Half - Yearly Financial Report at 30th June 2012

DEXIA CREDIOP GROUP

Dexia Crediop

Dexia Crediop

HALF-YEARLY FINANCIAL REPORT
DEXIA CREDIOP GROUP
AT 30th June 2012

Introduction

The half-yearly financial report for the Dexia Crediop Group was drawn up using the norms issued by CONSOB on the subject, the Bank of Italy's Circular 262/2005 "Banks' Financial Statements: Layouts and preparation," and the IAS 34 international accounting standards which deal with drawing up interim financial reports.

It consists of the Directors' Report on Operations, the Balance Sheet and Income Statement documents, the Statement of Comprehensive Income, the Report on Changes in Shareholders' Equity, the Statement of Changes in Financial Position, and the Information Notes to the Statements for the banking group Dexia Crediop. The latter contains comments regarding the Group's results in terms of notable aspects based on the reclassified Balance Sheet and Income Statement. We note here that the figures in this report are presented in millions of Euro where not otherwise specified.

In addition, the report includes the certification required by Italian Legislative Decree no. 58 of 24 February 1998 in article 154-ter, paragraph 5, pursuant to article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 and successive amendments, and the Balance Sheets and Income Statements for the parent company Dexia Crediop S.p.A.

1. Report on Operations

1.1 Profile of the Dexia Crediop Group

Dexia Crediop is a bank specialised in public and project finance with over 90 years of tradition and consolidated experience.

The Company was founded in 1919 as a Credit Consortium for Public Works. It stands alongside the Public Administration to help develop large and small development projects in our country. A tradition of reliability that has also guaranteed savings to millions of families, funding the safest investment of all: the commitment of the general public to ensure the growth of Italy.

Over time, the Bank has refined its approach with a view to providing its customers with effective support, in synergy with its shareholders. These include not only the parent company Dexia Crédit Local, but also some of Italy's largest cooperative banks: Banca Popolare di Milano, Banco Popolare, Em. Ro. Popolare S.p.A. (Banca Popolare dell'Emilia Romagna).

Dexia Crediop is the partner of choice for local authorities, large public administrations and key public service institutions for funding works and infrastructure projects, issuing national and international bonds, structured finance transactions, project financing, debt management operations and the optimisation of supplier debt, advice and assistance connected to privatisation and restructuring processes and cash management.

Dexia Crediop combines its financing skills with the most advanced services and consultancy specially designed for the needs of public bodies, first and foremost local public administrations, but also mountain communities, hospitals, local national health units, ex-municipal services, reclamation consortia, harbour authorities, universities.

The Company is specialised in satisfying the demand for bank services in respect of balance sheet limits and legal and institutional restrictions, typical of public institutions. For Dexia Crediop, respect for compliance is one of its strong marketing points.

With regard to finance, to guarantee quality and added value of the products and services provided, Dexia Crediop operates on the financial markets within the sphere of several business lines: Sale*s and Structuring*, Long Term Funding, Debt and Capital Markets e Cash and Liquidity Management.

Dexia Crediop offers its clientele a range of products and services, especially in the sector of public works, large infrastructure and sustainable development; this results in socially responsible action based on social, environmental and ethical criteria.

1.2 The companies in the Dexia Crediop Group

At 30 June 2012, the Dexia Crediop Group included not only the parent company Dexia Crediop S.p.A., but also the following subsidiaries:

Company name	Head-quarters	Investment relationship		% of votes held
		Investor company	% share	
Other companies of the Dexia Crediop Group				
DCC–Dexia Crediop per la Cartolarizzazione S.r.l.	Rome	Dexia Crediop	100%	100%
Dexia Crediop Ireland*	Dublin	Dexia Crediop	100%	100%
Crediop per le Obbligazioni Bancarie Garantite S.r.L.	Rome	Dexia Crediop	90%	90%

** Dexia Crediop Ireland has equity of €100 million, represented by 100 million shares with a nominal value of €1 each, including:*

- *99,999,999 shares held by Dexia Crediop S.p.A.;*
- *1 share held by Dexia Investments Ireland, in its capacity as Trustee for Dexia Crediop S.p.A.*

DCC – Dexia Crediop per la Cartolarizzazione S.r.l.

This company, owned entirely by Dexia Crediop, has been operational since 2004. Its exclusive purpose is the setting up of securitisation transactions pursuant to Italian Law no. 130/1999. The company is registered on the list of securitisation vehicle companies held by the Bank of Italy.

The company has carried out three bond-issue operations – in 2004, 2005 and 2008 – through the securitisation of portfolios composed exclusively of debt instruments issued by Italian public authorities.

