTAL	**115**	**(249)**	**(134)**	**57**	**(44)**	**13**

(1) : in 2012, an amount of EUR - 200 million of commissions paid represents the upfront commissions for the setting up of the guarantee granted by the Belgian, French and Luxembourg States to Dexia's entities funding.

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

5.3 Net gains (losses) on financial instruments at fair value through profit or loss (Item V - Income statement)

(EUR million)	2012	2013
Net trading income	33	(91)
Net result of hedge accounting	(22)	(251)
Net result of financial instruments designated at fair value through profit or loss [1]	19	23
Change in own credit risk [2]	(131)	(77)
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment) [3]		(29)
Change in fair value of derivatives attributable to own credit risk (debit value adjustment)	0	106
Net result of foreign exchange transactions	22	(21)
TOTAL	**(80)**	**(340)**
(1) among which trading derivatives included in a fair value option strategy	(138)	(435)

(2) See also note 7.2.h. Credit risk on financial liabilities designated at fair value through profit or loss

(3) In 2012, only a CVA of EUR 32 million on non-collateralised derivatives was recognised and booked in Net trading income

All interest received and paid on assets, liabilities and derivatives is recorded in the net interest income.

Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions only include the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

The change in net result from hedge accounting is mainly due to the use, since the closing as at 30 June 2013, of a discount curve based on the overnight rate (OIS) to calculate the market value of collateralised derivatives.

Analysis of net result of hedge accounting

(EUR million)	2012	2013
Fair value hedges	**(14)**	**(249)**
Fair value changes of the hedged item attributable to the hedged risk	1,155	(5,664)
Fair value changes of the hedging derivatives	(1,169)	5,415
Cash flow hedges	**0**	**(1)**
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	(1)
Portfolio hedge	**(8)**	**(1)**
Fair value changes of the hedged item	515	(389)
Fair value changes of the hedging derivatives	(523)	388
TOTAL	**(22)**	**(251)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	**2**	**1**

5.4 Net gains (losses) on financial assets available for sale (Item VI - Income statement)

(EUR million)	2012	2013
Dividends on securities available for sale	7	2
Net gain (loss) on disposals of financial assets available for sale (1)	40	20
Impairment of variable-income securities available for sale	(8)	(5)
Net gain (loss) on disposals of loans and advances	(98)	37
Net gain (loss) on disposals of debt securities (2)	171	(7)
TOTAL	**113**	**47**

(1) Except for gains and losses on impaired fixed-income securities, which are included in cost of risk

(2) In 2012, this item notably includes gains on the redemption of subordinated issues by Dexia Crédit Local for EUR 151 millions and EUR 46 million for the repurchase of its own debts by Dexia Kommunalbank Deutshland AG.

5.5 Other income (Item VII - Income statement)

(EUR million)	2012	2013
Rental income	41	24
Other income	28	14
TOTAL	**69**	**38**

5.6 Other expenses (Item VIII - Income statement)

This category amounts to EUR -141 million as at 31 December 2013 and to EUR -45 million as at 31 December 2012. It includes depreciation and amortization on office furniture and equipment given in operational lease, other operational expenses, provisions for other litigations and amortisation on investment property.

As at 31/12/2013, it includes EUR 95 million of fees and provisions for litigations, of which EUR 63 million are related to provision for litigations on structured loans in France, subject to a writ of summons.

5.7 Operating expenses (Item X - Income statement)

(EUR million)	2012	2013
Payroll costs	(348)	(179)
General and administrative expenses	(165)	(190)
TOTAL	**(513)**	**(368)**

a. Payroll Costs

(EUR million)	2012	2013
Compensation and salary expense	(208)	(167)
Social security and insurance expense	(56)	(42)
Employee benefits	(18)	(10)
Restructuring costs	(62)	40
Other	(4)	0
TOTAL	**(348)**	**(179)**

Employee information

	2012			2013		
(Average full time equivalent)	**Fully consolidated**	**Proportionally consolidated**	**Total**	**Fully consolidated**	**Proportionally consolidated**	**Total**
Executive staff	61	3	64	42	0	42
Administrative staff	2,335	24	2,359	1,354	0	1,354
Non-administrative and other personnel	6	0	6	9	0	9
TOTAL	**2,402**	**27**	**2,429**	**1,405**	**0**	**1,405**

	2012							
(Average full time equivalent)	**Belgium**	**France**	**Italy**	**Spain**	**Other Europe**	**USA**	**Other**	**Total**
Executive staff	21	18	2	1	8	10	4	64
Administrative staff	175	1,625	192	40	147	142	38	2,359
Non-administrative and other personnel	0	0	0	0	0	1	5	6
TOTAL	**196**	**1,643**	**194**	**41**	**155**	**153**	**47**	**2,429**

	2013							
(Average full time equivalent)	**Belgique**	**France**	**Italy**	**Spain**	**Other Europe**	**USA**	**Other**	**Total**
Executive staff	18	7	2	1	5	5	4	42
Administrative staff	62	775	183	33	127	136	38	1,354
Non-administrative and other personnel	0	0	0	0	0	4	5	9
TOTAL	**80**	**782**	**185**	**34**	**132**	**145**	**47**	**1,405**

b. General and administrative expenses

(EUR million)	2012	2013
Cost of premises	(8)	(5)
Rent expense [1]	(18)	(10)
Fees [2]	(70)	(65)
Marketing, advertising and public relations	(5)	(5)
IT expense	(36)	(42)
Software, research and development	(25)	(8)
Maintenance and repair	(5)	(4)
Restructuring costs	(6)	3
Insurance (except related to pensions)	(9)	(12)
Stamp duty	(2)	(1)
Other taxes	(36)	(32)
Other general and administrative expenses [2]	(41)	(9)
Subtotal	***(261)***	***(190)***
Net interco account: continued/discontinued operations [3]	97	0
TOTAL	**(165)**	**(190)**

(1) This amount does not include IT equipment rental expenses, which are included in the "IT expense" line.
(2) Figures of 2012 have been restated in order to include external auditors' expenses in this category.
(3) Net intercompany accounts relating to operating result (expenses less revenues) of continuing activities with companies in discontinued operations.

5.8 Depreciation, amortisation and impairment of tangible fixed assets and intangible assets (Item XI - Income Statement)

Depreciation and Amortisation (EUR million)	**2012**	**2013**
Depreciation of land and buildings, office furniture and other equipment	(8)	(7)
Depreciation of other tangible fixed assets	(6)	(5)
Amortization of intangible assets	(28)	(21)
TOTAL	**(43)**	**(33)**

Impairment (EUR million)	**2012**	**2013**
Impairment on intangible assets	0	3
TOTAL	**0**	**3**

Losses or gains (EUR million)	**2012**	**2013**
TOTAL	**(1)**	**(3)**
TOTAL	**(43)**	**(33)**

5.9 Cost of risk (Item XIII - Income Statement)

(EUR million)	2012			2013		
	Collective impairment	Specific impairment and losses	TOTAL	Collective impairment	Specific impairment and losses	TOTAL
Credit (loans, commitments and securities held to maturity)	(85)	(50)	(136)	1	(196)	(195)
Fixed-income securities available for sale		(297)	(296)		10	10
TOTAL	**(85)**	**(346)**	**(432)**	**1**	**(186)**	**(185)**

Detail of collective and specific impairments

Collective impairment	2012			2013		
(EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Loans and securities held to maturity	**(324)**	**238**	**(85)**	**(212)**	**213**	**1**
TOTAL	**(324)**	**238**	**(85)**	**(212)**	**213**	**1**

Specific impairment	2012				
(EUR million)	Additions	Recoveries	Losses	Collections	Total
Customer loans and advances	(253)	393	(367)	29	(198)
Financial assets held to maturity	0	141	0	0	141
Accruals and other assets	(2)	2	0	0	0
Off-balance sheet commitments	(2)	9	0	0	7
TOTAL CREDIT	**(257)**	**545**	**(367)**	**29**	**(50)**
FIXED-INCOME SECURITIES	**(335)**	**3,068**	**(3,079)**	**49**	**(297)**
TOTAL	**(592)**	**3,613**	**(3,446)**	**78**	**(346)**

Specific impairment	2013				
(EUR million)	Additions	Recoveries	Losses	Collections	Total
Customer loans and advances	(279)	116	(55)	9	(208)
Accruals and other assets	(2)	9	0	3	11
Off-balance sheet commitments	(7)	8	0	0	1
TOTAL CREDIT	**(288)**	**133**	**(55)**	**12**	**(196)**
FIXED-INCOME SECURITIES	**0**	**86**	**(76)**	**0**	**10**
TOTAL	**(288)**	**219**	**(130)**	**12**	**(186)**

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

(EUR million)	2012	2013
Gains/losses on the disposals of assets held for sale	82	2
Net gains (losses) on disposals of other fixed assets	1	1
Net gains (losses) on disposals of consolidated equity investments (1)	(14)	56
TOTAL	69	59

(1) This item includes:
in 2012 :
- an adjustment in the value of Dexia Bail representing a loss of EUR -14 million, based on the expected cash flows from this activity
in 2013:
- a gain of EUR 64 million on the sale of Sofaxis
- an additional loss of EUR 6 million on Dexia Bail

5.11 Income tax (Item XIX - Income statement)

Detail of tax expense (EUR million)	2012	2013
Income tax on current year	(16)	(42)
Deferred taxes on current year	10	58
TAX ON CURRENT YEAR RESULT (A)	(6)	16
Income tax on previous year	2	(10)
Deferred taxes on previous year	(24)	48
Provision for tax lititgations	29	(15)
OTHER TAX EXPENSE (B)	7	23
TOTAL (A) + (B)	2	39

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2012 and 2013 was 33,99%.

Dexia effective tax rate was respectively -0,35% for 2012 and 1,52 % in 2013.

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

(EUR million)	2012	2013
Net income before tax	**(1,726)**	**(1,001)**
Tax base	**(1,726)**	**(1,001)**
Statutory tax rate	33.99%	33.99%
Theoretical corporate income tax at the standard rate	**587**	**340**
Impact of differences between foreign tax rates and the standard Belgian tax rate	(170)	(33)
Tax effect of non-deductible expenses	(66)	(135)
Tax effect of non-taxable income	17	161
Impact of items taxed at a reduced rate	1	6
Tax effect of change in tax rates	12	4
Other additional taxes or tax savings (1)	(2 481)	25
Tax effect from reassessment of unrecognised deferred tax assets (1)	2 093	(353)
Tax on current year	**(6)**	**16**
Effective tax rate	**-0.35%**	**1.52%**

(1) Due to capital increase in December 2012 and major change in the Group's shareholder structure, the recoverability of tax losses carried forward is limited in US. Therefore, the amount of related deferred tax assets has been limited to deferred tax liabilities.

5.12 Earnings per share

a. Basic earnings per share

Basic earnings per share are obtained by dividing «Net income, Group share» by the weighted average number of ordinary shares in issue during the year, less the average number of ordinary shares purchased by the company and held as treasury stock.

	2012	2013
Net income, Group share (EUR million)	(2,866)	(1,083)
Weighted average number of common shares (millions)	1,949	1,949
Basic earnings per share (in EUR)	(1.47)	(0.56)
- of which, related to continuing activities	*(0.87)*	*(0.49)*
- of which, related to discontinued activities	*(0.60)*	*(0.06)*

b. Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all dilutive potential ordinary shares resulting from share options granted to employees and from class B shares. For stock options, the calculation of the number of shares that could have been acquired at fair value (calculated as the average annual share price) is based on the monetary value of the subscription rights attached to the outstanding options.
The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.
The potential ordinary shares calculated as above are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.
They are antidilutive and not taken into account when their conversion to ordinary shares would decrease loss per share.
No adjustment is made to net income attributable to equity holders of the parent.

	2012	2013
Net income, Group share (EUR million)	(2,866)	(1,083)
Weighted average number of common shares (millions)	1,949	1,949
Adjustment for stock options (millions)	0	0
Weighted average number of common shares used for the calculation of diluted earnings per share (millions)	1,949	1,949
Diluted earnings per share (in EUR)	(1.47)	(0.56)
- of which, related to continuing activities	*(0.87)*	*(0.49)*
- of which, related to discontinued activities	*(0.60)*	*(0.06)*

6. Notes on off-balance sheet items

6.1. Regular way trade

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Assets to be delivered	1,758	0	580	0
Liabilities to be received	1,480	0	859	0

6.2 Guarantees

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Guarantees given to credit institutions	438	1	604	0
Guarantees given to customers	2,851	0	2,139	0
Guarantees received from credit institutions	1,370	79	1,295	0
Guarantees received from customers	15,918	4,491	15,773	0
Guarantees received from the state	74,377	0	76,702	0

6.3 Loan commitments

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Unused lines granted to credit institutions	7	0	12	0
Unused lines granted to customers	7,127	317	4,027	0
Unused lines granted from credit institutions (1)	2,082	0	15,984	0
Unused lines granted from customers	0	0	865	0

(1) The increase as at 31/12/2013 is related to the reduction of funding from central banks

6.4 Other commitments

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Banking activity - Commitments given	89,696	50	86,410	52
Banking activity - Commitments received	17,138	230	11,979	0

7. Notes on risk exposure

7.0. Risk exposure and hedging strategy

We refer to the chapter "Risk management" of the Management Report, pages 24 to 40.

7.1. Fair value

a. Fair value measurement and fair value hierarchy of financial instruments

We refer to note 1.1 "Accounting policies and valuation methods", paragraph 1.1.7.Fair value of financial instruments
The following tables compare fair value with carrying amount of financial instruments not measured at fair value.

b. Fair value

	31/12/12					
	Carrying amount		Fair value		Unrecognised fair value adjustment	
(EUR million)	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale
Cash and central banks	1,054	2,400	1,054	2,400	0	0
Interbank loans and advances	10,865	1,176	10,429	1,176	(436)	0
Customer loans and advances	149,564	67,787	145,369	67,643	(4,195)	(144)
Financial assets held to maturity	456	10	508	11	52	1
Central banks	50,590	0	50,590	0	0	0
Interbank borrowings and deposits	34,130	91	33,103	83	(1,027)	(8)
Customer borrowings and deposits	10,727	19	10,293	19	(434)	0
Debt securities	109,651	62,477	107,230	60,037	(2,421)	(2,440)
Subordinated debt	707	0	376	0	(331)	0

	31/12/13					
	Carrying amount		Fair value		Unrecognised fair value adjustment	
(EUR million)	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale
Cash and central banks	1,745	0	1,745	0	0	0
Interbank loans and advances	8,807	47	8,379	47	(427)	0
Customer loans and advances	129,039	0	125,549	0	(3,490)	0
Financial assets held to maturity	437	0	469	0	32	0
Central banks	34,274	0	34,274	0	(1)	0
Interbank borrowings and deposits	31,201	0	31,247	0	46	0
Customer borrowings and deposits	8,590	0	8,574	0	(16)	0
Debt securities	96,368	0	95,323	0	(1,045)	0
Subordinated debt	644	0	606	0	(38)	0

c. Methods used to determine the fair value of financial instruments

The following tables provide an analysis of the fair value of financial assets and financial liabilities, based on the degree to which the fair value is observable (Level 1 to 3). The fair value measurement is recurring for financial instruments at fair value. The non-recurring fair value measurement is not significant for Dexia. Following the adoption of IFRS 13 Fair value measurement as from 1 January 2013, the method used to measure the fair value applies to all financial instruments.