Dexia Crediop Ireland

The company was established in 2007 with the aim of concentrating management activities for the Group’s debt securities investment portfolios. By virtue of the deleveraging policy resolved by the Group, in 2010 major disposals of non-core business were made and, consequently, equity has been reduced from €700 million to €100 million, reimbursing the shareholder Dexia Crediop at par value.

Crediop per le Obbligazioni Bancarie Garantite S.r.L.

The company, whose equity is €10,000 is held 90% by Dexia Crediop, was acquired in 2010. Its registered offices are in Rome and it is registered with the general list of financial intermediaries in accordance with art. 106 of the Consolidated Law on Banking. It belongs to the Dexia Crediop banking group.

The company's purpose is exclusively the issue of covered bonds in accordance with art. 7-bis of Italian Law no. 130 of 30 April 1999 and subsequent implementation provisions. As of the date on which this report was prepared, the company had not carried out any transactions.

1.3 Parent Company Shareholders

There have been no changes in the shareholder body since 31 December 2011.

Dexia Crediop's equity is fully subscribed and paid up and amounts to €450,210,000 consisting of 174,500,000 ordinary shares, each with a nominal value of €2.58. On the date this report was approved, they were held as follows:

- Dexia Crédit Local: 122,150,000 ordinary shares, representing 70% of the equity, totalling €315,147,000;
- Banca Popolare di Milano: 17,450,000 ordinary shares, representing 10% of the equity, totalling €45,021,000;
- Banco Popolare (previously Banco Popolare di Verona e Novara): 17,450,000 ordinary shares, representing 10% of the equity, totalling €45,021,000;
- Em. Ro. Popolare S.p.A. (Banca Popolare dell'Emilia Romagna group): 17,450,000 ordinary shares, representing 10% of the equity, totalling €45,021,000;

Dexia Crediop does not own any of its own shares or shares in the parent company, nor has it owned any such shares during the year.

1.4 The Dexia Group

Dexia is a European banking group which in 2011 and in the first half of 2012 operated mainly in Belgium, Luxembourg, France and Turkey in the retail banking and commercial banking segments, in providing the public segment with loans and services and in managing investor services and activities.
Dexia SA, the Group's holding company, is incorporated under the laws of Belgium and has its shares listed on the Brussels and Paris Euronext and the Luxembourg stock exchange.
Committed since December 2008 to a restructuring plan validated by the European Commission, the Group has significantly reduced its risk profile and re-centred its commercial franchises on its historic markets and duties.

In the public finance sector, the Group has chosen to remain a selective, reliable, recognised specialist with a diversified product range.
This plan was realised in line with the objectives established until mid-2011.

Following the worsening of the sovereign debt crisis within the Eurozone and, more generally, the macroeconomic context becoming more severe, summer 2011 saw Dexia having to cope with new pressure on its liquidity.

In this context, since October 2011, the Group has obtained a guarantee from the states of Belgium, France and Luxembourg for its loans, with a temporary ceiling limit of 45 billion, which was recently increased to 55 billion; it has also implemented significant changes in its structure, which include:

- the sale of Dexia Banque Belgique to the State of the Belgium, formalised on 20 October 2011;
- an agreement with Caisse des Depots, Banque Postale and the State of France in the loans segment of the French territorial entities;
- the sale of some operating subsidiaries of the Group, including Dexia Banque Internationale in Luxembourg, DenizBank, Dexia Asset Management and RBC Dexia Investor Services. All the above divestments are subject to the approval of the European Commission.

All these measures, in addition to the definitive liquidity guarantee, are part of a new restructuring plan that the States presented to the European Commission in March 2012.

This year is marked by the continuation of activities aimed at developing the sales plan, which, in turn, will depend on approval of the Group restructuring by the European Commission; this has not yet intervened.

Dexia SA rating: Fitch A+

Dexia Crédit Local rating

Ratings Agency	Medium/Long-term	Short-term	Outlook	Date*
Standard & Poor's	BBB+	A-2	On credit watch negative	29/02/2012
Fitch Ratings	A+	F1+	Negative	29/02/2011
Moody's	Baa2	P-2	Negative	18/04/2012

* The ratings given by Dexia Crédit Local are those published in the 2011 Dexia annual report as of 29 February 2012, with the exception of Moody's, which updated its assessment on 18 April 2012.

1.5 Company information

The Dexia Crediop Banking Group

Dexia Crediop S.p.A.

Via Venti Settembre, 30 - (00187) Rome
Tel. + 39 (0)6 4771.1   Fax + 39 06.4771.5952
Web: www.dexia-crediop.it - E-mail: mailto:internet@dexia.com
Certified e-mail: dexia-crediop@pec.dexia-crediop.it

Equity €450,210,000 fully paid up
Rome Register of Companies n. 04945821009
Register of banks n. 5288
Parent company of the Dexia Crediop Banking Group
Listed on the Register of Banking Groups
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
Company subject to management and coordination by Dexia Crédit Local

Branches:

Turin - Via S. Francesco d'Assisi, 22
Milan – Largo Richini, 6
Bologna - Galleria Ugo Bassi, 1
Naples - Centro Direzionale, Isola E/5

DCC – Dexia Crediop per la Cartolarizzazione S.r.l.

Rome – Via Venti Settembre, 30

Dexia Crediop Ireland

Dublin – 6 George's Dock, IFSC, Dublin 1 (Ireland)

Crediop per le Obbligazioni Bancarie Garantite S.r.L.

Rome – Via Eleonora Duse, 53

Auditing company of Dexia Crediop SpA

Mazars S.p.A.

Other Dexia Group companies in Italy

RBC Dexia Investor Services Bank S.A. - Milan Branch

Milan – Via Vittor Pisani, 26

Dexia Asset Management Luxembourg S.A. – Milan branch

Milan – Corso Italia, 1

Dexia Crediop

Honorary Chairman

Antonio **Pedone**

Board of Directors[1]

Mario **Sarcinelli**	**Chairman**
Alain **Clot**	**Deputy Chairman**
Jean **Le Naour**	**Chief Executive Officer**
Iacopo **De Francisco**[2]	Director
Roberto **Ferrari**	Director
Alberto **Gasparri**	Director
François **Laugier**	Director
Stéphane **Vermeire**	Director

Board of Auditors[3]

Ezio Maria **Simonelli**	**Chairman**
Vincenzo **Ciruzzi**	Standing auditor
Pierre Paul **Destefanis**	Standing auditor

Steering Committee

Jean **Le Naour** (President)
Jean **Bourrelly**
Stefano **Catalano**
Thomas **Duvacher**
Fabrizio **Pagani**

The Financial Reporting Manager, responsible for preparing the company's accounting documents

Jean **Bourrelly**

[1] Board of Directors appointed for the three-year term 2012-2014 by the General Meeting on 27 April 2012.

[2] The director Iacopo De Francisco has stood down with effect from 23 July 2012 due to a situation of incompatibility.

[3] Board of Auditors appointed for the three-year term 2010-2012 by the General Meeting on 29 April 2010.

Organisation [1]

CHIEF EXECUTIVE OFFICER

Jean LE NAOUR

GENERAL AND LEGAL OFFICE
Edoardo BARATELLA

HUMAN RESOURCES
Daniela POZZALI

INTERNAL AUDIT
Giuseppe NUSINER

INSTITUTIONAL AND INTERNAL COMMUNICATION
Daniela CONDO'

COMPLIANCE
Claudio COLA

OPERATING COMMUNICATION
Marta BASSOTTI

PUBLIC & WHOLESALE BANKING

Jean Le Naour
(ad interim)

GLOBAL FINANCE
Fabrizio PAGANI
(Deputy)

GLOBAL MARKETS
Thomas DUVACHER
(Deputy)

PORTFOLIO MANAGEMENT & MIDDLE OFFICE
Maurizio MONZO

BUSINESS DEVELOPMENT
Massimo GIULIMONDI

FINANCE

Stefano CATALANO
(Director)

SALES & STRUCTURING
Claudia PIERONI

LONG TERM FUNDING
Daniele ALBARIN
(Deputy)

DEBT CAPITAL MARKETS
Stefano CATALANO
(ad interim)

CASH & LIQUIDITY MANAGEMENT
Marcello SATULLI

COVERED BOND MANAGEMENT
Daniele ALBARIN
(ad interim)

ADMINISTRATION

Jean BOURRELLY
(Director)

ACCOUNTING AND FINANCIAL CONTROL
Viviana ASCANI

BACK OFFICE
Pietro CONTENTI

ICT & FACILITY SERVICES
Pasquale TEDESCO

RISK MANAGEMENT
Stefano VICARI

[1] As at 30 June 2012

1.6 Internal risk management and control system, pursuant to art. 123-bis, clause 2, letter b) of the Consolidated Finance Act

The Dexia Crediop Group has an internal risk management and control system which is able to continuously supervise the typical business risks to which it is exposed. The system contemplates the active involvement of the Company boards, the Financial Reporting Manager and the internal audit departments, as established by the Corporate Governance Model introduced in June 2009, following the associated resolution of the Board of Directors.