Fair value of financial assets

	31/12/12							
	Continuing operations				Disposal groups held for sale			
(EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	1	19,765	3,615	23,380	0	2,301	0	2,301
** Loans and securities held for trading*	*1*	*0*	*2,198*	*2,198*	*0*	*0*	*0*	*0*
** Financial assets designated at fair value - bonds and other fixed-income instruments*	*0*	*0*	*27*	*27*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*19,765*	*1,390*	*21,155*	*0*	*2,301*	*0*	*2,301*
Hedging derivatives	0	8,742	629	9,371		7,812	1,380	9,192
Financial assets available for sale	8,587	12,235	15,239	36,060	781	73	493	1,348
** Financial assets available for sale - bonds*	*8,559*	*12,105*	*14,907*	*35,570*	*630*	*42*	*493*	*1,166*
** Financial assets available for sale - equities*	*28*	*130*	*332*	*490*	*151*	*31*	*0*	*182*
TOTAL	**8,588**	**40,743**	**19,482**	**68,813**	**781**	**10,186**	**1,873**	**12,840**

	31/12/13							
	Continuing operations				Disposal groups held for sale			
(EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and central banks	1,745	0	0	1,745	0	0	0	0
Financial assets at fair value through profit and loss	1	15,127	3,221	18,348	0	0	0	0
** Loans and securities held for trading*	*0*	*0*	*1,774*	*1,774*	*0*	*0*	*0*	*0*
** Financial assets designated at fair value - equities*	*1*	*0*	*0*	*1*	*0*	*0*	*0*	*0*
** Financial assets designated at fair value - bonds and other fixed-income instruments*	*0*	*0*	*27*	*27*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*15,127*	*1,419*	*16,546*	*0*	*0*	*0*	*0*
Hedging derivatives	0	5,292	653	5,945	0	0	0	0
Financial assets available for sale	6,176	15,477	7,571	29,224	183	37	0	221
** Financial assets available for sale - bonds*	*6,157*	*15,402*	*7,297*	*28,856*	*28*	*0*	*0*	*28*
* Financial assets available for sale - equities	*19*	*75*	*274*	*368*	*156*	*37*	*0*	*193*
Interbank loans and advances	15	5,392	2,972	8,379	0	47	0	47
Customer borrowings and deposits	0	18,383	107,165	125,549	0	0	0	0
Financial assets held to maturity	0	104	364	469	0	0	0	0
TOTAL	**7,937**	**59,776**	**121,946**	**189,659**	**183**	**84**	**0**	**267**

Fair value of financial liabilities

	31/12/12							
	Continuing operations				Disposal groups held for sale			
(EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss	0	25,940	1,892	27,831	0	874	97	970
** Financial liabilities designated at fair value*	*0*	*2,778*	*1,154*	*3,931*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*23,162*	*738*	*23,900*	*0*	*874*	*97*	*970*
Hedging derivatives	0	33,285	2,475	35,760	0	5,126	4,057	9,183
TOTAL	**0**	**59,225**	**4,367**	**63,592**	**0**	**6,000**	**4,153**	**10,153**

Fair value of financial liabilities

	31/12/13							
	Continuing operations				Disposal groups held for sale			
(EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Central banks	34,274	0	0	34,274	0	0	0	0
Financial liabilities at fair value through profit and loss	1	16,621	2,219	18,840	0	0	0	0
** Financial liabilities designated at fair value*	*1*	*1,229*	*1,097*	*2,327*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*15,392*	*1,122*	*16,514*	*0*	*0*	*0*	*0*
Hedging derivatives	0	20,847	1,418	22,265	0	0	0	0
Interbank borrowings and deposits	0	21,369	9,878	31,247	0	0	0	0
Customer borrowings and deposits	0	2,204	6,370	8,574	0	0	0	0
Debt securities	0	27,875	67,448	95,323	0	0	0	0
Subordinated debt	0	55	551	606	0	0	0	0
TOTAL	**34,275**	**88,971**	**87,884**	**211,129**	**0**	**0**	**0**	**0**

d. Transfer between level 1 and level 2 – continuing operations

In 2013, there was no transfer between level 1 and level 2. In 2012, an amount of EUR 770 million of bonds available for sale was transferred from level 2 to level 1 due to the improvement of the market liquidity for some Italian sovereign bonds.

e. Level 3 reconciliation

	2012											
Continuing operations (EUR million)	**Opening balance**	**Transfers in disposal groups held for sale** [(1)]	**Total gains/ losses in P&L**	**Unrealised or deferred gains/ losses**	**Purchase**	**Sale**	**Settlement**	**Transfer into level 3**	**Transfer out of level 3**	**Changes in scope of consolidation**	**Other movements** [(2)]	**Closing**
Loans and securities held for trading	2,328	(1)	(25)	0	0	(45)	(87)	0	0	0	28	2,198
Financial assets designated at fair value - bonds and other fixed-income instruments	23	0	1	0	0	(1)	0	5	0	0	0	27
Derivatives held for trading	1,058	0	(220)	0	1	0	0	497	0	16	36	1,390
Hedging derivatives	594	0	48	0	58	0	0	0	(60)	0	(10)	629
Financial assets available for sale - bonds	11,839	(39)	2,106	146	2,986	(554)	(1,032)	0	(492)	0	(52)	14,907
Financial assets available for sale - equities	352	(6)	25	(12)	12	(42)	0	4	0	0	0	332
TOTAL FINANCIAL ASSETS	**16,193**	**(46)**	**1,934**	**134**	**3,057**	**(642)**	**(1,119)**	**506**	**(552)**	**16**	**2**	**19,482**
Financial liabilities designated at fair value	857	0	0	0	0	0	(123)	446	0	0	(27)	1,154
Derivatives held for trading	979	0	(500)	0	111	0	0	113	0	0	33	738
Hedging derivatives	2,499	0	(544)	0	520	0	0	0	0	0	2	2,475
TOTAL FINANCIAL LIABILITIES	**4,335**	**0**	**(1,044)**	**0**	**631**	**0**	**(123)**	**559**	**0**	**0**	**8**	**4,367**

(1) Group DenizBank

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

Continuing operations (EUR million)	2013										
	Opening balance	Total gains/ losses in P&L	Unrealised or deffered gains/ losses	Purchase	Sale	Settlement	Transfer into level 3	Transfer out of level 3	Other movements [1]	Changes in scope of consolidation [2]	Closing
Loans and securities held for trading	2,198	111	0	0	(218)	(222)	0	0	(94)	0	1,774
Financial assets designated at fair value - bonds and other fixed-income instruments	27	5	0	0	(5)	(0)	0	0	(0)	0	27
Derivatives held for trading	1,390	(385)	0	448	0	0	0	0	(33)	0	1,419
Hedging derivatives	629	(674)	0	3	0	0	0	(9)	(6)	710	653
Financial assets available for sale - bonds [3]	17,017	(452)	(156)	530	(270)	(2,426)	0	(6,738) [4]	(208)	0	7,297
Financial assets available for sale - equities	332	1	(5)	0	(51)	(0)	0		(3)	(0)	274
TOTAL FINANCIAL ASSETS	**21,592**	**(1,394)**	**(161)**	**981**	**(544)**	**(2,649)**	**0**	**(6,748)**	**(344)**	**710**	**11,444**
Financial liabilities designated at fair value	1,154	(10)	0	0	0	0	0	0	(47)	0	1,097
Derivatives held for trading	738	(57)	0	445	0	0	2	0	(7)	0	1,122
Hedging derivatives	2,475	(964)	0	24	0	0	1	(57)	(62)	0	1,418
TOTAL FINANCIAL LIABILITIES	**4,367**	**(1,030)**	**0**	**468**	**0**	**0**	**3**	**(57)**	**(116)**	**0**	**3,637**

(1) Other movements include notably the impact of changes in exchange rates during the year.
(2) Derivatives with Dexia Municipal Agency are no longer eliminated from the consolidated accounts due to the disposal of the company.
(3) The opening balance of available for sale bonds has been restated for an amount of EUR 2,110 million relating to debt instruments mainly from public sector, measured in level 3 and wrongly reported in level 2 in 2012. This has no impact on the valuation of these instruments.
(4) The Spanish covered bonds were reclassified from level 3 to level 2 as a result of an improvement in the market liquidity noted in the end of 2013.

f. Sensitivity of level 3 valuations to alternative assumptions

Dexia fair value applied to bonds and CDS is partly based on a mark to model. The sensitivity analysis described below measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.

Dexia decided to elaborate alternative assumptions on the following unobservable parameters :

- credit spreads, depending on availability of credit spreads for the same counterparty, or credit spreads based on similar counterparties, similar sectors or by using credit risk indexed on liquid CDS indexes;
- the basis Cash – CDS that allows to deduct bonds spreads from CDS spreads;
- the liquidity of the financial instrument, depending on the activity of the instrument's market.

Tests have been performed on bonds and CDS.

As of 31 December 2013, the AFS portfolio amounts to EUR 29,224 million, unrealised or deferred gains and losses amount to EUR -6,471 million out of which EUR -5,482 million were accounted for in the equity as AFS reserve. The following alternative assumptions have been applied on the entire AFS portfolio:

- A 2% credit spread variation applied to all instruments together with spreads between 0 bp and 40 bp on certain types of assets;
- A change in the liquidity premium (basis cash – CDS) to take it to a level closer to the market at 0 basis point:
- A 10% change in the liquidity percentage for all positions.

For level 3 bonds in AFS, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR +151 million and a negative impact of EUR -31 million in 2013, while in 2012, it was estimated between a positive impact of EUR + 253 million and a negative impact of EUR -284 million.

According to the accounting policies and valuation methods described in section 1.1.7.2, Dexia mostly uses for the valuation of types of assets a model subject to regular back testing based on market data. Dexia regularly reviews its assumptions used in the valuation of types of assets, particularly the liquidity assumptions, which will drive the use of 3rd party quotations and model price and the credit spread level used in the model's valuation. The definition of liquidity used by Dexia corresponds to active market definition as defined by IFRS13.
Within the AFS portfolio, a significant portion of which is classified as level 3 as a result of an insufficient volume of data representing transactions that took place on the market, Dexia holds an important volume of securities issued by Spanish local public authorities. The evolution of the credit spread of this type of assets is likely to have a significant impact on the unrealised or deferred gains or loss reserve.
As for the portfolio of Spanish local public authorities securities, whose nominal value reaches EUR 1,357 million and the unrealised or deferred gains and losses reserve EUR -314 million, the liquidity rate is 0%. A 25 points increase in the liquidity percentage would have a non-significant impact on the AFS reserve and a 100 basis points credit spread increase would affect the AFS reserve by EUR -153 million.
Negative Basis 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, the positive impact (average of 2009 unwinds cost) is EUR +5.8 million whereas the negative impact (average of 2011 unwinds cost) gives an impact of EUR -31.6 million. For 2012, the positive impact (unwind costs of 2009) was EUR +7.3 million whereas the negative impact (unwind cost of 2011) gave an impact of EUR – 39.7 million.
The impact of the credit spreads alternative assumptions on Dexia credit derivatives is estimated at EUR +2.7 million (positive scenario) versus EUR -2.8 million (negative scenario) before tax, while in 2012, it was estimated at EUR +3.3 million (positive scenario) versus EUR -3.3 million (negative scenario).

g. Difference between transaction prices and modelled values (deferred day one profit)

No significant amounts are recognised as deferred Day one Profit (DOP) as at 31 December 2012 nor as at 31 December 2013.
DOP is recognised up-front on simple products, like Interest Rate Swaps (IRS) or complex products (like structured transactions) that are backed-to-back.
DOP taken up-front amounted respectively to EUR 3 million as at 31 December 2012 and to less than EUR 1 million as at 31 December 2013. The amount are recognised in V. *Net gains (losses) on financial instruments at fair value trough profit or loss.*

7.2. Credit risk exposure

Credit risk exposure is disclosed in the same way as it is reported to the Management and is :
• the net carrying amount for balance sheet assets other than derivative contracts (i.e. accounting value after deduction of specific provisions);
• the fair value of derivatives
• the full amount of off-balance sheet commitments: it is either the undrawn part of liquidity facilities or the maximum amount. Dexia has a committment to honor with regards to the guarantees it has granted to third parties.

Credit risk exposure is broken down by geographical region and by counterparty taking into account all guarantees obtained and financial collaterals (cash collateral and financial collateral for Repo and OTC instruments).
This means that when the credit risk exposure is guaranteed by a third party whose weighted risk (according to definition stated in the Basel reglementation) is lower than the one of the direct borrower, the exposure is then reported in the guarantor's geographical region and activity sector.
As at 31 December 2013, Dexia Group's credit risk exposure amounts to EUR 174 billion, of which EUR 126 million for discontinued activities.

a. Exposure by geographical region and by counterparty category

Exposure by geographic region

	31/12/12		31/12/13	
(EUR million)	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
France	33,489	51,303	28,094	2
Belgium	10,692	5,227	3,496	5
Germany	24,448	956	21,987	1
Greece	227	0	216	0
Ireland	1,592	2	267	0
Italy	33,460	3,999	27,766	0
Luxembourg	516	14	133	15
Spain	22,975	518	19,939	0
Portugal	3,809	75	3,740	0
Hungary	1,390	0	1,306	0
Austria	1,948	272	1,732	0
Central and Eastern Europe	4,201	132	3,759	0
Nederlands	980	0	944	0
Scandinavian countries	1,574	194	1,035	0
Great Britain	18,198	696	16,748	0
Switzerland	176	3,801	536	0
Turkey	680	0	540	0
United States and Canada	31,513	690	26,552	0
South and Central America	1,110	0	715	0
Southeast Asia	1,220	0	1,062	0
Japan	7,296	25	6,002	0
Other (1)	8,601	129	6,761	102
TOTAL	**210,094**	**68,033**	**173,331**	**126**

(1) Includes supranational entities

Exposure by category of counterpart

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Central governments	30,410	4,606	26,836	0
Local public sector [1]	103,542	56,753	90,460	0
Financial institutions	38,091	1,603	25,669	47
Corporates	8,425	145	5,827	79
Monoline	5,652	0	3,143	0
ABS/MBS	8,031	4,908	6,901	0
Project finance	15,939	18	14,493	0
Individuals, SME, self-employed	4	0	2	0
TOTAL	**210,094**	**68,033**	**173,331**	**126**

(1) As at 31/12/12, this category includes for continuing activities: EUR 87 million on Greece, EUR 143 million on Hungary, EUR 15,403 million on Italy, EUR 1,934 million on Portugal and EUR 10,698 million on Spain and as at 31/12/13, this category includes for continuing activities: EUR 82 million on Greece, EUR 60 million on Hungary, EUR 11,604 million on Italy, EUR 1,805 million on Portugal and EUR 9,281 million on Spain.

Sovereign credit risk exposure on several European countries - continuing activities

As at 31/12/12	Italy		Hungary	Portugal		Spain	
(EUR million)	AFS [1]	L&R and HTM [2]	AFS [1]	AFS [1]	L&R and HTM [2]	AFS [1]	L&R and HTM [2]
Accounting value before fair value adjustments	4,083	9,498	1,181	1,806	46	453	19
Fair value adjustments due to interest rate hedged	1,968	1,406	134	709	22	14	12
Fair value adjustment not hedged	(1,670)	0	(147)	(1,253)	0	(37)	0
TOTAL	**4,381**	**10,904**	**1,169**	**1,262**	**68**	**431**	**30**
AVAILABLE FOR SALE RESERVE							
Available for sale reserve (gross)	(1,670)	(67)	(147)	(1,253)		(37)	
Deferred tax	12	20	0	0		0	
Available for sale reserve (gross)	(1,658)	(47)	(147)	(1,253)		(37)	

(1) AFS: Available-for-sale.
(2) L&R: Loans and receivables; HTM: Held to maturity.

In 2012, on the occasion of the exchange plans negotiated by the Greek state, Dexia sold or exchanged all of its exposure on Greek sovereign bonds.
Dexia has given loan commitments to some local Italian authorities for EUR 268 million.
The Dexia Group has a nil position on credit default swaps on Italian sovereign assets: this position consists of EUR 803 million of credit default swaps sold, offset by purchases for the same nominal amount. The Group has no other exposure on credit default swaps.
The Dexia Group has no exposure on Irish sovereign assets.

	31/12/13							
	Italy		Hungary		Portugal		Spain	
(EUR million)	AFS (1)	L&R and HTM (2)	AFS (1)	L&R and HTM (2)	AFS (1)	L&R and HTM (2)	AFS (1)	L&R and HTM (2)
Accounting value before fair value adjustments	4,049	8,660	1,105	58	1,806	46	429	22
Fair value adjustments due to interest rate hedged	1,435	950	86	0	481	16	3	9
Fair value adjustment not hedged	(969)	0	(54)	0	(928)	0	2	0
TOTAL	**4,515**	**9,610**	**1,138**	**58**	**1,359**	**62**	**434**	**31**
AVAILABLE FOR SALE RESERVE								
Available for sale reserve (gross)	(969)	(63)	(54)	0	(928)	0	2	0
Deffered tax	17	19	0	0	0	0	0	0
Available for sale reserve (gross)	(951)	(44)	(54)	0	(928)	0	2	0

(1) AFS: Available-for-sale.
(2) L&R: Loans and receivables; HTM: Held to maturity.

The Dexia Group has a nil position on credit default swaps on Italian sovereign assets: this position consists of EUR 803 million of credit default swaps sold, offset by purchases for the same nominal amount.

b. Maximum credit risk exposure by class of financial instruments

	31/12/12				31/12/13			
	Continuing operations		Disposal groups held for sale		Continuing operations		Disposal groups held for sale	
(EUR million)	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral
Financial assets available for sale (excluding variable income securities)	35,661	0	1,124	0	28,794	0	0	0
Financial assets designated at fair value (excluding variable income securities)	26	0	0	0	27	0	0	0
Financial assets held for trading (excluding variable income securities)	2,198	0	0	0	1,774	0	0	0
Derivatives held for trading	633	1,485	0	0	3,817	3,582	0	0
Hedging derivatives	5,065	652	314	3,335	333	1,095	0	0
Financial assets held to maturity	453	0	10	0	434	0	0	0
Loans and advances (at amortized cost)	142,302	481	66,193	6	127,554	949	47	0
Other financial instruments	974	0	73	0	936	0	79	0
Loans commitments granted	7,212	0	317	0	4,028	0	0	0
Guarantee commitments granted	15,572	17,349	1	0	5,634	13,818	0	0
TOTAL	**210,094**	**19,967**	**68,033**	**3,340**	**173,331**	**19,445**	**126**	**0**

Dexia holds financial collaterals composed of cash collaterals and term deposits, and to a lesser extent, of investment grade bonds (mainly AAA- AA sovereign or banking issuers). Only financial collaterals eligible under Basel II and directly held by Dexia are considered.

The figures in "Credit risk exposure" have been decreased by the financial effect of the collateral. This explains why the amount of the financial effect of the collateral can be higher then the credit risk exposure amount.

c. Credit quality of performing financial assets

The credit quality of financial assets is measured by reference to internal (Basel II standard) or external ratings. Indeed, Dexia applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel II, except for ABS positions for which credit risk is calculated within the Ratings based Approach, based on external ratings (Fitch, Standard &Poors or Moody's) and for part of its portfolio where credit risk exposure is calculated in accordance with the Basel II Standard Method.

(EUR million)	31/12/12 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	6,221	21,235	8,178	0	35,634
Financial assets designated at fair value (excluding variable income securities)	0	6	16	4	26
Financial assets held for trading (excluding variable income securities)	880	1,232	77	0	2,189
Derivatives held for trading	591	3,548	673	23	4,835
Hedging derivatives	26	523	21	0	570
Financial assets held to maturity	88	364	0	0	453
Loans and advances (at amortized cost)	58,405	66,348	15,556	569	140,879
Other financial instruments	173	16	3	764	956
Loans commitments granted	3,412	3,199	487	32	7,130
Guarantee commitments granted	3,461	11,396	537	163	15,557
TOTAL - CONTINUING OPERATIONS	**73,258**	**107,867**	**25,547**	**1,556**	**208,228**
TOTAL - DISPOSAL GROUPS HELD FOR SALE	**23,419**	**38,204**	**4,894**	**382**	**66,899**
TOTAL	**96,677**	**146,071**	**30,441**	**1,938**	**275,128**

(EUR million)	31/12/13 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	5,468	18,415	4,905	0	28,788
Financial assets designated at fair value (excluding variable income securities)	0	6	21	0	27
Financial assets held for trading (excluding variable income securities)	636	1,092	46	0	1,774
Derivatives held for trading	719	2,257	578	19	3,574
Hedging derivatives	60	138	94	0	293
Financial assets held to maturity	66	368	0	0	434
Loans and advances (at amortized cost)	52,175	57,521	15,488	567	125,752
Other financial instruments	177	4	1	742	924
Loans commitments granted	2,028	1,690	241	8	3,967
Guarantee commitments granted	319	4,728	512	54	5,613
TOTAL - CONTINUING OPERATIONS	**61,650**	**86,219**	**21,886**	**1,391**	**171,146**
TOTAL - DISPOSAL GROUPS HELD FOR SALE	**35**	**12**	**0**	**79**	**126**
TOTAL	**61,684**	**86,231**	**21,886**	**1,470**	**171,272**

d. Past-due and impaired financial assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered by contract. As an exemple, if a counterpart fails to pay the required interest at due date, the entire loan is considered as past due. Financial assets are classified as impaired in the cases described in note 1.1 *"Accounting policies and valuation methods"*.

(EUR million)	31/12/12			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	Less than 90 days	90 days to 180 days	Over 180 days	
Financial assets available for sale (excluding variable income securities)	0	0	0	160
Loans and advances (at amortized cost)	325	25	251	1,322
Other financial instruments	0	0	0	29
TOTAL - CONTINUING OPERATIONS	325	25	251	1,511
TOTAL - DISPOSAL GROUPS HELD FOR SALE	135	148	425	354
TOTAL	460	173	676	1,865

Past due outstandings are mainly related to local public sector.

(EUR million)	31/12/13			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	Less than 90 days	90 days to 180 days	Over 180 days	
Financial assets available for sale (excluding variable income securities)	0	0	0	69
Loans and advances (at amortized cost)	199	52	478	1,391
Other financial instruments	0	0	110	9
TOTAL - CONTINUING OPERATIONS	199	52	588	1,469
TOTAL - DISPOSAL GROUPS HELD FOR SALE	0	0	0	0
TOTAL	199	52	588	1,469

Financial assets are classified as impaired in accordance with the description made in chapter 1.1 "Accounting policies and valuation methods".

Forbearance

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

Only the 3rd case is considered as a forborne loan in the context of this analysis. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

Total assets include around EUR 0.8 billion of forborne assets as of 31/12/13.

e. Collateral and other credit enhancements obtained by taking possession of collateral during the period

There were no assets of this type in 2013. In 2012, tangible assets were obtained for an amount of EUR 15 million.

f. Movements on impairment on financial assets

(EUR million)	2012 As at 1 Jan.	Additions	Reversals	Utilisation	Transfers in disposal groups held for sale	Other	As at 31 Dec.	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific impairment	**(4,512)**	**(599)**	**3,603**	**566**	**338**	**35**	**(568)**	**78**	**(3,446)**
Interbank loans and advances	(5)	0	0	0	0	5	0	0	0
Customer loans and advances	(1,385)	(254)	393	515	334	2	(395)	29	(367)
Held to maturity securities	(153)	0	141	0	0	12	0	0	0
Available for sale securities (1)	(2,954)	(343)	3,068	51	4	19	(155)	49	(3,079)
Fixed revenue instruments	*(2,877)*	*(335)*	*3,068*	*0*	*4*	18	*(121)*	*49*	(3,079)
Variable revenue instruments	*(78)*	*(8)*	*0*	*51*	*0*	*1*	*(34)*	*0*	*0*
Other accounts and receivables	(15)	(2)	2	0	0	(3)	(18)	0	0
Collective impairment	**(554)**	**(315)**	**238**	**4**	**203**	2	**(422)**		
Interbank loans and advances	(11)	(4)	6	0	3	0	(6)		
Customer loans and advances	(543)	(311)	232	4	200	2	(416)		
TOTAL	**(5,067)**	**(913)**	**3,842**	**570**	**541**	**37**	**(990)**	**78**	**(3,446)**

(1) The amounts in «Reversals» are mainly related to Greek sovereign bonds.

(EUR million)	2013 As at 1 Jan.	Additions	Reversals	Utilisation	Other adjust-ments [1]	As at 31 Dec.	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or oss
Specific impairment	**(568)**	**(286)**	**170**	**43**	**16**	**(624)**	**12**	**(130)**
Customer loans and advances	(395)	(279)	112	4	13	(545)	9	(55)
Available for sale securities	(155)	(5)	49	39	2	(70)	0	(76)
Fixed revenue instruments	*(121)*	*0*	*49*	*37*	*1*	*(32)*		*(76)*
Variable revenue instruments	*(34)*	*(5)*	*0*	*2*	*1*	*(38)*	*0*	0
Other accounts and receivables	(18)	(2)	9	0	2	(9)	3	0
Collective impairment	**(422)**	**(212)**	**213**	**0**	**3**	**(419)**		
Interbank loans and advances	(6)	(5)	7	0	0	(5)		
Customer loans and advances	(416)	(207)	206	0	3	(414)		
TOTAL	**(990)**	**(498)**	**383**	**43**	**19**	**(1,043)**	**12**	**(130)**

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

g. Credit risk on loans and advances designated at fair value through profit or loss

(EUR million)	Maximum exposure to credit risk	Change in fair value attributable to changes in the credit risk	
		For the period	Cumulative
As at 31 December 2012	5	0	(3)
AS AT 31 DECEMBER 2013	**0**	**0**	**0**

Dexia no longer holds loans and advances designated at fair value through profit or loss

h. Credit risk on financial liabilities designated at fair value through profit or loss

(EUR million)	Carrying amount	Amount of change in the fair value attributable to changes in the credit risk		Difference between carrying amount and amount contractually required to be paid at maturity [1]
		For the period	Cumulative	
As at 31 December 2012	3,931	134	(186)	685
AS AT 31 DECEMBER 2013	**2,327**	**82**	**(104)**	**286**

(1) This amount includes the premium/discount and change in market value.

See also note 3.1 *Financial liabilities at fair value through profit or loss.*

7.3. Collateral

a. Nature of the assets received as collateral if this collateral can be sold or repledged

(EUR million)	2012 Fair values of collateral held	2012 Fair value of collateral sold or repledged	2013 Fair values of collateral held	2013 Fair value of collateral sold or repledged
Debt securities	1	0	591	0
Loans and advances	115	0	0	0
TOTAL	**116**	**0**	**591**	**0**

Collateral is obtained in connection with the repurchase agreement activities.

b. Financial assets pledged as collateral for liabilities or contingent liabilities

(EUR million)	2012	2013
Carrying amount of financial assets pledged as collateral for liabilities	116,760	106,149

The amount of EUR 117 billion in 2012 and EUR 106 billion in 2013 represent the amount of liquidity paid over as collateral for derivatives and assets pledged as collateral for funding received from the Eurosystem, the European Investment Bank, agreements for the temporary lending of stocks or other secured funding and the States guarantee mechanism. This amount includes neither the assets guaranteeing the secured debt issued by Dexia Kommunalbank Deutschland and Dexia LdG Banque SA, nor Dexia FP Holdings Inc.'s Guaranteed Investment Contracts (GICs). These assets are close to EUR 42 billion in 2012 and to EUR 34 billion in 2013 .

7.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Demand deposits and saving deposits are reported in the "Demand"column, as the information presented below takes into account the current maturity until the next date on which interest rates are reset from an accounting standpoint, rather than assumptions based on oberved behavorial data.

a. Analysis of assets

	31/12/12									
(EUR million)	**Demand**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**	**Accrued interest**	**Fair value adjustment**	**Impairment**	**Total**
Cash and central banks	1,054	0	0	0	0	0	0			1,054
Financial assets at fair value through profit or loss	0	1,850	10	55	33	1	1,155	20,278		23,380
Hedging derivatives							957	8,414		9,371
Financial assets available for sale	19	5,875	2,952	8,434	16,628	289	539	1,480	(155)	36,060
Interbank loans and advances	1,407	2,400	1,311	3,313	1,706	0	60	675	(7)	10,865
Customer loans and advances	238	25,567	25,169	17,921	63,313	0	870	17,295	(811)	149,564
Fair value revaluation of portfolio hedge								3,526		3,526
Financial assets held to maturity	0	14	48	337	51	0	5	0	0	456
Subtotal financial assets used to calculate the gap	*2,717*	*35,706*	*29,489*	*30,061*	*81,731*	*290*				
Tax assets						229	0	0	0	229
Accruals and other assets	3	37,304	125	2	(1)	79	6	3	(18)	37,503
Non-current assets held for sale	0	0	0	0	0	18	0	0	0	17
Tangible fixed assets						501			0	501
Intangible assets and goodwill						102			0	102
TOTAL CONTINUING OPERATIONS	**2,720**	**73,011**	**29,614**	**30,063**	**81,730**	**1,218**	**3,592**	**51,671**	**(990)**	**272,628**
Disposal groups held for sale	2,455	13,035	8,355	12,573	29,848	473	1,900	15,992	(49)	84,581
TOTAL	**5,175**	**86,045**	**37,969**	**42,636**	**111,578**	**1,691**	**5,493**	**67,662**	**(1,040)**	**357,210**

b. Analysis of liabilities excluding shareholders' equity

	31/12/12								
(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Central banks	0	29,726	0	20,577	0	0	287	0	50,590
Financial liabilities at fair value through profit and loss	0	571	144	894	1,533	0	1,083	23,605	27,831
Hedging derivatives							1,988	33,772	35,760
Interbank borrowings and deposits	331	7,466	3,972	15,999	6,257	0	91	15	34,130
Customer borrwings and deposits	2,327	4,101	1,824	373	1,912	0	57	134	10,727
Debt securities	19	29,456	23,666	33,252	17,306	1	1,016	4,936	109,651
Fair value revaluation of portfolio hedge								372	372
Subordinated debts	0	30	5	425	213	0	8	26	707
Subtotal financial liabilities used to calculate the gap	*2,677*	*71,350*	*29,610*	*71,521*	*27,220*	*1*			
Tax liabilities						235			235
Accruals and other liabilities	32	3,734	106	184	101	130	3	0	4,289
Provisions						251			251
TOTAL CONTINUING OPERATIONS	**2,709**	**75,083**	**29,716**	**71,705**	**27,321**	**616**	**4,533**	**62,860**	**274,544**
Liabilities included in disposal groups held for sale	0	9,657	5,053	23,498	22,488	63	1,748	16,849	79,357
TOTAL	**2,709**	**84,740**	**34,769**	**95,202**	**49,809**	**679**	**6,282**	**79,709**	**353,900**

c. Balance-sheet sensitivity gap

(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
Continuing operations	40	(35,643)	(121)	(41,460)	54,511	289
Disposal groups held for sale	2,454	6,938	3,310	(10,937)	7,360	225

Balance-sheet sensitivity gap is hedged through financial instruments.

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a. Analysis of assets

	31/12/13									
(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and central banks	1,745	0	0	0	0	0	0			1,745
Financial assets at fair value through profit or loss	0	1,427	3	53	26	0	1,215	15,623		18,348
Hedging derivatives							756	5,189		5,945
Financial assets available for sale	793	4,550	3,261	5,662	13,362	239	497	932	(70)	29,224
Interbank loans and advances	710	3,358	1,415	1,270	1,496	0	44	518	(5)	8,807
Customer loans and advances	149	29,908	28,682	12,592	46,179	0	784	11,703	(958)	129,039
Fair value revaluation of portfolio hedge							0	1,035		1,035
Financial assets held to maturity	0	25	49	343	15	0	5	0	0	437
Subtotal financial assets used to calculate the gap	*3,397*	*39,268*	*33,410*	*19,920*	*61,078*	*239*				
Tax assets						235				235
Accruals and other assets	19	7,734	19,183	144	148	45	5	0	(9)	27,270
Non-current assets held for sale	0	0	0	0	0	13	0	(1)	0	12
Tangible fixed assets						339			0	339
Intangible assets and goodwill						28			0	28
TOTAL CONTINUING OPERATIONS	**3,417**	**47,003**	**52,593**	**20,064**	**61,227**	**899**	**3,306**	**35,000**	**(1,043)**	**222,464**
Disposal groups held for sale	47	78	0	0	0	347	0	0	0	472
TOTAL	**3,463**	**47,081**	**52,593**	**20,064**	**61,227**	**1,246**	**3,306**	**35,000**	**(1,043)**	**222,936**

b. Analysis of liabilities excluding shareholders' equity

	31/12/13								
(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
Central banks	0	17,891	175	15,615	125	0	469	0	34,274
Financial liabilities at fair value through profit and loss	0	36	309	357	1,261	0	1,158	15,720	18,840
Hedging derivatives							1,460	20,805	22,265
Interbank borrowings and deposits	82	21,842	6,917	972	1,306	0	71	11	31,201
Customer borrwings and deposits	2,033	2,904	1,714	1,074	735	0	51	79	8,590
Debt securities	1	51,534	13,603	11,855	15,092	0	851	3,431	96,368
Fair value revaluation of portfolio hedges								231	231
Subordinated debts	0	292	131	62	138	0	8	14	644
Subtotal financial liabilities used to calculate the gap	*2,116*	*94,498*	*22,848*	*29,935*	*18,657*	*0*			
Tax liabilities						141			141
Accruals and other liabilities	62	5,030	463	30	209	189	3	0	5,987
Provisions						313			313
TOTAL CONTINUING OPERATIONS	**2,178**	**99,527**	**23,311**	**29,965**	**18,866**	**644**	**4,072**	**40,291**	**218,854**
Liabilities included in disposal groups held for sale	0	78	20	0	0	25	0	0	123
TOTAL	**2,178**	**99,605**	**23,331**	**29,965**	**18,866**	**669**	**4,072**	**40,291**	**218,977**

c. Balance-sheet sensitivity gap

(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity
Continuing operations	1,282	(55,229)	10,562	(10,015)	42,421	239
Disposal groups held for sale	47	2	0	0	0	218

Balance-sheet sensitivity gap is hedged through financial instruments.

7.5 Sensitivity to interest rate risk and other market risks

a. Treasury and Financial Markets (TFM)

The Dexia Group mainly assesses market risk using a combination of two measurement indicators, resulting in a limit-based risk management framework.

• The Value at Risk (VaR) is a measure of the expected potential loss with a 99% confidence interval and for a holding period of ten days. Dexia uses a number of VaR approaches to measure the market risk inherent in its portfolios and activities:

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

– Credit spread risk (also known as specific interest rate risk) and other risks in the trading portfolio are measured using a historical VaR approach. Historical VaR is a VaR whose distribution is constructed by applying historical scenarios for the relevant risk factors associated with the current portfolio.

• Limits governing sensitivity to various risk factors, maturity, market and authorised products are put in place for each type of activity, ensuring consistency between overall value limits and operational thresholds used by front office. These measures also serve to manage risk that would only be imperfectly covered by VaR measures.

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

Value at Risk of Market Activities

The table below shows the details of VaR used for market activities, not including the bond portfolio.

At end December 2013, total VaR consumption stood at EUR 12.2 million, compared with EUR 10.4 million at end 2012.