Specifically regarding the process of financial information reporting, the administrative-accounting system introduced by the Financial Reporting Manager is based on the analysis framework contemplated by the Committee of Sponsoring Organisations (CoSO) report, which represents an internationally accepted standard of reference for internal auditing and financial reporting. The system can be divided into the following four components:

- Scoping: the definition of the companies and of the administrative-accounting processes that are relevant for financial reporting;
- Company Level Control: the macro-system of internal controls;
- Risk & Control Analysis and Test of Effectiveness (ToE): verification of the adequacy of the processes for the effective execution of the controls which mitigate the risks linked to accounting and financial reporting, and the definition and monitoring of risk mitigation measures;
- Evaluation: evaluation of the adequacy and effectiveness of the administrative-accounting processes.

The administrative-accounting model is in line with the requirements called for by norm 262 of 2005 and successive amendments made due to European laws regarding Transparency (Italian legislative decree no. 195 of November 2007).

All analyses and evaluations have been carried out by the Financial Reporting Manager in accordance with this model and confirm the adequacy and effective application of the Dexia Crediop Group's administrative-accounting procedures.

1.7 Operations Performance

1.7.1 Loans and financial services for the public sector

The general macro-economic situation

From mid-2011 to early 2012, the Eurozone sovereign debt crisis, amongst other matters, resulted in the adoption of numerous austerity measures, which - together with a further, repeated dive in family expectations - gave rise to a general decline of consumption in Italy too. The erosion of buying power, caused by tax policies implemented by governments, by provisions taken to block the dynamics of public salaries and increased oil prices, has also to a certain extent depressed consumer trust. Consumer expectations were then also affected by forecasts on forthcoming tax measures. At the same time, since summer 2011, the consumer price index has progressively risen significantly, settling at around 3.2%.

The decline of consumption has, however, mainly affected durable goods, whilst - at least for now - the demand for services appears to be less severely struck: a different capacity therefore follows by which service-producing companies react to the crisis, whilst different industrial segments and the construction segment appear to face a stage of significant difficulties, with payment delays by the Public Administration and issues accessing credit.

The reallocation of private consumption to the detriment of investments corresponds perfectly with that already in place for some time in the various segments of the P.A. and notably in the segment of territorial entities. Expenses for gross fixed investments of the Public Administration has gone from 2.5% to 1.5% of the GDP from 2009 to 2012; the drop in investments in local administrations is particularly accentuated, having gone from around 28 billion per year in 2009 to just under 23 billion per year in 2011. Nor does the tendency change if referred to the "orders portfolio" of investments: tenders for the assignment of public works have also declined sharply, both in number and value.

The reduction of spending on capital accounts by local administrations is not only the result of a resource reallocation strategy with a more or less obliged preference to maintain current spending levels, but - at least partly - is also the result of a set of accounting restrictions that for several years have penalised investments, reducing the resources transferred on capital account and obliging new ratios, which are gradually more restrictive, on debt service charges. Most recently, according to Italian Law no. 183 of 12/11/2011 and as from 2012, for municipalities and provinces the interest share of new debts added to that of debts already in place cannot exceed 8% of income for the first 3 items of the financial statements (instead of the pre-existing 10%); this percentage will then need to drop to 6% in 2013 and 4% in 2014 (in lieu of the previous 8%). The fixed parameters therefore constitute an indirect, general, progressive objective to reduce the debt of the local administrations, flanked in 2013 by the establishment of the MEF of threshold objectives in terms of pro capita debt at the level of the individual territorial entity.

The reduction of the possibility of taking out new debt for territorial entities will constitute a further incentive to the reduction in local public investments, the realisation of which - differently from that for State debt - must be connected with the reduction in loans for territorial entities.

The use of expenditures for local public sector investments as a lever against cycles would seem to be prohibited by the laws regarding the respecting of local public finance objectives – in fact, there is no lack of demand for changes.

Recourse to new debt by the Italian local authorities has, on an annual basis, been relatively stable for a few years, at a level that is close to the debt that has been repaid in the meantime. As a result, the total stock of debt of Regions, Provinces and Municipalities has been stable at around €100 billion since 2007.

Public Finance and Local Utilities Activities

Loans

As already mentioned, from 2007 on, the net reliance on loans for the Italian local public sector has generally been below average levels with respect to previous years, as a function of the objectives established for local authorities by the so-called "Internal Stability Pact." Generally speaking, in the first half of the year, many local authorities were focussed for a large portion of the time on the approval process for the forecast annual report, which constitutes a preliminary requirement for taking on new loans. As a consequence, the first half is generally a period with reduced access to the market. As in 2011, for 2012 too, the terms for the approval of the forecast annual report were extended to 31 August, with the foreseeable effects on the trend of credit applications made during the first half of the year by the authorities, namely a sharp drop on the same period of last year, which was already at an all-time low. It is therefore estimated that the new debt required to meet the financial demands for investment forecast for 2012 will mainly be assumed by the authorities - with the new limits set out in the paragraph above - during the second half of the year.