The unwinding of positions held by Caisse Française de Financement Local (formerly Dexia Municipal Agency) and their transfer to SFIL in mid-January 2013 made it necessary to create a trading portfolio to manage risks arising from hedges that continued to be housed within the Dexia Group. The creation of this trading portfolio led to the appearance of new risk factors, including in particular the following:

• basis risk on currency swaps

• interest rate basis Risk between the swap index considered and The –BOR benchmark used to Value swaps

VaR consumption arising from this trading portfolio totalled EUR 5.9 million at end 2013, compared with zero at end 2012. Consequently, at its meeting of 17 December 2013, the management Board signed off an increase in the aggregate VaR limit for activities from EUR 22 million to EUR 40 million with an aim to take into account the existing risk factors and of which the calculation methodology will be refined as from 2014.

VALUE AT RISK OF MARKET ACTIVITIES

(EUR million)	2012						
VaR (10 days, 99 %)	**By risk factor**				**Overall**		
	Interest rate and currency *(Banking et Trading)*	**Equity *(Trading)***	**Spread *(Trading)***	**Other risks (1)**	**Activities held for sale**	**Continuing activities (2)**	**Limit**
Average	4.7	0.1	6.5	0.4	2.0	9.7	22
Period end	1.8	0.0	8.2	0.4	0	10.4	
Maximum	11.9	0.6	9.6	0.4	4.7	18.3	
Minimum	1.1	0.0	2.6	0.4	0.7	4.9	

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

VALUE AT RISK OF MARKET ACTIVITIES

(EUR million)	2013						
VaR (10 days, 99 %)	**By risk factor**				**Overall**		
	Interest rate and currency *(Banking et Trading)*	**Equity *(Trading)***	**Spread *(Trading)***	**Other risks (1)**	**Activities held for sale**	**Continuing activities**	**Limit**
Average	2.6	0	7.2	0.4	0	10.2	40
Period end	6.4	0	5.6	0.3	0	12.2	
Maximum	7.8	0	8.4	0.7	0	14.9	
Minimum	0.7	0	5.6	0.2	0	8.2	

(1) Other risks: inflation, CO_2, commodities.

b. Balance Sheet Management (BSM)

The measurement of balance-sheet risks is harmonised among the Group's various entities. The risk sensitivity measures reflect the balance sheet's exposure to a parallel movement of 1% on the rate curve (increase of 1%). Sensitivity of the net current value of BSM positions to an interest-rate trend is the main indicator for risk measurement, fixing limits and monitoring risks. Global and partial sensitivities per interval of time are still the main risk indicators on which asset-liability risk committees (ALCo) manage risks.

Sensitivity and limits of long term ALM

(EUR million)	2012		
	Total	*Of which continuing operations*	*Of which disposal groups held for sale*
Sensitivity	+ 4.0	- 6.0	+ 10.0
Limit	+ 266.0	+ 266.0	unallocated

Sensitivity and limits of long term ALM

(EUR million)	2013		
	Total	*Of which continuing operations*	*Of which disposal groups held for sale*
Sensitivity	+ 8.5	+ 8.5	unallocated
Limit	+ 96.0	+ 96.0	unallocated

The sensitivity of long term ALM amounted to EUR +8.5 million as at 31 December 2013 against EUR -6 million as at 31 December 2012 for the entire Dexia Group (continuing operations). It complies with the ALM strategy to minimize the volatility of the income statement.

c. Dexia banking bond portfolio exposure

	2012		2013	
(EUR billion)	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Outstanding	87	11	75	0

***Interest-rate sensitivity**

The interest-rate risk of the bond portfolio is hedged (its purpose is solely the management of the credit spread); therefore it has a very limited sensitivity to change of interest rate.

*** Credit spread sensitivity**

A major part of AFS bond portfolios was reclassified as Loans and Receivables. The AFS reserve on these securities is insensitive to credit spread variation.

As for other bond portfolios, the credit spread sensitivity measures the sensitivity in fair value reserve of bond portfolio classified as AFS to a basis point credit-spread increase, in millions of EUR. This sensitivity is closely monitored.

	2012		2013	
(EUR million)	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Outstanding	(27)	(1)	(23)	0

7.6. Liquidity risk

a. Analysis by term to maturity

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

1. Analysis of assets

	31/12/12									
(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and central banks	364	690	0	0	0	0	0			1,054
Financial assets at fair value through profit or loss		41	5	211	1,690	1	1,155	20,278		23,380
Hedging derivatives							957	8,414		9,371
Financial assets available for sale	18	2,885	2,451	10,087	18,468	289	539	1,480	(155)	36,060
Interbank loans and advances	1,345	855	1,180	4,208	2,547	0	60	675	(7)	10,865
Customer loans and advances	112	3,180	4,992	26,783	97,142	0	870	17,295	(811)	149,564
Fair value revaluation of portfolio hedges								3,526		3,526
Financial assets held to maturity	0	14	48	337	51	0	5	0	0	456
Subtotal financial assets used to calculate the gap	*1,840*	*7,665*	*8,675*	*41,626*	*119,898*	*290*				
Tax assets						229				229
Accruals and other assets	2	37,302	128	2	(1)	79	6	3	(18)	37,503
Non-current assets held for sale	0	0	0	0	0	18	0	0	0	17
Tangible fixed assets						501			0	501
Intangible assets and goodwill						102			0	102
TOTAL CONTINUING OPERATIONS	**1,842**	**44,966**	**8,804**	**41,628**	**119,897**	**1,219**	**3,592**	**51,671**	**(991)**	**272,628**
Disposal groups held for sale	2,449	2,126	3,356	18,102	40,234	473	1,900	15,992	(49)	84,581
TOTAL	**4,291**	**47,092**	**12,159**	**59,730**	**160,131**	**1,691**	**5,493**	**67,663**	**(1,040)**	**357,210**

2. Analysis of liabilities excluding shareholders' equity

(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
	31/12/12								
Central banks	0	16,414	0	33,889	0	0	287	0	50,590
Financial liabilities at fair value through profit and loss	0	25	369	1,209	1,540	0	1,083	23,605	27,831
Hedging derivatives							1,988	33,772	35,760
Interbank borrowings and deposits	178	12,869	5,526	8,525	6,926	0	91	15	34,130
Customer borrwings and deposits	2,325	3,891	1,829	577	1,913	0	57	134	10,727
Debt securities	19	23,056	20,179	40,827	19,617	1	1,016	4,936	109,651
Fair value revaluation of portfolio hedges								372	372
Subordinated debts	0	10	5	425	232	0	8	26	707
Subtotal financial liabilities used to calculate the gap	*2,522*	*56,266*	*27,909*	*85,452*	*30,229*	*1*			
Tax liabilities						235			235
Accruals and other liabilities	32	3,734	106	184	101	130	3	0	4,289
Provisions						251			251
TOTAL CONTINUING OPERATIONS	**2,554**	**60,000**	**28,014**	**85,635**	**30,331**	**616**	**4,533**	**62,860**	**274,543**
Liabilities included in disposal groups held for sale	0	6,635	3,134	25,945	24,981	63	1,748	16,849	79,357
TOTAL	**2,554**	**66,635**	**31,149**	**111,580**	**55,312**	**679**	**6,282**	**79,709**	**353,900**

Net liquidity gap (EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity
Continuing operations	(682)	(48,601)	(19,233)	(43,826)	89,669	289
Disposal groups held for sale	2,448	(949)	229	(7,855)	15,253	225

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

1. Analysis of assets

(EUR million)	31/12/13 Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and central banks	1,745	0	0	0	0	0	0			1,745
Financial assets at fair value through profit or loss	0	5	5	276	1,223	0	1,215	15,623		18,348
Hedging derivatives							756	5,189		5,945
Financial assets available for sale	793	831	2,054	7,877	16,072	239	497	932	(70)	29,224
Interbank loans and advances	710	612	1,498	2,998	2,431	0	44	518	(5)	8,807
Customer loans and advances	149	3,738	4,172	24,263	85,188	0	784	11,703	(958)	129,039
Fair value revaluation of portfolio hedges								1,035		1,035
Financial assets held to maturity	0	25	49	343	15	0	5	0	0	437
Subtotal financial assets used to calculate the gap	3,397	5,211	7,779	35,758	104,929	239				
Tax assets						235				235
Accruals and other assets	19	7,699	19,160	180	171	45	5	0	(9)	27,270
Non-current assets held for sale	0	0	0	0	0	13	0	(1)	0	12
Tangible fixed assets						339			0	339
Intangible assets and goodwill						28			0	28
TOTAL CONTINUING OPERATIONS	**3,417**	**12,909**	**26,939**	**35,937**	**105,100**	**899**	**3,306**	**35,000**	**(1,043)**	**222,464**
Disposal groups held for sale	47	60	18	0	0	347	0	0	0	472
TOTAL	**3,463**	**12,969**	**26,957**	**35,937**	**105,100**	**1,246**	**3,306**	**35,000**	**(1,043)**	**222,936**

2. Analysis of liabilities excluding shareholders' equity

	31/12/13								
(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
Central banks	0	6,459	651	25,364	1,331	0	469	0	34,274
Financial liabilities at fair value through profit and loss	0	36	309	357	1,262	0	1,158	15,720	18,840
Hedging derivatives							1,460	20,805	22,265
Interbank borrowings and deposits	34	3,234	1,310	20,981	5,559	0	71	11	31,201
Customer borrwings and deposits	2,033	2,336	1,619	1,451	1,020	0	51	79	8,590
Debt securities	1	14,051	32,254	27,983	17,796	0	851	3,431	96,368
Fair value revaluation of portfolio hedges								231	231
Subordinated debts	0	0	131	333	158	0	8	14	644
Subtotal financial liabilities used to calculate the gap	2,068	26,116	36,274	76,469	27,126	0			
Tax liabilities						141			141
Accruals and other liabilities	62	5,104	463	31	135	189	3	0	5,987
Provisions						313			313
TOTAL CONTINUING OPERATIONS	**2,130**	**31,219**	**36,737**	**76,500**	**27,261**	**644**	**4,072**	**40,291**	**218,854**
Liabilities included in disposal groups held for sale	0	51	47	0	0	25			123
TOTAL	**2,130**	**31,270**	**36,784**	**76,500**	**27,261**	**669**	**4,072**	**40,291**	**218,977**

Net liquidity gap (EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity
Continuing operations	1,329	(20,905)	(28,495)	(40,711)	77,803	239
Disposal groups held for sale	47	2	0	0	0	218

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

b. Steps taken to improve Dexia Group's liquidity

Steps taken to improve Dexia Group's liquidity are described in the chapter "Information on capital and liquidity" of the Management Report on page 47.

7.7. Currency risk

Classification by original currency	31/12/12				
(EUR million)	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	270,519	25,588	37,805	23,297	357,210
Total liabilities and shareholders' equity	281,304	14,759	44,359	16,787	357,210
NET BALANCE SHEET POSITION	**(10,785)**	**10,829**	**(6,554)**	**6,510**	**0**

Classification by original currency	31/12/13				
(EUR million)	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	156,772	21,951	29,550	14,663	222,936
Total liabilities and shareholders' equity	170,056	9,083	35,057	8,739	222,936
NET BALANCE SHEET POSITION	**(13,284)**	**12,867**	**(5,507)**	**5,924**	**0**

8. Segment and geographic reporting

a. Segment reporting

Following approval of its orderly resolution plan by the European Commission in December 2012, and considering the progress made in implementing the resolution process, Dexia has altered its analysis by business line. This presentation is in line with the new profile of the Group and its strategic orientation, of which one of the main objectives is to minimise the risk represented by the Dexia Group for the guarantor States and to optimize its asset value for its shareholders.
From this perspective Dexia's performance is now understood at a consolidation level on the basis of a single **"Management of activities in run off"** division without specific allocation of funding and operating expenditure .

The management information consists of two kinds of reports:
• Reports linked to activities in run off, which are globally consolidated and assessed through the income statement, on the basis of future results and associated expenses. These activities are regarded as a single division.
• Reports linked to activities held for sale, which are not assessed through their intrinsic profitability but are assessed within the context of the best negotiation of the proceed from sale within 12 months.

Moreover:
• Classification of Dexia P&L and Balance Sheet between "Core" and "Legacy Division" is no more appropriate as the definition of non strategic assets in run off is now extended to all assets in the balance sheet of Dexia.
• Treasury operations are no longer a business division/profit centre as their sole role is to optimize funding cost of Dexia and to fund the assets.
• Evaluation of performance is no more realised through the allocation of liabilities and operating expenses to business lines. Operating expenses have to be managed globally and by entity for a better monitoring.

The results of the discontinued activities as well as of the activities held for sale have to be considered in the analysis of the performance of the Group. Indeed, one of the objectives of the Group is to sell the operational entities at the best price in order to maximize the preservation of the capital.

b. Geographic reporting

(EUR million)	Belgium	France	Ireland	United States	Other	Total
As at 31 DECEMBER 2012						
NET BANKING INCOME	**64**	**(534)**	**(213)**	**(151)**	**27**	**(807)**
As at 31 DECEMBER 2013						
NET BANKING INCOME	**2**	**(188)**	**(185)**	**(85)**	**(17)**	**(474)**

9. Passage from the presentation of the accounts in the Dexia scheme to the presentation in the ANC scheme (Autorité des Normes Comptables)

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

As from 1 January 2013, the consolidated financial statements of Dexia SA are prepared in the ANC format (Autorité des Normes Comptables). As at 31 December 2013 Dexia applies the ANC Recommendation no. 2013-04 issued on 7 November 2013 which supersedes the Recommendation 2009 R04 from 2 July 2009.

The main changes in classification are the followings (numbers refer to the tables in the following pages):

Balance sheet:

• Reclassification of cash collaterals from the headings related to Banks and Customers to "Accruals and other assets"/ "Accruals and other liabilities"(1)
• Reclassification of trading derivatives to the "Financial assets at fair value through profit or loss" / "Financial liabilities at fair value through profit or loss"(2)
• Breakdown between current taxes and deferred taxes(3)

Assets:
• The following headings are presented separately:
– Financial assets held to maturity(4)
– Financial assets available for sale(4)
– Goodwill(5)

Liabilities and equity:
• Central banks are presented separately(6)
• Subscribed capital, additional paid-in capital and Treasury shares are aggregated into "Capital stock and related reserves"(7)
• Hybrid instruments considered as own funds (group share) are reclassified from "Reserves and retained earnings "to "Capital stock and related reserves"(8)
• No breakdown between unrealised or deferred gains or losses
• "Non-controlling interests" are named "Minority interests"

Income statement:

• Reclassifications made are the followings:
– From "Dividends" to "Net gains (losses) on financial assets available for sale"(9)
– For gains and losses on tangible and intangible assets and on assets held for sale, as well as gains or losses on consolidated shares (if not classified in discontinued operations): they are included in "Net gains (losses) on other assets"(10)
– For impairments and gains or losses on impaired debt instruments classified as "Financial assets held to maturity" or "Financial assets available for sale": they are reclassified to "Cost of risk"(11)
– From "Impairments on tangible and intangible assets" to "Depreciation, amortisation and impairment of tangible fixed assets and intangible assets"(12)
– From "Staff expense" and "General and administrative expense" to "General operating expenses"(13)
• "Other net income" is split into "Other income" and "Other expenses"(14)
• "Provisions for legal litigations" are included in "Other expenses"(15)

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FIGURES AS AT 31 DECEMBER 2012 (EUR million)

ASSETS		Dexia's presentation	Trading derivatives [2]	Held to maturity investments [4]	Collaterals in Accruals and other assets [1]
I.	Cash and balances with central banks	1,054			
IV.	Financial assets measured at fair value through profit or loss	2,225	21,155		
VI.	Derivatives	30,526	(21,155)		
V.	Financial investments	36,516		(456)	
II.	Loans and advances due from banks	47,027			(36,162)
III.	Loans and advances to customers	150,019			(455)
VII.	Fair value revaluation of portfolio hedge	3,526			
				456	
X.	Tax assets	229			
XI.	Other assets	886			36,617
XII.	Non-current assets and disposal groups held for sale	84,599			
VIII.	Tangible fixed assets	501			
IX.	Intangible assets and goodwill	102			
TOTAL ASSETS		**357,210**			

LIABILITIES & EQUITY		Dexia's presentation	Split central banks from credit institutions [6]	Trading derivatives [2]	Collaterals in Accruals and other liabilities [1]
Liabilities					
I.	Due to banks	87,478	(34,130)		(2,758)
III.	Financial liabilities measured at fair value through profit or loss	3,931		23,900	
IV.	Derivatives	59,660		(23,900)	
			34,130		
II.	Customer borrowings and deposits	11,111			(383)
VI.	Debt securities	109,651			
V.	Fair value revaluation of portfolio hedges	372			
IX.	Tax liabilities	234			
X.	Other liabilities	1,148			3,141
XI.	Liabilities included in disposal groups held for sale	79,357			
VIII.	Provisions and other obligations	251			
VII.	Subordinated debts	707			
TOTAL LIABILITIES		353,900			
Equity					
TOTAL EQUITY		3,310			
TOTAL SHAREHOLDERS'EQUITY		2,852			
XIV	Subscribed capital	6,000			
XV.	Additional paid-in capital	1,900			
XVI.	Treasury shares	(4)			
XVII.	Reserves and retained earnings	5,889			
XIX.	Gains and losses not recognised in the statement of income	(8,067)			
XVIII.	Net income for the period	(2,866)			
XX.	Non-controlling interests	458			
TOTAL LIABILITIES & EQUITY		**357,210**			

Goodwill [5]	Tax split [3]		ANC's presentation		
			1,054	I.	Cash and central banks
			23,380	II.	Financial assets at fair value through profit or loss
			9,371	III.	Hedging derivatives
			36,060	IV.	Financial assets available for sale
			10,865	V.	Interbank loans and advances
			149,564	VI.	Customer loans and advances
			3,526	VII.	Fair value revaluation of portfolio hedges
			456	VIII.	Financial assets held to maturity
	(20)		209	IX.	Current tax assets
	20		20	X.	Deferred tax assets
			37,503	XI.	Accruals and other assets
			84,599	XII.	Non current assets held for sale
			501	XV.	Tangible fixed assets
(59)			43	XVI.	Intangible assets
59			59	XVII.	Goodwill
			357,210	**TOTAL ASSETS**	

Tax split [3]	Merge own funds [7]	Hybrid instru-ment [8]	ANC's presentation		
			50,590	I.	Central banks
			27,831	II.	Financial liabilities at fair value through profit or loss
			35,760	III.	Hedging derivatives
			34,130	IV.	Interbank borrowings and deposits
			10,727	V.	Customer borrowings and deposits
			109,651	VI.	Debt securities
			372	VII.	Fair value revaluation of portfolio hedges
(217)			18	VIII.	Current tax liabilities
217			217	IX.	Deferred tax liabilities
			4,289	X.	Accruals and other liabilities
			79,357	XI.	Liabilities included in disposal groups held for sale
			251	XV.	Provisions
			707	XVI.	Subordinated debt
			353,900	TOTAL LIABILITIES	
				EQUITY	
			3,310	XV.	Equity
			2,852	XVI.	Equity, Group share
	1,896	40	7,936	XVII.	Capital stock and related reserves
	(1,900)				
	4				
		(40)	5,849	XVIII.	Consolidated reserves
			(8,067)	XIX.	Unrealised or deferred gains and losses
			(2,866)	XX.	Net result for the period
			458	XXI.	Minority interests
			357,210	**TOTAL LIABILITIES AND EQUITY**	

STATEMENT OF INCOME		Dexia's presentation	Dividends (9)	Split other results (14)	Litigation in other expenses (15)
I.	Interest income	17,179			
II.	Interest expense	(17,909)			
III.	Dividend income	7	(7)		
VI.	Fee and commission income	115			
VII.	Fee and commission expense	(249)			
IV.	Net income from financial instruments at fair value through profit or loss	(80)			
VI.	Net income on investments	19	7		
VIII.	Other net income	24		43	2
				(43)	(2)
Income		**(894)**	**0**	**0**	**0**
IX.	Staff expense	(348)			
X.	General and administrative expense	(165)			
XI.	Depreciation & amortization	(41)			
Expenses		**(554)**			
Gross operating income		**(1,448)**	**0**	**0**	**0**
XII.	Impairment on loans and provisions for credit commitments	(277)			
XIII.	Impairment on tangible and intangible assets	(1)			
XV.	Provisions for legal litigations	0			0
Net result before tax from continuing operations		**(1,726)**	**0**	**0**	**0**
XVI.	Tax expense	2			
Net result from continuing operations		**(1,724)**			
XVII.	Net result from discontinued operations	(1,163)			
Net result		**(2,887)**			
	Attributable to non-controlling interests	(21)			
Attributable to equity holders of the parent		**(2,866)**			

(*) AFS: Available-for-sale; HTM: Held to maturity

Merge operating expenses [13]	Depreciation and amortisation tangible fixed assets and intangible assets [12]	AFS(*) & HTM(*) : impairment and gains/ losses on impaired debt instruments [11]	Net gains/ losses on tangible fixed assets, intangible assets and assets held for sale [10]	ANC's presentation		
				17,179	I.	Interest income
				(17,909)	II.	Interest expense
				115	III.	Commission income
				(249)	IV.	Commission expense
				(80)	V.	Net gains (losses) on financial instruments at fair value through profit or loss
		155	(69)	113	VI.	Net gains (losses) on financial assets available for sale
				69	VII.	Other income
				(45)	VIII.	Other expenses
0	**0**	**155**	**(69)**	**(807)**	**IX.**	**Net banking income**
(165)				(513)	X.	Operating expenses
165						
	(1)			(43)	XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets
0	**(1)**	**155**	**(69)**	**(1,363)**	**XII.**	**Gross operating income**
		(155)		(432)	XIII.	Cost of risk
	1					
				(1,795)	**XIV.**	**Operating income**
			69	69	XVI.	Net gains (losses) on other assets
0	**0**	**0**	**0**	**(1,726)**	**XVIII.**	**Net result before tax**
				2	XIX.	Income tax
				(1,163)	XX.	Income from discontinued operations, net of tax
				(2,887)	**XXI.**	**Net result**
				(21)	XXII.	Minority interests
				(2,866)	**XXIII.**	**Net result, group share**

Dexia SA
Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2013, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

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

We have audited the consolidated financial statements of Dexia SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated balance sheet shows total assets of 222,936 million EUR and the consolidated statement of income shows a consolidated loss (group share) for the year then ended of 1,083 million EUR.

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

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

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Dexia SA give a true and fair view of the Group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

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

Without modifying the above unqualified opinion, we draw your attention to note 1 of the notes to the consolidated financial statements which states that the consolidated financial statements of Dexia SA as of 31 December 2013 have been prepared using the going concern principle in accordance with the criteria of IAS 1.

The justification of the going concern assumption is supported by a revised business plan approved by the group's board of directors on 6 August 2013 and which is taking into account a.o. the following assumptions:

- The revised business plan is based on the possibility for Dexia to develop a certain financing capacity on the markets, more particular through the funding guarantee granted by the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets.
- The revised business plan assumes that the different entities maintain their banking licence and this, if the case, despite a possible non-compliance with certain regulatory ratio's. It also relies on the maintenance of the rating of Dexia SA and Dexia Crédit Local SA.
- The revised business plan is based on different underlying macroeconomic hypotheses (including the expected evolution of interest rates and credit environment). These hypotheses were reviewed within the framework of the revised business plan ratified by the Board of Directors on 6 August 2013 and based on the latest observable market conditions as well as the regulatory developments known at that date. A new update of the plan will be performed in the 2nd quarter 2014.
- The revised business plan is also sensitive to regulatory and accounting developments.

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

As mentioned by Dexia, we refer to the current uncertainties that remain regarding the ongoing Asset Quality Review (AQR) by the European Central Bank, in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the Group.

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

Report on other legal and regulatory requirements

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

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

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

Diegem, 7 April 2014

The statutory auditor

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

Frank Verhaegen Bernard De Meulemeester

Annual financial statements
Financial statements as at 31 December 2013

Balance sheet
(before income appropriation)

ASSETS (in EUR)		31/12/12	31/12/13
FIXED ASSETS		**5,290,805,037**	**2,515,864,506**
II.	Intangible fixed assets	619,455	425,084
III.	Tangible fixed assets	2,057,235	1,367,105
	B. Plant, machinery and equipment	60,031	40,272
	C. Furniture and vehicles	915,339	549,256
	E. Other tangible fixed assets	1,081,865	777,577
IV.	Financial fixed assets	5,288,128,347	2,514,072,317
	A. Affiliated enterprises	5,285,437,496	2,511,862,703
	1. Participating interests	5,285,437,496	2,511,862,703
	C. Other financial assets	2,690,851	2,209,614
	1. Shares	2,000,000	2,001,000
	2. Amounts receivable and cash guarantees	690,851	208,614
CURRENT ASSETS		**1,304,090,443**	**1,216,928,509**
V.	Amounts receivable after more than one year	131,446,164	137,914,634
	B. Other amounts receivable	131,446,164	137,914,634
VII.	Amounts receivable within one year	202,248,528	190,418,303
	A. Trade debtors	14,956,022	10,898,145
	B. Other amounts receivable	187,292,506	179,520,158
VIII.	Current investments	882,484,975	852,158,406
	B. Other investments and deposits	882,484,975	852,158,406
IX.	Cash at bank and in hand	83,358,566	32,819,144
X.	Deferred charges an accrued income	4,552,210	3,618,022
TOTAL ASSETS		**6,594,895,480**	**3,732,793,015**

SHAREHOLDERS' EQUITY AND LIABILITIES (in EUR)		31/12/12	31/12/13
EQUITY		**2,722,880,172**	**2,884,899,727**
I.	Capital	6,000,000,000	500,000,000
	A. Issued capital	6,000,000,000	500,000,000
II.	Share premium account	1,900,000,000	1,900,000,000
IV.	Reserves	375,642,927	322,880,172
	A. Legal reserves	50,000,000	50,000,000
	D. Available reserves	325,642,927	272,880,172
V. bis.	Profit (+) / Loss (-) for the year [1]	(5,552,762,755)	162,019,555
PROVISIONS AND DEFERRED TAXES		**105,329,844**	**95,171,474**
VII.	A. Provisions for liabilities and charges	105,329,844	95,171,474
	4. Other liabilities and charges	105,329,844	95,171,474
AMOUNTS PAYABLE		**3,766,685,464**	**752,721,814**
VIII.	Amounts payable after more than one year	454,954,623	454,954,623
	A. Financial liabilities	454,954,623	454,954,623
	1. Subordinated loans	39,788,000	39,788,000
	4. Credit institutions	415,166,623	415,166,623
IX.	Amounts payable within one year	3,293,583,493	297,136,535
	B. Financial liabilities	754,589	1,909
	1. Credit institutions	754,589	1,909
	C. Trade debts	29,402,797	8,979,935
	1. Suppliers	29,402,797	8,979,935
	E. Taxes, remuneration and social security	10,321,787	6,997,452
	1. Taxes	1,233,589	3,481,441
	2. Remuneration and social security	9,088,198	3,516,011
	F. Other amounts payable	3,253,104,320	281,157,239
X.	Accrued charges and deferred income	18,147,348	630,656
TOTAL LIABILITIES		**6,594,895,480**	**3,732,793,015**

(1) See note 1 to the financial statements.

Off-balance-sheet items

(in EUR)	31/12/12	31/12/13
Miscellaneous rights and commitments:		
Guarantee given by the French, Belgian and Luxemburg States [1]	PM	PM
Guarantee given by the French and Belgian States for the Financial Products portfolio [1]	PM	PM
Guarantees given by third parties on behalf of the company	248,793	302,973
Personal guarantees given on behalf of third parties	29,700	7,500
Real guarantees given on own assets	150,320,139	150,322,223
Commitment to issue shares linked to stock options (excercise price)	880,172,897	797,259,659
Commitment to issue shares to the Belgian and French States	PM	PM
Commitment towards Dexia Bank Nederland NV	PM	PM
Commitment to sell Dexia Asset Management Lux	PM	380,000,000
Commitment others [2]	PM	PM

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

Statement of income

(in EUR)		31/12/2012	31/12/2013
I.	Operating income	18,781,666	15,586,574
	D. Other operating income	18,781,666	15,586,574
II.	Operating charges	(137,357,356)	(50,183,450)
	B. Services and other goods	(100,112,426)	(31,950,663)
	C. Remuneration, social security costs and pensions	(32,156,855)	(14,474,832)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(4,650,460)	(773,810)
	F. Increase (-); decrease (+) in provisions for liabilities and charges	128,958	(150,838)
	G. Other operating charges	(566,573)	(2,833,307)
III.	Operating loss	(118,575,690)	(34,596,876)
IV.	Financial income	101,012,016	212,574,367
	A. Income from financial fixed assets	17,740,791	200,000,000
	B. Income from current assets	5,785,254	9,374,720
	C. Other financial income	77,485,971	3,199,647
V.	Financial charges	(114,375,031)	(6,489,910)
	A. Debt charges	(99,265,392)	(9,470,157)
	B. Amounts written off on current assets other than stocks, current orders and receivables: increase (-); decrease (+)	(4,056,436)	3,503,186
	C. Other financial charges	(11,053,203)	(522,939)
VI.	Current profit (+) / loss (-) before taxes	(131,938,705)	171,487,581
VII.	Exceptional income	466,879,210	28,353,068
	B. Adjustments to amounts written off financial fixed assets	22,359,036	0
	C. Adjustments to provisions for extraordinary liabilities and charges	148,199,368	2,495,193
	D. Gains on disposal of fixed assets	173,948	19,915,937
	E. Other exceptional income	296,146,858	5,941,938
VIII.	Exceptional charges	(5,893,271,937)	(43,675,892)
	A. Exceptional depreciation of and exceptional amounts written off on formation expenses, intangible and tangible fixed assets	(4,272,760)	(67,448)
	B. Amounts written off on financial fixed assets	(5,129,999,999)	0
	C. Provisions for exceptional liabilities and charges: utilization (+)	1,949,280,174	7,814,015
	D. Loss on disposal of fixed assets	(600,271,348)	(246,169)
	E. Other exceptional charges	(2,108,008,004)	(51,176,290)
IX.	Profit (+) / Loss (-) for the period before taxes	(5,558,331,432)	156,164,757
X.	Income taxes	5,568,677	5,854,798
	A. Income taxes	(3,648,386)	(49,476)
	B. Adjustment of income taxes and write-back of tax provisions	9,217,063	5,904,274
XI.	Profit (+) / Loss (-) for the period	(5,552,762,755)	162,019,555
XIII.	Profit (+) / Loss (-) to be appropriated	(5,552,762,755)	162,019,555
	Result brought forward of the previous period	0	0
	Profit (+) / Loss (-) for the period to be appropriated	(5,552,762,755)	162,019,555
PROFIT (+) / LOSS (-) TO BE APPROPRIATED		**(5,552,762,755)**	**162,019,555**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia SA presents its financial statements before appropriation. The 2013 financial year closed with a profit of EUR 162 million. There was no profit carried over from the previous period. As a result, the total profit to be appropriated is EUR 162 million.

2. Annual financial statements and chart of accounts

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

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

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

3.1.2. FOREIGN CURRENCY TRANSLATION INTO EUR

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

3.2. Assets

3.2.1. FORMATION EXPENSES (ITEM I.)

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

3.2.2. INTANGIBLE FIXED ASSETS (ITEM II.)

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

3.2.3. TANGIBLE FIXED ASSETS (ITEM III.)

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

3.2.4. FINANCIAL ASSETS (ITEM IV.)

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

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

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

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

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

3.3. Liabilities

3.3.1. REVALUATION SURPLUSES (ITEM III.)

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

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

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

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

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

3.4. Off-balance sheet items

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

4. Notes to the annual financial statements

Dexia SA is a cross-border holding company which has two permanent establishments in Paris and Luxembourg. From an accounting point of view, the financial statements of Dexia SA include the accounts of Brussels, the Dexia SA head office, and those of the two permanent establishments in Paris and Luxembourg.

Continuity of operations and update to the revised business plan

The statutory consolidated financial statements of Dexia SA as at 31 December 2013 were established in accordance with the accounting rules applicable to a going concern, which assume a certain number of hypotheses explained within the framework of previous accounting closures and hereunder detailed.
These hypotheses of continuity rely on a business plan which served as the basis for the establishment of a resolution plan for the Dexia Group. This business plan is based on the possibility for Dexia to develop a certain financing capacity on the markets, more particular through the funding guarantee granted by the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets. From this perspective, the group's funding structure evolved favourably in 2013, with successful issues under the Euro Medium Term Notes (EMTN) and US Medium Term Notes (USMTN) programs under guaranteed format, the successful implementation of short-term issue programmes under guaranteed format in the United States and in Europe and the obtaining of new short and medium-term secured funding. The year 2013 was marked by a progression of the market funding, at a lower cost and at longer maturities than anticipated under the business plan, as well as a reduced use of central bank funding. These points are detailed in the chapter "Capital management and liquidity" of the present report.
The plan assumes that the different entities maintain their banking licence and this, if the case, despite a possible non-compliance with certain regulatory ratio's. It also relies on the maintenance of the rating of Dexia SA and Dexia Crédit Local SA.
The macroeconomic hypotheses underlying the business plan, validated by the group's board of directors on 14 November 2012, were reviewed within the framework of a review of the entire annual plan. Initially, the macro-economic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an

OIS curve for the valuation of OTC derivatives (cf. chapter "Financial Results" of this annual report). A new update of the plan will be performed in the 2nd quarter of 2014.
The business plan thus revised and ratified by the group's board of directors on 6 August 2013 does not lead to any significant deviation over the term of the plan compared to the plan initially validated. Some uncertainties remain however, associated with its realisation. The plan is sensitive in particular to the evolution of interest rates and the credit environment, of which an unfavourable development would adversely affect Dexia's performance.
The latest update of the plan in June 2013 shows that a decline of 10 basis points of the interest rate at ten years would result in an increase of 1.1 billion EUR of the liquidity need due to the cash collateral, which are the deposits or the financial instruments given by Dexia to its counterparties in order to guarantee interest rate swaps or currency swaps. This need, if the liquidity reserves would not be sufficient, would be financed at the interest rate of the emergency liquidity line (ELA), which is the most expensive funding source, and would generate an additional cost of 170 million EUR over the time period 2014-2022.
More conservative assumptions with respect to rating improvements and/or the tightening of the credit spreads as from 2014 would also have a negative impact on the income statement as well as on the available liquidity reserves and would increase the required level of regulatory capital as from 2014.
The plan is also sensitive to regulatory and accounting developments, in particular the implementation of the IFRS 9 standard.
The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing on one hand the financing of a part of Dexia's assets through repo's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with the total outstanding issued under the 2013 guarantee will reach up to EUR 40 billion in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investors' appetite for guaranteed debt.
If the absorption capacity of the market would be reduced, Dexia would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that 1 billion EUR per year financed at the rate of the ELA instead of the short term guaranteed financing rate, would have an impact of 129 million EUR over the time period 2014-2022. Conversely, if the market appetite for Dexia's guaranteed debt would allow to issue a larger than anticipated amount of guaranteed debt which would allow to reduce, maybe even eliminate, the dependence of Dexia from ELA, this would have a positive impact on the profitability of the plan.
Finally, to this date, some uncertainties remain on the Asset Quality Review (AQR), in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the group.