In the Utilities and Corporate segment, the needs for financing or refinancing remain significant, in a context where bank credit is difficult to obtain and, at least for longer-term positions, recovery in the near future looks doubtful. The return to the capital market through the issue of bonds in turn appears to be hindered by unfavourable liquidity conditions and risk perception.

In view of that described, during the first half and in line with the selective methods for the concession of loans, activity has been very limited, both in terms of amounts disbursed and number of operations.

Debt Management

At the end of June 2008, Italian Legislative Decree no. 112/2008 was issued. Article 62 prohibited local authorities, "*from the date in which the regulation takes* *effect,"* to issue from the MEF, *"and in any case for a period of a year to follow the date it (the Decree) takes effect,"* from stipulating derivatives operations, or from taking on debt through contracts that did not call for reimbursement models through amortised rates including equity and interest or that called for amortisation plans that exceeded thirty years.

In October 2009, a rough draft of the regulation underwent a public consultation process by MEF. A number of interested parties and institutions participated in the consultation by providing their observations. At the time the present document was completed, the Ministry regulation in question had not yet been approved.

Considering this, the activity therefore currently relates to operations with Corporate customers and mainly with parties implementing transactions under project financing regimes.

Credit Structuring

This area offers financial structures to public authorities aimed at optimizing payment terms for suppliers (whether or not they are private or public agencies) for short term operations.

The segment has been at the heart of the debate on the measures to re-launch the economy, as the delays in payment by the public administration have unanimously been held to be one of the hindrances to the growth of the Italian economy.

In terms of type of public spending, which in the past mainly (but not exclusively) concerned health, this should grow during the second half of 2012 to include broader categories of expense and all the main public administrations (Regions, Provinces, Municipalities, Central Public Administration and Entities headed by the latter).

Overall, the business generated, and will generate in the future, operations for the bank that are perfectly in line with the risk profile and scope of action of Dexia Crediop. The results achieved in the first half of 2012 are in line with forecasts, whilst (thanks to the very recent issue and publication of specific provisions of law such as, for example, the MEF Decree of 22 May 2012) in the second half of the year, significant growth is forecast for the business.

Structured Finance

Over the course of the first half the market was still influenced by the great volatility of the financial markets, with a clear reduction in operations in both the energy and infrastructure sectors.

Activities were focussed on organizing a small number of high quality operations, characterized by a contained risk profile and appropriate profit levels.

In particular, during the first half of 2012, Dexia Crediop completed two new project finance operations in the solar energy sector and one in the infrastructure sector.

Moreover, during the half-year, numerous advisory appointments were fulfilled in the sector of infrastructures, aimed at assisting major customers in presenting offers for concessions to be awarded under project financing by the Public Administration, in addition to appointments in the role of Agent Bank relative to new stipulations.

1.7.2 Funding and activities in financial markets

Funding activities

During the first few months of 2012, funding took place that improved the 3-year liquidity position. More specifically, the Bank participated for around 6 billion euro in the European Central Bank's Longer Term Refinancing Operation that will last three years. In the same period, the Bank issued 1.4 billion euro in Dexia Crediop bonds, backed by government guarantees in accordance with Italian Law Decree no. 210 of 6 December 2011.

In February 2012, the Bank subscribed a new-issue security of the parent company Dexia Crédit Local for an amount of 2.15 billion and a duration of 1 year, guaranteed by the governments of France, Belgium and Luxembourg. At the same time, the bank obtained the reimbursement of securities in place with the parent company for approximately € 1.75 billion, with residual maturity of approximately 1 year and an expense for early repayment of 31 million.
The operation as a whole enables the improvement of the bank's liquidity profile, as the newly subscribed security can be allocated in the central bank.

In June, the Bank subscribed deposit certificates issued by Dexia Crédit Local for € 3.0 billion, with a duration of around one year, guaranteed by the governments of France, Belgium and Luxembourg. With a view to avoiding worsening the liquidity position, which remains neutral for Dexia Crediop, the balance of the nominal value of the Certificates and the equivalent value of the Central Bank is provided by DCL for the entire duration of the operation. This operation, implemented at market conditions, enables the realisation of a positive margin with respect to the cost of funding incurred.

Bearer deposit certificates are also issued for € 52 million.

In May, CONSOB authorised the update of the Registration Document. This document contains information about Dexia Crediop regarding its function as an issuer of financial instruments on a case by case basis.

Dexia Crediop was the first Italian issuer to provide itself with such a document, in conformance with the EU regulations regarding soliciting of public savings.