4.1. Balance sheet total (before income appropriation)

The balance sheet total is EUR 3 732.8 million as at 31 December 2013 against EUR 6 594.9 million as at 31 December 2012, a decrease of 43%. This decrease mainly consists of the liquidation of Dexia Participation Belgique (DPB), which resulted in a decrease in the participations of Dexia Group of EUR 2.8 billion and a debt repayment by Dexia Group towards DPB for the same amount.

4.2. Assets

FIXED ASSETS

4.2.1. FORMATION EXPENSES

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

4.2.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets totalled EUR 0.4 million and concerned the acquisition and the development of software as well as external costs related to the development of the Dexia website. These intangible fixed assets are depreciated on a straight-line method over a period of three years.
Following the restructuring plan of the Dexia Group and the disintegration of the information systems, an exceptional amortization of EUR 4.2 million had to be applied in 2012. In 2013, these fully amortized intangible fixed assets, with an acquisition value of EUR 10 million, were disposed.

4.2.3. TANGIBLE FIXED ASSETS

Tangible fixed assets which have a net book value of EUR 1.4 million have a gross acquisition value of EUR 7.9 million.
Property, plant and equipment contribute a gross acquisition value of EUR 1.5 million and are depreciated on a straight-line base over a period of ten years.
In 2013, following the downsizing related to the restructuring, office furniture with an acquisition value of EUR 1.1 million was sold and disposals for an amount up to EUR 0.7 million also took place.
Office, IT and audiovisual equipment represent a gross investment of EUR 4.7 million and is depreciated on a straight-line base at a rate of 25%.
Vehicles acquired during the year 2013 are linearly depreciated at a rate of 20%.
Other tangible fixed assets involving the installation of the leased premises, notably the premises located in the Bastion Tower in Brussels (gross acquisition value of EUR 1.7 million), are depreciated on a straight-line base over the period of the lease contracts.

4.2.4. FINANCIAL FIXED ASSETS

Participation interests in affiliated companies

The item "Participating Interest" respresenting EUR 5 285.4 million as at 31 December 2012 is EUR 2 511.9 million on 31 December 2013.

It includes the following equity interests:

- EUR 2 000.0 million: 100% of **Dexia Crédit Local SA** (DCL), Paris, France.

The Dexia SA 's take in DCL was valued at EUR 5 billion at 31 December 2011. This valuation was based on future positive cash flows forecasts for DCL which were, in turn, based upon the assumptions established by the Dexia Group in the context for the Orderly Resolution Plan.

Given the increase in the Dexia Group's funding costs, the assumptions were not materialized and the participation in DCL was subject to an evaluation which caused an impairment of 5 billion on 30 September 2012, approved by the board of director on November 7th, 2012.

On 31 December 2012, Dexia SA increased the capital of its subsidiary Dexia Crédit Local for an amount of EUR 2 000 million through a cash contribution. At the end of 2013, a total impairment of EUR 14 953.8 million, compared to an acquisition value of EUR 16 953.8 million, was recorded on DCL.

- EUR 370.0 million: 100% of **Dexia Asset Management Luxembourg SA** (DAM LU), Luxembourg.

On 31 December 2011, Dexia SA held 49% or EUR 245 million of DAM LU. Following the sale of the Banque Internationale à Luxembourg SA (BIL) (formerly Dexia BIL), Dexia SA acquired from BIL, on 21 September 2012, the remaining 51% of DAM LU for an amount of EUR 255 million. On 25 September Dexia Group announced the signing of a sale agreement of DAM LU to New York Life Investments. Taking into account the sale price of DAM LU of EUR 380 million, costs and the guarantees granted on the sale, an impairment of EUR 130 million was recorded in 2012 on DAM and is maintained.

- EUR 93.0 million: 100% of **Dexia Nederland BV**, Amsterdam, The Netherlands.
- EUR 48.8 million: 40% of **Popular Banca Privada** (PBP), Madrid, Spain

In accordance with the conditions of the sale of BIL, the participation of 40 % in PBP held by BIL was sold to Dexia SA on 21 September 2012. To be noted that the participation was sold on 19 February 2014 to Banco Popular Espanol for EUR 49.2 million.

- PM : 100% of **DCL investissements SA**, Paris, France.
- PM : 100% of **Dexiarail SA**, Paris, France.
- PM : 0.01% of **Dexia Asset Management Belgium SA** (DAM BE), Brussels, Belgium.

As part of the sale of BIL, the single share held by BIL of DAM BE was sold on 2 October 2012.

Dexia Participation Belgique SA (DPB), Brussels, Belgium, 100% of Dexia SA on 31 December 2012, sold on 28 September 2012 its participation of 99.84% held in DenizBank AS to the Russian bank Sberbank, for EUR 2 975 million. Following the sale, the decision was made to anticipate the dismantling of DPB by liquidating and closing the accounts immediately, which was performed on 28 March 2013. The liquidation of DPB resulted in a gain of EUR 18.8 million.

On 29 November 2013, Dexia Group finalized de sale of the subsidiary **Associated Dexia Technology Services SA** (ADTS); that was charged with the set-up and maintenance of the IT infrastructure of Dexia and all its affiliates. ADTS was sold to IBM for EUR 1.2 million which generated a loss of EUR 0.2 million. However, Dexia Group maintained a share in ADTS and is classified in "Other Financial assets".

On 31 December 2012, Dexia Group held a 100% participation in **Parfipar SA** Luxembourg. The liquidation of Parfipar was announced on 6 December 2012 and was finalized on 24 January 2013. A capital gain of EUR 1.1 million was generated.

Receivables on affiliated companies

In 2011, Dexia SA contributed EUR 39 million to its sub-subsidiary Dexia Kommunalkredit Bank AG (DKB) in relation to the prosecution against Dexia Banka Slovensko by customers in June 2009. An impairment of the same amount was recorded on the receivable in 2011. Regarding this litigation, the receivable of EUR 39 million is considered to be uncollectable.

Other financial assets

Shares and participations

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

Receivables and cash guarantees

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

CURRENT ASSETS

4.2.5. RECEIVABLES AFTER MORE THAN ONE YEAR

Other amounts receivables

Since 2002, the permanent establishment of Dexia SA in Paris has headed the tax consolidation group in France. As at 31 December 2013, the group included the following companies:

- CBX Gestion
- CBXIA1
- CBXIA2
- CLF Immobilier (ex Dexia CLF Immo)
- CLF Marne-la-Vallée Participation
- DCL Evolution
- DCL Investissements
- DCL Structure
- Dexia CLF Banque
- Dexia CLF Organisation
- Dexia Crédit Local
- Dexia Établissement Stable Paris
- Dexia Flobail
- Dexia Projets
- Dexiarail
- Floral
- Genebus Lease.

Given that the commitments made by Dexia Crédit Local and its subsidiaries allow Dexia SA, through its permanent establishment, to lock in temporary tax savings, it was agreed that the resources produced by the permanent establishment

would be lent to the tax consolidation Group's subsidiaries that made it possible to realise the tax savings through advances called "tax deferred advances".
The total of tax deferred advances granted by the permanent establishment with contractual maturity after 31 December 2014 amounted to EUR 73.3 million on 31 December 2013.

Dexia Funding Luxembourg (DFL), a subsidiary held for 100% by Dexia SA, had issued fixed rate / floating rate perpetual non-cumulative securities in 2006 for an amount of EUR 500 million, guaranteed by Dexia SA (DFL securities). The profit from the issuance of these DFL securities were lent to Dexia Bank Belgium SA (now Belfius Bank & Insurance) under a subordinated loan. Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB has launched two public offers for DFL securities and reimbursed the subordinated loan for an amount equal to the nominal value of the DFL securities obtained under the offer and acquired by DBB. Dexia SA has agreed to buy from DBB the DFL securities obtained under the offer. These buy-back have allowed to reduce the exposure of the group on DBB. Following the merger by absorption of DFL by Dexia SA, the DFL securities acquired from DBB for a total amount of EUR 460.2 million have been destroyed. On 31 December 2013, there remains in the accounts of Dexia SA, under the form of a senior loan to Belfius Bank of EUR 39.8 million representing the remaining DFL securities which remain outstanding.

In order to ensure the operational continuity of Dexia SA and carry out the imposed resolution plan of the group, a trust Hyperion was founded on 29 November 2012 with the objective to provide to all staff of Dexia SA who accepted to stay at least until October 2014. The same leaving conditions, agreed on 21 December 2011, which have been provided to those who left the group after the decision to dismantlement was taken. A loan of EUR 24.9 million was granted to Hyperion to finance its activities.

4.2.6. AMOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors

The item "Trade debtors" covers commercial receivables (EUR 6.3 million) and invoices to be created (EUR 1.3 million) to be charged to subsidiaries from the Group, also receivables from outside the Group (EUR 3.3 million) for the balance.

Other amounts receivable

The permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. It is, as a result, solely liable for corporation tax and the lump-sum annual taxation due from the Group in relation to its fiscal integration, given that taxes due from companies included in the tax consolidation must be paid to the permanent establishment. On 31 December 2013, the permanent establishment in Paris had a receivable of EUR 175.3 million to the French tax authorities as the lead company for French tax consolidation. Of this amount, EUR 173.3 million is the result of the allocation of losses starting in 2008 to profits from previous years. The counterparty to the EUR 173.3 million carry back is a debt to Dexia Crédit Local. As soon as it is refunded by the tax authorities, the EUR 173.3 million will be paid to Dexia Crédit Local as described in the addendum dated 13 December 2011 of the tax consolidation agreement.

Furthermore, as from 1 January 2007 until 31 December 2011, the permanent establishment of Dexia SA in Luxembourg was the head of the Group within the scope of tax integration in Luxembourg. As a consequence, it alone was also liable for corporation tax and local commercial tax on group companies integrated in Luxembourg.
The companies forming part of the Group fiscally integrated in Luxembourg were:
- BIL Ré SA
- Dexia SA, Luxembourg branch
- Dexia Participation Luxembourg SA
- Experta Corporate and Trust Services SA.

Also, on 31 December 2013, the permanent establishment in Luxembourg still has a claim of EUR 2.7 million on the companies which were included in the tax consolidation in Luxembourg, which corresponds to the tax due from those companies on their share of the consolidated tax result.

The head office has to recover a receivable relating to withholding tax from the tax authorities (EUR 0.1 million), a VAT receivable from the VAT administration (EUR 0.1 million) and a receivable from Hyperion of EUR 0.1 million.

The work rules state that salary is to be paid in advance. These represent a claim of EUR 0.4 million as at 31 December 2013.

The senior loan initially granted by Dexia Funding Luxembourg (DFL) to Belfius Bank and Insurance and included in the assets of Dexia SA following the merger between Dexia SA and DFL gives rise to an interest receivable of EUR 0.3 million at 31 December 2013. The balance of other short-term receivables consists of miscellaneous receivables (EUR 0.5 million), of which EUR 0.4 million is due by the subsidiaries of the Group.

4.2.7. CURRENT INVESTMENTS

Other investments and deposits

Cash surpluses of Dexia SA were deposited at short term with DCL (EUR 695 million) and with other credit institutions (EUR 0.8 million).
In addition, Dexia SA acquired securities for EUR 156.9 million, which were valued at their net realisable value at 31 December 2013, thereby resulting in an impairment of EUR 0.5 million. Moreover, these bonds were pledged to the insurance company White Rock Insurance PCC Ltd.
Dexia SA still holds Dexia VVPR strips in portfolio on which an impairment loss of EUR 0.2 million had already been recorded in 2011 to reduce the book value to zero.

4.2.8. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 32.8 million.

4.2.9. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 3.1 million and includes insurance (EUR 1.8 million) and also other general expenses (EUR 1.3 million).
The accrued income totalled EUR 0.5 million consists of interests on current investments (EUR 0.4 million) and tax deferred advances (EUR 0.1 million).

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2013, the holding company's shareholders' equity including 2013 net result before profit appropriation totalled EUR 2,884.9 million and is composed of the following items:

4.3.1. CAPITAL

The subscribed capital as at 31 December 2013 amounts to EUR 500 million against EUR 6,000 million on 31 December 2012.

In accordance with the decision of the Extraordinary Shareholders' Meeting of 8 May 2013, the share capital of Dexia SA amounted to EUR 6,000 million on 31 December 2012 and was reduced by EUR 500 million in order to compensate for the reported loss of the year 2012 (EUR 5,500 million). In accordance with the articles of association of the company, this capital decrease was first booked on class A shares. As this decrease is higher than the value of the capital which is represented by the class A shares, the amount of capital that can be repaid to all the shareholders of class A shares, after the capital decrease, totals to an amount of EUR 1.

As at 31 December 2013, the subscribed capital remains represented by 1,948,984,474 class A shares and 28,947,368,421 class B shares of which 872 449 bearer shares, 1,640,317,881 dematerialised shares and 29,255,162,565 registered shares. (cfr. Note 4.8. in the consolidated accounts). The total number of Dexia VVPR strips was 684,333,504.

4.3.2. SHARE PREMIUM ACCOUNT

The previous capital increases generally involved an issue premium so the total of these premiums amount to EUR 1,900 million as at 31 December 2013.

4.3.3. RESERVES AND RETAINED EARNINGS

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

Available reserves amounted to EUR 325.6 million at 31 December 2012 before result appropriation. The loss of the year 2012, which amounted to EUR 5,552.8 million has been discharged through a transfer of EUR 52.8 million from available reserves, the remaining balance of EUR 5,500 million was allocated to losses carried forward. This results in a decrease of available reserves to EUR 272.9 million on 31 December 2013.

The loss for the year 2012 amounted to EUR 5,552.8 million and has thus been reduced by EUR 52.8 million from a transfer from available reserves, the balance of the loss, namely EUR 5,500 million has been allocated to loss carried forward. Following the Extraordinary General Shareholders' Meeting of 8 May 2013, the losses carried forward that were discharged were realised in the capital for EUR 5,500 million.

4.3.4. NET RESULT FOR THE YEAR

The profit for 2013 is EUR 162 million. This profit arises from the financial results (EUR +206.1 million), exceptional results (EUR -15.3 million) and net tax income (EUR +5.8 million) from which are deducted the holding company's net operating expenses (EUR -34.6 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France on 1 January 2002, Dexia SA, through its permanent establishment, assumed vis-à-vis the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of tax leverage operations carried out in France with the approval of French tax authorities. Since then, new operations for the purpose of fiscal leverage were carried out by Dexia Credit Local, housed in subsidiaries of the consolidated tax group. These operations have as implications, for the financial year 2013, realisation of tax savings for EUR 0.2 million, and a provision for the same amount. In total, these commitments amounted to EUR 0.9 million on 31 December 2013.

Concerning the provisions of the guarantees granted on the sale of subsidiaries that were part of the Group on 31 December 2012 (EUR 75.5 million), there remains an amount of EUR 58 million in the accounts that relates to the subsidiary Dexia Holdings Inc., which was sold to Dexia Crédit Local. In addition, a complementary provision of EUR 10.4 million related to the sale of other subsidiaries was added to this provision. (Please refer to : "Litigations" of the chapter "Risk management" page 35).

The provisions for litigations of EUR 1.2 million related to the transformation plan implemented in late 2008 were used in 2013.

The announcement of the dismantling of the group in October 2011 resulted in an exceptional provision of EUR 55.5 million to cover the costs of severance payments. This provision still amounted to EUR 25.9 million on 31 December 2012 and was subject to reversals and additional allowances of respectively EUR 2.7 million and EUR 1.7 million, resulting in EUR 24.9 million at 31 December 2013.
The provision of EUR 2 million set up in 2012 to cover dismissal fees, was fully used in 2013.

The social procedure started in France in 2013, led to the set-up of a provision for restructuring costs of EUR 1 million.
Taking into account the previous, the balance of provisions for other liabilities and charges at 31 December 2013 amounts to EUR 95.2 million compared to EUR 105.3 million at 31 December 2012.