Business on the financial and monetary markets

According to the current organisational structure, business is broken down into:

Sales and Structuring

The business concerns the sale of financial products on the Italian equity market. In particular, the activity focuses on the sale of bonds issued by Dexia Group companies, or originated by the Dexia Group for third party issuers included within the range of the Bank's typical customers.

The result for the half-year basically derives from the secondary market of Dexia Crediop issues. The market context relative to the reference customers has not enabled significant activity by the commercial desks, whilst Cash Management has produced new flows for 131 million euro on the short-term segment.

Cash and liquidity management

The business concerns the management of short-term liquidity and the interest rate risk, generated in particular by Euribor indexation of the banking book items. The interest risk is also managed through the use of short-term interest-rate derivatives (Forward Rate Agreements and EONIA swaps).

The money market has been marked by high volatility and an expansion of the spread between Euribor and Eonia due to the new financial crisis stage connected with the sovereign debts of some EU countries, starting from the last few months of 2011.

In terms of sources of finance, the operations with the Central Bank have been significant, also thanks to the characteristics of the assets portfolio (securities and loans).

Participation in the two LTRO auctions held by the ECB in December 2011 and February 2012, and with a term of 3 years, comes to € 14.4 billion (€ 8.5 billion due on 29/01/2015 and € 5.9 billion due on 26/02/2015); as of 30 June, it accounted for around 83% of the total re-financing with the ECB. Participation in the shorter-term auctions was less, for a total of € 2.9 billion (€ 2.4 billion due weekly and € 0.5 billion due quarterly).

Secured funding has also been generated through the MTS Repo and NewMIC markets.

Debt capital market

The business concerns the origination of debt capital market operations for bank customers.

The sovereign debt crisis of the Eurozone, with major negative repercussions on the Btp-Bund spread, has, in actual fact, frozen the issue of new debt by Italian issuers in the first half of the year.

Operating conditions are not in place, therefore, to conclude operations on the primary market with our customers, and the business line has not produced any economic results or origination operations of debt capital market for bank customers.

1.7.3 Changes in the Company

Human Resources

The Bank employed 199 people as of 30 June 2012 (-5 compared to 31 December 2011).

The first half of 2012 was marked by training aimed at strengthening technical-specialist skills and managerial abilities of the internal resources, also through recourse to loans of the Inter-professional Funds for training and the Solidarity Fund; in relation to staff professional development, the company's investment in individual development routes with the use of coaching and in the professional growth programme dedicated to young resources with potential.

With reference to industrial relations, social dialogue continued with company trade union representatives, with frequent informative meetings on both general and specific matters and with the adoption of shared solutions on various matters.

In relation to operating function aspects, the implementation of administrative procedures and instruments in application of new regulatory provisions concerning employment management was significant.

Compliance

During the first half of 2012, the anti money laundering activities envisaged by the control dashboard defined for 2012 were continued, and in particular, we should mention the activities carried out in terms of due diligence of customers.

Again with reference to Anti Money Laundering Legislation, together with Internal Audit, checks were carried out on the correct application of the organisational model (Italian Legislative Decree no. 231/2001) and on the correct keeping and management of the consolidated computer archives (AUI) for which the bank uses an outsourced service.

Further activities concerned an analysis of interventions relative to the provisions of the Bank of Italy of 12 December 2011 "Risk and conflict of interest with regards to associates".

In particular, using the various corporate structures competent on the matters, Compliance examined the legal aspects and prepared a regulatory text subjected to sharing by the structures.

In terms of investment services, auditing continued according to the Dexia Group schedule, with sample checks carried out on personal operations.

Further control activities may be implemented in the second part of 2012, considering the general auditing schedule prepared by the structure, on the basis of priorities and resources available.

Finally, the 8th Compliance Congress has been organised, with positive fallout in terms of reputation, on "Conformity, transparency and controls in relations with the public administration"; amongst others, this involved the Presidents of the Council of State and the Court of Auditors, the General Accountant of the Bank of Italy and the General Manager of ABI as speakers.

Communication and Sustainable Development

The first half of the year was notable for carefully-focussed communication activities aimed at supporting the Dexia brand, taking advantage of the Bank’s history and innovative expertise.

Over the course of these six months the bank completed, either directly or in synergy with other important organizations, several events dealing with current themes related to local authorities and the economic/financial world, at which qualified speakers coming from the academic, institutional, and financial world participated, together with clients. (Forum Banche and PA, ASSIOM FOREX, AICOM congress, AISES seminars, etc.).

This first half has also been marked by constant institutional and financial communication and with the press, aimed at optimising the activities of Dexia Crediop and the evolution of the Dexia Group as well as by internal communication focussed on bank collaborators through the intranet, the quarterly newspaper and the involvement of colleagues in events of both an economic-financial and more cultural nature, in line with the Bank's cultural and patronage communication policies.