LIABILITIES

4.3.6. AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR

Subordinated debt

As stated in item 4.2.5., Dexia Funding Luxembourg (DFL), a subsidiary held for 100% by Dexia SA, had issued fixed rate / floating rate perpetual non-cumulative securities in 2006 for an amount of EUR 500 million, guaranteed by Dexia SA (DFL securities). The proceeds from the issuance of these DFL securities were lent to Dexia Bank Belgium SA (now Belfius Bank & Insurance) as part of a subordinated loan. Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB has launched two public offers for DFL securities and Dexia SA has agreed to buy from DBB the DFL securities obtained under the offer. Following the merger by absorption of DFL by Dexia SA, approved by Extraordinary General Shareholders' meeting of 9 May 2012, the DFL securities bought from DBB for a total amount of EUR 460.2 million have been cancelled by Dexia SA. The securities which have not been offered by their owners amount to EUR 39.8 million at 31 December 2013, and remain in the accounts of Dexia SA.

Credit institutions

Dexia SA has a loan contract of EUR 415.2 million with DCL maturing at 31 December 2017

4.3.7. AMOUNTS PAYABLE WITHIN ONE YEAR

Trade liabilities

Suppliers' invoices not yet paid amount to EUR 2.9 million, invoices to be received EUR 5.1 million and credit notes to be issued for EUR 1 million. Among trade liabilities are invoices for intercompany services for an amount of EUR 2.2 million.

Taxes, remuneration and social security

This item includes:

- Taxes on communities, commercial municipal tax and wealth tax payable by DPL and DFL as these two subsidiaries were absorbed by Dexia SA on 9 May 2012 (EUR 1 million);
- Estimated wealth tax owed by the permanent establishment in Luxembourg (EUR 2.3 million);
- Professional withholding tax due (EUR 0.2 million);
- Liabilities for remuneration and social contributions (EUR 3.5 million).

Other amounts payable

The cash loan granted by DPB to Dexia SA in 2012 (EUR 2 965.2 million) was reimbursed.

As mentioned, the permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. The permanent establishment is therefore solely liable to the French tax authorities for the corporate tax and the annual lump-sum tax due by the tax group in France.
For the subsidiaries, membership in the tax consolidation group is neutral with respect to the tax situation they would be subject to if there was no consolidation. In fact, subsidiary companies must pay the corporate tax to companies within the scope of consolidation to the permanent establishment of Dexia SA in Paris. The advances paid by subsidiaries in 2013 were in short of the estimated tax they owed the parent company. However, following the allocation of recent losses to the profit of previous years (carry back), the tax being recovered from the tax authorities includes a tax liability payable to the subsidiary companies of the consolidation group. The permanent establishment has therefore a liability of EUR 175 million to its subsidiary companies as at 31 December 2013, of which EUR 173.3 million concerns the carry back.

The balance of dividends remaining to be paid for previous financial years is EUR 94.4 million.

The remaining balance of EUR 11.8 million comprise of a a debt to DCL (EUR 11.7 million) and other debts outside the Group (EUR 0.1 million)..

4.3.8. ACCRUED CHARGES AND DEFERRED INCOME

This item consists exclusively of expenses to be accrued as follows:

- Accrued rent charges (EUR 0.5 million);
- Pro rata other operating expenses attributable to the 2013 fiscal year (EUR 0.1 million).

4.4. Off-balance-sheet items – commitments

Dexia SA has significant commitments that are recorded off-balance sheet:

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

4.4.2. As at 31 December 2013, the number of options attributed to staff and management and not yet exercised stood at 52 320 686. Taking exercise prices into account, this operation generates an off-balance sheet of EUR 797.3 million. In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the decisions of the Extraordinary Shareholder's Meetings of 12 May 2010 and 11 May 2011, the exercise price for the warrants has been reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

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

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

4.4.5. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

See note 4.4.c "Transactions with the Belgian, French and Luxembourg states" of the consolidated financial statements.
Dexia SA commits itself collect from the issuers of guaranteed funding the fee payable under the Guarantee Agreements signed at 9 December 2008 with the governments and for paying it to those governments.

4.4.6. DISPOSAL OF DEXIA ASSET MANAGEMENT

On 25 September 2013, Dexia announced the signing of a new sales agreement of Dexia Asset Management (DAM) with New York Life Investments, for an amount of EUR 380 million. This sale of DAM related to the securities of DAM Luxembourg and of DAM Belgium. This sale will generate guarantees granted on the sale and costs related to the sale, like in any other sale of a participation. Therefore the impairment of EUR 130 million is maintained until the sale is finalized.

4.4.7. LEASE GUARANTEES

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

4.4.8. REAL GUARANTEES ON OWN FUNDS

In order to cover its commitments, Dexia SA has pledged bonds which it holds in its treasury portfolio (EUR 156.4 million) to White Rock Insurance Company PCC Ltd for an amount of EUR 150 million. Otherwise cash frozen on ad hoc accounts is given as surety to Belfius Bank and third parties for lease guarantees (EUR 0.3 million).

4.4.9. LITIGATIONS

See chapter Risk management – page 35 – in the Management Report.

4.5. Statement of income

4.5.1. OPERATING RESULT

Other operating income (+ EUR 15.6 million) includes the services provided by Dexia SA in 2013 by the teams responsible for risk, finance, HR, operations and IT to other entities of the group in the context of the steering mission of the departments to the new dimension of the Dexia Group, put in place on 10 October 2012 (EUR +13.9 million). Also included in this item is the recovery of costs from Group companies (EUR 1.4 million), the repayment of a tax (EUR 0.2 million), as well as structural reductions regarding the professional withholding tax (EUR +0.1 million).

Services and other goods amounting to EUR 100.1 million as at 31 December 2012 and only amount EUR 32 million at 31 December 2013, representing a significant increase of 68% as a result of the new governance following the execution of the Orderly Resolution Plan, adopted by the Group by the end of 2012.

This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, as well as compensations paid to the members of the Management Board and Board of Directors, or EUR 13.1 million against EUR 46.9 million in 2012, corresponding to a decrease of 72%.

The insurance costs are related to the D&O liability of the directors and officers of Dexia, the insurance also covers the consequences of frauds for Dexia committed by its employees as well as third party victims of certain losses caused by Dexia SA ("BBB/PI"). These covers generated a cost of EUR 7.5 million compared to EUR 6.7 million in 2012.

Other operating costs (rental of buildings, telecommunications, travel, trainings, etc.) decreased to EUR 9.6 million compared to EUR 22.7 million in 2012 due to the new governance put in place in October 2012. Printing and advertising costs linked to corporate publications totalled EUR 0.1 million in 2013 (same amount as in 2012), whilst costs associated with the Group transformation plan are no more than EUR 1.7 million.

The cost of remunerations and social charges decreased from EUR 32.2 million in 2012 to EUR 14.5 million in 2013, a drop of 55%. This new reduction in remuneration charges is the direct consequence of a significant reduction in FTEs following the transformation plan announced in October 2011 (79 FTEs in 2013 against 196 FTEs in 2012).

Amortisation of intangible assets amounts to EUR 0.3 million and depreciation of tangible fixed assets EUR 0.5 million.

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

Other operating expenses (EUR 2.8 million) include the wealth tax due by the permanent establishment in Luxembourg (EUR 2.3 million), a loss due to the sale of office furniture that became redundant following the restructuring plan (EUR 0.2 million) and other miscellaneous taxes (EUR 0.3 million).

4.5.2. FINANCIAL RESULT

Income from financial fixed assets consists of interim dividends distributed by DPB (+ EUR 200 million).

Income from current assets (EUR 9.4 million) includes the interest generated from the long-term loan initially granted by DFL to Belfius Bank (EUR 2 million), short-term investments by Dexia Crédit Local (EUR 6 million), fixed-income instruments kept in portfolio (EUR 1.2 million) and tax deferred advances (EUR 0.2 million).

Other financial income results from gains due to the reimbursement by the issuers of fixed-income instruments kept in the portfolio, mainly as a result of the recovery of the financial markets during the year 2013 (EUR 3.2 million).

Debt charges (EUR 9.5 million) include interest paid and due for loans and advances granted by Group entities (EUR 9.4 million) and other interest charges (EUR 0.1 million).

Impairments on current assets take into account fluctuations in the market value of fixed-income instruments, kept in portfolio. Securities acquired in 2012 have increased in value, generating a reversal of the impairment recorded in 2012 (EUR 4.1 millions). The new securities bought in 2013 decreased in value, resulting to a new impairment (EUR 0.6 million) which led to a net result of EUR 3.5 million.

Other financial charges (EUR 0.5 million) include charges linked to the quotation of the Dexia share (EUR 0.1 million), service costs related to management of shares (EUR 0.1 million), custodian fees (EUR 0.1 million), forex charges due to the depreciation of the Turkish lira (EUR 0.1 million) and also other financial charges (EUR 0.1 million).

4.5.3. EXCEPTIONAL RESULT

Reversal of provisions for exceptional liabilities and charges (EUR 2.5 million)

The provision for other risks and charges of EUR 60.5 million as at 31 December 2012, which is a provision for the guarantees granted on the sale of Dexia Holdings Inc., has been reversed by EUR 2.5 million due to the weakened US dollar in 2013 (see note 4.3.5)

Realised gains on disposal of fixed assets (EUR 19.9 million)

Dexia Participation Belgique, 100% of Dexia SA, was liquidated on 28 March 2013 and generated a gain of EUR 18.8 million. The closing of the liquidation of Parfipar took place on 24 January 2013 and generated a gain of EUR 1.1 million.

Other exceptional income (EUR 5.9 million)

The item “other exceptional income” includes the repayment of a part of the pension plan of a previous director that was granted by Dexia SA (EUR 5.6 million).
Costs incurred by Dexia SA from the sale of subsidiaries following the dismantling announced in October 2011 were recovered from the subsidiaries that held these sold participations (EUR 0.3 million).

Exceptional amortisation on intangible assets (EUR 0.1 million)

An exceptional amortisation of EUR 0.1 million as a result of disposal of furniture was recognised.

Provisions for exceptional liabilities and charges (Net profit of EUR 7.8 million)

Extraordinary expenses include an additional provision of EUR 2.7 million for termination benefits, but also the use of EUR 2.7 million related to dismissal costs accrued in 2011 following the announcement of the dismantling that were paid in 2013.
In addition, a provision of EUR 10.4 million was set up to cover the expenses related to guarantees granted on the sale of participations, while the provision set up in 2012 for EUR 15 million was used in 2013.
The provision of EUR 2 million for restructuring costs, set up in 2012, was also used. In relation to the transformation plan that was implemented in late 2008, an amount of EUR 1.2 million was provisioned and used.

Loss on disposal of fixed assets (EUR 0.2 million)

The sale of the participation held in Associated Dexia Technology Services to IBM resulted in realised loss of EUR 0.2 million.

Other exceptional charges (EUR 51.2 million)

Termination benefits related to dismantling have led to exceptional charges of EUR 3 million, while expenses related to pension liabilities of persons that were part of a sold entity amounted up to EUR 8.8 million
Costs incurred for the disposal of participations amounted to EUR 6.8 million and costs related to granted guarantees on to the sale of participations amounted to EUR 29,4 million. Finally, the restructuring costs (EUR 2 million) and the remaining costs related to the transformation plan put in place in late 2008 (EUR 1.2 million) were charged in 2013. As such the provisions that were set up have been used. (see "Provisions for exceptional liabilities and charges" above).

4.5.4. CORPORATE INCOME TAX

Taxes (EUR 0.05 million)

Taxes include a regularization of taxes due by Dexia Participation Luxembourg, absorbed by Dexia Group in 2012 (EUR 0.04 million), as well as a tax of EUR 0.01 million related to the year 2013 paid by the head office.

Adjustments of income taxes (EUR 5.9 million)

The tax adjustments result from the fact that the permanent establishment in Paris is the head of the group tax consolidation group in France, generating tax savings which represent an immediate gain of EUR 5.9 million, of which EUR 5.6 million for 2013 and EUR 0.3 million for the prior years.

4.5.5. PROFIT FOR THE FINANCIAL YEAR

Considering the above, the 2013 financial year closed with a profit of EUR 162 million..

4.6. Statement of intangible fixed assets (licences)

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/12	23,589,705
Movements during the period:	
- Acquisitions, including produced fixed assets	104,546
- Sales and disposals	(9,959,284)
ACQUISITION VALUE AS AT 31/12/13	13,734,967
DEPRECIATION AS AT 31/12/12	22,970,250
Movements during the period:	
- Recorded	298,917
- Canceled due to sales and disposals	(9,959,284)
DEPRECIATION AS AT 31/12/13	13,309,883
NET BOOK VALUE AS AT 31/12/13	425,084

4.7. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
ACQUISITION VALUE AS AT 31/12/12	301,245	7,712,096	1,659,407
Movements during the period:			
- Acquisitions	2,214	31,459	12,861
- Sales and disposals	0	(1,796,057)	(15,238)
ACQUISITION VALUE AS AT 31/12/13	303,459	5,947,498	1,657,030
DEPRECIATION AS AT 31/12/12	241,214	6,796,757	577,542
Movements during the period:			
- Recorded	21,973	218,457	301,911
- Canceled due to sales and disposals	0	(1,616,972)	0
DEPRECIATION AS AT 31/12/13	263,187	5,398,242	879,453
NET BOOK VALUE AS AT 31/12/13	40,272	549,256	777,577

4.8. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES

(in EUR)	1. Affiliated	2. Other enterprises
ACQUISITION VALUE AS AT 31/12/12	**20,369,261,753**	**2,000,000**
Movements during the period:		
- Acquisitions	0	0
- Sales and disposals	(2,773,573,793)	0
- Transferts from one heading to another	(1,000)	1,000
ACQUISITION VALUE AS AT 31/12/13	**17,595,686,960**	**2,001,000**
	1. Affiliated	**2. Other enterprises**
AMOUNTS WRITTEN DOWN AS AT 31/12/12	**15,083,824,257**	**0**
Movements during the period:		
- Recorded	0	0
- Cancelled due to sales and disposals	0	0
AMOUNTS WRITTEN DOWN AS AT 31/12/13	**15,083,824,257**	**0**
NET BOOK VALUE AS AT 31/12/13	**2,511,862,703**	**2,001,000**

2. AMOUNTS RECEIVABLE

(in EUR)	1. Affiliated	2. Other enterprises
NET BOOK VALUE AS AT 31/12/12	**0**	**690,851**
Movements during the period:		
- Additions	0	199,106
- Repayments	0	(681,343)
NET BOOK VALUE AS AT 31/12/13	**0**	**208,614**
ACCUMULATED WRITING-OFF'S ON RECEIVABLES AT 31/12/13	**0**	**0**

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

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

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by			Information from the most recent period for which annual accounts are available			
	The enterprise (directly)		Sub-sidiaries	Primary financial statement	Monetary unit	Capital and reserve	Net result
	Number	%	%			(+) or (-) (in monetary unit)	
DCL Investissements SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	2,500	100.00	0.00	31/12/12	EUR	27,950	(9,550)
Dexia Asset Management Belgium SA Avenue des Arts, 58 B - 1000 Bruxelles BE 0462.569.739 Common shares	1	0.01	99.99	31/12/12	EUR	51,618,000	1,748,000
Dexia Asset Management Luxembourg SA - FC[1] Route d'Arlon 136 L-1150 Luxembourg Common shares	15,386	100.00	0.00	31/12/12	EUR	265,960,819	26,290,944
Dexia Crédit Local SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	223,657,776	100.00	0.00	31/12/12	EUR	1,937,712,264	(932,703,020)
Dexia Nederland BV - FC [1] Parnassusweg 819 NL-1082 LZ Amsterdam Common shares	50,000	100.00	0.00	31/12/12	EUR	267,077,000	(118,060,000)
Dexiarail SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	2,500	100.00	0.00	31/12/12	EUR	31,781	(5,719)
Popular Banca Privada SA - FC [1] Juan Ignacio Luca de Tena 11 S - 28027 Madrid Common shares	9,111,552	40.00	0.00	31/12/12	EUR	56,430,000	988,000
White Rock Insurance PCC Ltd - FC [1] Cell Dexia 913 Europort Gibraltar Common shares	1	100.00	0.00	31/12/12	EUR	1,857,500	(142,500)

(1) FC: Foreign Company

4.10. Investments : other investments and deposits

(in EUR)	Previous period	Period
Fixed income	**107,618,175**	**156,358,406**
Fixed term deposits with credit institutions with a residual maturity or period of notice of:	**774,866,800**	**695,800,000**
- Within one year		800,000
- More than one month but within one year	774,866,800	695,000,000

4.11. Deferred charges and accrued income from the assets

(in EUR)	Period
Deferred charges	3,148,271
Accrued income: Interest	469,751

4.12. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amounts (in EUR)	Number of shares
ISSUED CAPITAL AS AT 31/12/12	**6,000,000,000**	**30,896,352,895**
Changes during the period:		
- clearance of the deferred loss	(5,500,000,000)	
ISSUED CAPITAL AS AT 31/12/13	**500,000,000**	**30,896,352,895**

B. STRUCTURE OF THE CAPITAL

	Amounts (in EUR)	Number of shares
Different categories of shares		
Common shares class A without indication of nominal value, each representing 1/1.948.984.474 of the issued capital	1	1,948,984,474
Preferred shares class B without indication of nominal value, each representing 1/28.947.368.421 of the issued capital	499,999,999	28,947,368,421
Registered shares		29,255,162,565
Bearer shares and/or dematerialized		1,641,190,330

C. OWN SHARES HELD BY

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

D. COMMITMENTS TO ISSUE SHARES

	Amount of capital (in EUR)	Number of shares
Following the exercising of subscription rights		
- Number of outstanding subscription rights		52,320,688
- Amount of capital to be issued	846,713	
- Corresponding maximum number of shares to be issued		52,320,688

E. AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED

	Amount (in EUR)
	500,000,000

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

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

Société Fédérale de Participations et d'investissement (SFPI) : 50.018 %

4.13. Provisions for liabilities and charges

(in EUR)	Period
Provision for guarantees related to the sale of investments	68,403,520
Severance payments and related costs	25,913,205
Commitment as head of a fiscal consolidation (France)	854,749

4.14. Statements of debts

Analysis of debts with an original maturity of more than one year according to their residual maturity (in EUR)	**Amounts payable after more than 1 year but less than 5 years**
Financial debts	**454,954,623**
Subordinated loans	39,788,000
Credit institutions	415,166,623

4.15. Amounts payable for taxes, remuneration and social security

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	257,900
c) Estimated taxes payable	3,223,541
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	3,516,011

4.16. Accrued charges and deffered income in the liabilities

(in EUR)	Period
Accrued charges : other general operating expense	80,243
Accrued charges : interest	9,062
Accrued charges : rent	541,351

4.17. Operating results

(in EUR)	Previous period	Period
OPERATING INCOME		
Other operating income		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	439,127	125,315
OPERATING CHARGES		
Employees for which the enterprise has declared a DIMONA-statement or employees recorded in a general personnel register in Belgium		
a) Total number at the closing date	89	79
b) Average number of employees in full-time equivalents	183.3	77.6
c) Number of actual working hours	268,096	114,902
Personnel charges		
a) Remuneration and direct social benefits	21,280,906	9,462,950
b) Employers' contribution for social security	6,273,759	2,855,942
c) Employers' premium for extra statutory insurance	4,222,941	1,952,656
d) Other personnel charges	379,249	203,284
e) Old-age and widow's pensions	0	0
Provisions for pensions		
Additions (uses and write-back)	(279,796)	0
Provisions for liabilities and charges		
Increases	150,838	150,838
Decreases	279,796	0
Other operating charges		
Taxes related to operations	545,114	2,655,889
Other charges	21,459	177,418
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	0	0
b) Average number of employees in full-time equivalents	0.1	0.1
c) Number of actual working hours	101	61
d) Charges to the enterprise	5,188	3,406

4.18. Financial and exceptional results

(in EUR)	Previous period	Period
Other financial income		
Exchange differences, including the hedge for foreign currency on the sale of Deniz in 2012	77,485,956	1,668
Other financial income	15	14,267
Gain at refund of fixed-income securities	0	3,183,712
Amounts written of on currents assets		
- Recorded	4,056,436	553,250
- Write-back	0	4,056,436
Other financial charges		
Refund of the pension plan of ex-director	21,335	4,948
Exchange differences	67,749	158,805
Other financial charges	27,439	57,454
Service costs related to the management of actions	320,743	118,539
Charges in connection with the quotation of the Dexia share quota	112,480	71,005
Commission sales actions Assured Guarantee	10,188,000	0
Hedging on the sale of Deniz	315,457	0
Custodian fees	0	112,188
Ventilation of other exceptional income		
Remuneration related to the quality of guarantor of Dexia SA as part of an issue of securities		5,645,730
Cost recovery on disposal of participations		296,208
Ventilation of other exceptional charges		
Dismissal fees related to the structural measures		6,218,707
Expenses related to the sale of branches (lawyers, bankers, consultants)		2,936,193
Expenses related to the sale of branches (engagements of pension)		8,814,527
Expenses related to the sale of branches (adjustment of the salesprice)		29,414,968
Expenses related to the restructuration		3,791,895

4.19. Income taxes

(in EUR)	Period
Income taxes of the current period:	**10,389**
a) Taxes and withholding taxes due or paid	107,311
b) Excess of income tax prepayments and withholding taxes capitalized	96,922
Income tax of previous years	**39,087**
a) Additional tax due or paid	39,087
Principal sources of differences between the profit before taxes, mentionned in the accounts, and the estimated taxable profit	
a) Income definitively taxable	198,238,413
b) Fiscal integration in France (PM)	1
Impact of the exceptional results in the taxes on the profit of the year	
Only the other exceptional income is taxable.	
Related to the exceptional costs are only the depreciation and other exceptional charges tax deductible.	
Status of deferred taxes:	
a) Deferred taxes representing assets	730,595,831
Accumulated tax losses deductible from future taxable profits	512,653,776
Other deferred taxes representing assets	
- Surplus of revenues definitively taxed	217,253,390
- Surplus on depreciations	688,665

4.20. Value added tax and taxes borne by third parties

(in EUR)	Previous period	Period
Total amount of value added tax charged during the period :		
1. To the enterprise (deductible)	209,153	236,431
2. By the enterprise	368,911	48,230
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	17,033,105	4,996,119
2. Withholding taxes on investment income	0	0

4.21. Rights and commitments not reflected in the balance sheet

(in EUR)	Period
Personal guarantees, provided or irrevocably promised by the enterprise, as security for debt and commitments of third parties	7,500
Guarantees given or irrevocably promised by the enterprise on its own assets collateral for own debts and liabilities of the company	
Pledging of other assets - Book value of assets pledged	150,322,223
Important commitments to sale fixed assets	
Commitment to sale Dexia Asset Management Luxembourg SA	380,000,000

Information concerning important litigations and other commitments
Dexia has given guaranties within the scope of the sale of it's participations
See also note 4.4. of the annual financial statements

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

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

5. Financial relationships

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

	Affiliated enterprises	
(in EUR)	**Previous period**	**Period**
FINANCIAL FIXED ASSETS	**5,285,437,496**	**2,511,862,703**
Investments	5,285,437,496	2,511,862,703
AMOUNTS RECEIVABLE	**76,083,770**	**80,898,730**
After one year	66,103,697	73,269,152
Within one year	9,980,073	7,629,578
CURRENT INVESTMENTS	**774,866,800**	**695,000,000**
Amounts receivable	774,866,800	695,000,000
AMOUNTS PAYABLE	**3,584,397,889**	**604,079,518**
After one year	415,166,623	415,166,623
Within one year	3,169,231,266	188,912,895
FINANCIAL RESULTS		
Income from financial fixed assets	17,740,791	200,000,000
Income from current assets	1,910,145	6,211,089
Debt charges	93,803,343	9,349,571
Other financial charges	10,206,456	157,569
DISPOSAL OF FIXED ASSETS		
Realized gains	0	19,915,937
Realized losses	372,120,356	246,169

5.2. Transactions with related parties outside of normal market conditions

Nil.

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

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

To the directors	2,098,385
To the former directors	14,621

5.4. Relationships with affiliated auditor

Remuneration of the Statutory Auditor	**382,620**
Remuneration for exceptional tasks executed within the enterprise by the Statutory Auditor	
Other missions external to the audit	220,000

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consilidated financial statement.

7. Social report

Number of the joint commission of the company: 218.

From 2013 on, staff members linked by a single contract with Dexia SA - registered office - under whose authority they perfom their work, but whose activities are split between the Brussels headquarters and the permanent establishments of Paris and Luxembourg under amendment(s) to their contract, are considerated as being full-time and not part-time in the social balance (see the S100 opinion of the CNC on the social balance). In 2013, their total remuneration is mentionned in the staff costs of the social balance even if the compensation is paid by the permanent establishment.

7.1. Statement of the persons employed in 2013

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

1. During the period	Total	1. Male	2. Female
a. Average number of employees			
Full-time	71.4	48.8	22.6
Part-time	9.5	5.2	4.3
TOTAL FULL-TIME EQUIVALENTS (FTE)	**77.6**	**51.6**	**26.0**
b. Number of actual working hours			
Full-time	104,461	72,707	31,754
Part-time	10,441	5,260	5,181
TOTAL	**114,902**	**77,967**	**36,935**
c. Personnel charges			
Full-time	12,404,004	8,633,441	3,770,563
Part-time	1,239,795	624,588	615,207
TOTAL	**13,643,799**	**9,258,029**	**4,385,770**

2. During the previous year	P. Total	1. Male	2. Female
Average number of employees in FTE	183.3	118.8	64.5
Number of actual working hours	268,096	178,287	89,809
Personnel charges	28,785,948	19,143,012	9,642,936

3. As at the closing date of the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register	72	7	76.5
b. By nature of the employment contract			
Contract of indefinite period	71	7	75.5
Contract of definite period	1	0	1.0
c. According to gender and by level of education			
Male	47	4	49.0
secondary education	3	0	3.0
higher non-university education	7	1	7.5
university education	37	3	38.5
Female	25	3	27,5
secondary education	2	0	2.0
higher non-university education	5	1	5.9
university education	18	2	19.6
d. By professional category			
Management staff	12	0	12.0
Employees	60	7	64.5

B. HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

During the period	1. Temporary personnel	2. Persons placed at the disposal of the enterprise
Average number of employees	0.1	0
Number of hours actually worked	61	0
Charges of the enterprise (in EUR)	3,406	0

7.2. Table of personnel movements during the period

A. ENTRIES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise has declared a DIMONA-statement or employees recorded in the general staff register during the period	17	1	17,9
b. By nature of the employment contract			
Contract for an indefinite period	15	1	15,9
Contract for an definite period	2	0	2,0

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise declared a DIMONA-statement or number of employees with a in the general staff register listed date of termination of the contract during the period	20	2	21,2
b. By nature of the employment contract			
Contract for an indefinite period	14	1	14,4
Contract for an definite period	6	1	6,8
c. According to the reason for termination of the employment contract			
Pension	1	0	1,0
Unemployment with complement of the company	1	0	1,0
Dismissal	8	1	8,4
Other reason	10	1	10,8
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	0	0	0,00

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

Total of formal continuing vocational training initiatives for workers paid by the employer	Male	Female
Number of employees involved	48	25
Number of training hours	1 049	593
Costs for the enterprise (in EUR)		
- whereof gross costs directly associated with the company (in EUR)	171 376	83 918
	171 376	**83 918**

Dexia SA Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2013

To the shareholders

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2013 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

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

We have audited the annual accounts of Dexia SA ("the company"), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 3,732,793 (000) EUR and a profit for the year of 162,020 (000) EUR.

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

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

Statutory auditor's responsibility

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

Unqualified opinion

In our opinion, the annual accounts of Dexia SA give a true and fair view of the company's net equity and financial position as of 31 December 2013 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Emphasis of Matter Paragraph on the application of the valuation rules in the assumption for going concern of the business activities

Without modifying the above unqualified opinion, we draw your attention to point 4 of the notes to the annual financial statements which states that the annual financial statements of Dexia SA as of 31 December 2013 have been prepared using the going concern principle in accordance with article 96, §1, 6° of the Companies Code.
The justification of the going concern assumption is supported by a revised business plan approved by the group's board of directors on 6 August 2013 and which is taking into account a.o. the following assumptions:
• The revised business plan is based on the possibility for Dexia to develop a certain financing capacity on the markets, more particular through the funding guarantee granted by the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets.
• The revised business plan assumes that the different entities maintain their banking licence and this, if the case, despite a

possible non-compliance with certain regulatory ratio's. It also relies on the maintenance of the rating of Dexia SA and Dexia Crédit Local SA.

• The revised business plan is based on different underlying macroeconomic hypotheses (including the expected evolution of interest rates and credit environment). These hypotheses were reviewed within the framework of the revised business plan ratified by the Board of Directors on 6 August 2013 and based on the latest observable market conditions as well as the regulatory developments known at that date. A new update of the plan will be performed in the 2nd quarter 2014.

• The revised business plan is also sensitive to regulatory and accounting developments.

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

As mentioned by Dexia, we refer to the current uncertainties that remain regarding the ongoing Asset Quality Review (AQR) by the European Central Bank, in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the Group.

The going concern assumption is only justified to the extent that the group succeeds in realizing its revised business plan based on the underlying assumptions described in point 4 of the notes to the annual financial statements. No adjustments have been recorded with respect to the valuation or the classification of certain balance sheet items, which would be required, should the group no longer be able to continue its operations.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, as well as for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

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

• The directors' report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

• Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.

• The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association.

• There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies Code that we have to report to you.

Regarding the legal requirements concerning conflicts of interests (article 523 of the Companies Codes) the board of directors has taken the following decisions:

– The decisions of the board of directors on 19 February 2014 relating to the compensation for Mr. Pierre Vergnes, the changes to the composition of the Management Board and the authorisation for Mr De Boeck to continue serving in his positions after his 65th birthday, as described in the section "Declaration of corporate governance" on pages 63-64 of the management report, has the following financial consequences:

"The board decides unanimously to:

(i) Confirm, as necessary, its decision to authorise Mr De Boeck to continue serving as Chairman of the Management Board and Chief Executive Officer of Dexia SA after his 65th birthday and through to the end of his directorship with Dexia SA (i.e. at the end of the annual general meeting in 2016);

(ii) Reduce the number of Management Board members to three, namely Messrs Karel De Boeck, Claude Piret and Pierre Vergnes (while noting that Mr Philippe Rucheton will continue to be a member until 31 March 2014);

(iii) Set the compensation received by Mr Vergnes for his positions within the Dexia Group at EUR 420,000;

(iv) (…)

(v) (…)

(vi) Confirm that the provisions relating to severance benefits for Dexia SA's Management Board members will be aligned with the timing and claw-back principle introduced by the new Belgian banking law, which will come into force over the coming months.

(vii) (…)

(viii) (…). »

Diegem, 7 April 2014

The statutory auditor

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

Frank Verhaegen — Bernard De Meulemeester

Additional information

Certificate from the responsible person

I the undersigned, Karel De Boeck, Chief Executive Officer and Chairman of the Management Board of Dexia SA, certify that to the best of my knowledge:

a) the financial statements, established in accordance with applicable accounting standards, present a true and fair view of the assets, the financial situation and the earnings of the company and of all the companies included in the consolidation;

b) the management report contains a true and fair view of changes in the revenues, earnings and financial position of the company and of all the companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Brussels, 4 April 2014

For the Management Board

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

General data

Name

The company is called "Dexia".

Registered office

The registered office of the company is in Belgium at
Place du Champ de Mars, 5, 1050 Brussels
(RPM Brussels VAT BE 0458.548.296).

Legal form, incorporation, duration

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on 15 July 1996 for an indefinite period. The company has two permanent offices located in France and in Luxembourg.

Corporate object

Article 3 of the articles of association reads as follows:

"The company has the object, both in Belgium and in other countries, of:
1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;
2. the provision of assistance or administrative, commercial and financial services and accomplishment of all research on behalf of third parties and in particular on behalf of companies and other legal entities, whatever their legal form, in which it holds a direct or indirect equity interest, as well as the provision of loans, advances, guarantees or securities, in whatever form;
3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realisation of its corporate object or likely to contribute to such realisation."

Places where the public may consult documents

The articles of association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company's registered office. The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company's registered office. Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appen-dix to the Belgian Official Journal. Financial notices concerning the company are published on its website (*www.dexia.com*). The convocations to Shareholders' Meetings are published on the website and in the financial newspapers, the daily press and periodicals.

Dexia's annual report 2013 has been published by the Financial Communication Department of Dexia SA. This report is also available in Dutch and French. It just needs to be requested at The Dexia head office in Brussels or in Paris or via the company website : *www.dexia.com.*

In case of discrepancy between the English version and the French and Dutch versions of the Annual Report, the text of the French and Dutch versions shall prevail.

Dexia SA
Place du Champ de Mars, 5
B-1050 Brussels
IBAN BE61-0682-1136-2017
BIC GKCC BE BB
RPM Brussels VAT BE 0458.548.296

In Paris
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Website
www.dexia.com

FINANCIAL CALENDAR

Ordinary Shareholder's Meeting for the 2013 financial year
14 may 2014

Results as at 31 march 2014
14 may 2014

Results as at 30 june 2014
8 august 2014

Results as at 30 september 2014
14 november 2014

Results as at 31 december 2014
19 february 2015

Ordinary Shareholder's Meeting for the 2014 financial year
13 may 2015 (1)

Results as at 31 march 2015
13 may 2015

(1) The Extraordinary Shareholders' Meeting to be held on May 14, 2014 will decide upon the amendment of Article 15 of the Articles of Association to postponed the holding of the Annual General Meeting by one week i.e. the third Wednesday in May instead of the second Wednesday in May. If approved, the 2015 Annual General Meeting will take place on May 20, 2015 and not on May 13,2015.