In the first half of 2012, Dexia Crediop reaffirmed its commitment towards sustainable growth and corporate social responsibility. In this regard, particular attention is being paid to the reduction of greenhouse gases responsible for climate change. In the first half of 2012, this target was pursued both by favouring investments and projects aimed at the production of energy from renewable sources.

Administration

Over the course of these six months, the **Accounting and Financial Control Department** was busy producing the accounts and the regulatory reporting. In particular, under the scope of the Accounting department, the process for reporting to the parent company has been adapted to consider the reduction in the terms for the delivery of the accounting package. Work has been organised for preparing the accounting balancing and reconciliation in order to realise synergies in operations, supervisory reports have been prepared and the specific data analysis required by the supervisory authority.

Controls regarding efficacy and appropriateness called for by the organizational model for the Financial Reporting Manager continued. The accounting schemes relating to new products developed by the bank have been defined, basically aimed at improving the funding position.

Financial control department continued its usual analysis and support to the bank's management, aimed also at verifying the level to which the strategic plan has been developed.

Finally, specific tax analyses were carried out to verify the correct application of tax regulations, also in view of the derivation principle applicable to IAS adopters.

Supervised by the **Risk Management department,** in April the ICAAP Report was sent to the Bank of Italy with reference to the date of 31 December 2011.

The department also went on to determine the flat-rate adjustments on loans and pursued the careful monitoring of liquidity, market and interest rate risk. Automatic processes were reinforced, in particular those having to do with control systems.

The design activities of the **Back Office** mainly involved the modernisation of both the legacy systems and reconciliation platforms.

Under the scope of core business, amongst other matters, all the activities necessary and aimed at ensuring adhesion to the market referred to as MTS repo and the incorporation of the extraordinary measures implemented in support of liquidity and launched over time by the Central Bank (extension of guarantee pooling) have been developed.

The **ICT & Facility Services** department has given rise to the programme for the evolution of the systems defined during strategic planning. Interventions were focussed on the Governance and Security process area, with a view to constantly improving compliance and efficiency levels of operating processes supported by computer systems. The implementation of a new back-up infrastructure for the management of operating continuity and disaster recovery is particularly important. This innovation enabled a significant increase in safety standards in this area, to the benefit of more immediate reaction times and greater functional coverage in the event of a disaster, achieving the objective of attaining almost immediate availability of the entire application park with potential data loss of zero.

Other Equity Investments

ISTITUTO PER IL CREDITO SPORTIVO (ICS)

ICS was set up with Italian Law no. 1295 dated 24 December 1957 and is a public sector bank in accordance with art. 151 of It. Leg. Dec. no. 385/1993. Technically, it is a "public law entity with autonomous management". The Institute operates in the sport and cultural activity loans sector.

Dexia Crediop's share in this bank at the end of the first half was stable on last year, at 21.622% of the equity. The investment is not considered as one providing significant influence, since, in accordance with the current articles of association, such an investment does not provide an equivalent number of votes on the Board of Directors, which also performs the functions of the General Meeting.

By Decree of the President of the Council of Ministers, adopted on 17 June 2011, the ICS was placed in receivership, with the consequent appointment of an Extraordinary Commissioner for the duration of three months, an appointment that was then extended until end 2011 with a view to adapting the articles of association to meet the provisions of Art 6, paragraph 5 of Italian Law Decree no. 78 of 2010, which establishes that no more than five members shall form part of the administrative bodies of public entities.

By Decree of the Ministry for the Economy and Finance of 28 December 2011, issued on the proposal of the Bank of Italy in accordance with Art. 70, paragraph 1 of the Consolidated Law on Banking, the ICS was subjected to an extraordinary administration procedure, which was still underway as of the date on which this document was prepared. By appointment of the ministry, the commissioners have posed doubt as to the ownership of equity and the criteria for the allocation of the Institute's profits; in this regard please refer to paragraph 5.1.2.

1.7.4 Income Statement performance and the consolidated half year result

Net interest and other banking income for the Dexia Crediop Group as of 30 June 2012 came to 28 million euro, down 65% on 30 June 2011. This reduction is mainly due to the evolution of trading business (-39 million on 30 June 2011) and net commission (-12 million on 30 June 2011), partially offset by an increase in the net interest income (+1 million).

Net adjustments for impairment are negative for 11 million euro (as compared with the +14 million of the first half of 2011) and mainly refer to specific adjustments on loans.

Operating costs, including administrative expenses, amortization and depreciation, provisions and other operating expenses and income totalled € 19 million,

(-14% on 30 June 2011) mainly following a reduction in personnel expenses linked to the drop in the number of employees and a decrease in allocations made to provisions for risks and charges and an increase in other operating income and expenses.

This trend determines a loss in current operations gross of tax that is -2 million euro with respect to profits of 72 million euro recorded for the same period last year.

Considering taxation, - € 6 million, also taking into account the legislation on partial non-deductibility of interest expenditure (the so-called "Robin Hood Tax"), the half-year loss comes to -8 million euro with respect to profits of 42 million euro recorded for 30 June 2011.

1.7.5 Income Statement performance and the corporate half year result

Net interest and other banking income for Dexia Crediop as of 30 June 2012 came to 21 million euro, down 71% on 30 June 2011. The reduction is due to the worsening of net fee and commission income (-12 million as compared with 30 June 2011), the reduction in dividends perceived (-4 million) and above all the result from trading, hedging and the sale/repurchase (-39 million), partially balanced out by the increased interest margin (+3 million).

Net adjustments for impairment are negative for 11 million (as compared with the +14 million of the first half of 2011) and mainly refer to specific adjustments on loans.

Operating costs, including administrative expenses, amortization and depreciation, provisions and other operating expenses and income totalled € 20 million, down 9% on 30 June 2011 mainly following a reduction in personnel expenses linked to the drop in the number of employees and a decrease in allocations made to provisions for risks and charges.

This trend results in loss from continuing operations before tax equal to €-10 million. Taxation totalled €-4 million, taking into account the legislation on the non-deductibility of interest expenditure (the so-called "Robin Hood Tax"). Considering tax, the half-year loss therefore comes to -14 million on the profit of 38 million recorded for 30 June 2011.

1.8 Outlook for future trends

1.8.1 Future operational prospects

In order to assess the operational prospects of Dexia Crediop, we must refer to the situation of the Dexia Group, to the transformation plan concerning it and the latest significant changes that have affected its structure.

More specifically, the implementation of the restructuring plan according to the objectives defined in 2010 with the European Commission were pursued until May 2011; in this context, the sale of Dexia Crediop to other entities of the Dexia Group is one of the objectives to be realised by 31 October 2012.

Following the deterioration of the market conditions and reflections on the **Dexia Group**, in October, the group has adopted structural measures having major changes on its structure. The structural changes announced in October 2011 have partly already been realised or are currently being realised (see paragraph 1.4), whilst, at present, the States of France, Belgium and Luxembourg are committed to presenting the European Commission with a new restructuring plan by March 2012, which has not yet been approved by the European Commission.

The consolidated annual report of the Dexia Group has been prepared in accordance with the principle of the company as a going concern, which is influenced by a number of factors, including:
• approval by the European Commission of the above-specified new comprehensive restructuring plan, in particular obtaining a guarantee from the States of Belgium, France and Luxembourg on the funding provided by Dexia SA and by its subsidiary Dexia Crédit Local, for an amount of € 90 billion; these guarantees have currently been released on a temporary basis for a total of € 55 billion, with maturity on 30 September;
• financial remuneration of the guarantee that would enable the generation of a positive result or the strengthening of the Dexia Group's equity;
• the support of the States of France, Belgium and Luxembourg with regards to the Dexia Group's liquidity position on the basis of the guarantees granted for the correct implementation of the significant restructuring measures announced in October 2011.

For lack of further corrective measures, the non-realisation of one or more of the criteria specified may endanger the going concern of Dexia SA and create financial tension in terms of Dexia Group liquidity and the solvency position. These hypotheses depend on some exogenous factors that are beyond the control of Dexia. Their realisation therefore remains uncertain and will, amongst other factors, depend on the decision of the European Commission on the new transformation plan presented.

In view of that explained, the prospects of the **Dexia Crediop Group** as a going concern, confirmed as of today, may suffer the same exogenous factors described for the Dexia Group and, in particular, the latter's capacity to provide support, if needed, in terms of funding for the other Group entities.

More specifically, with reference to the liquidity position, during the half-year, a progressive increase in demand was recorded. Key factors of this increase include the increased margins paid to the counterparties on cash collateral contracts on derivatives, in turn generated by the clear reduction in long-term interest rates and the reduction of the reserves that can be allocated, due to the increased credit spreads.

Prospective needs for 2012 will be covered through mobilisation of available reserves, the different financing operations being negotiated and, for the residual part, through the financing on an overnight basis of the Dexia Group, in line with the indications of the guarantor states, the central banks and the European Commission.

The dynamic liquidity position of Dexia Crediop is therefore sustainable for the whole of 2012, on the basis that the scheduled managerial operations are implemented (partly already realised) and that financing of the Dexia Group is possible, against temporary imbalances present during the reference time frame. The need to cover these liquidity needs, generated particularly by the increase in the above-mentioned cash collateral contracts, will result in a penalisation of the income prospects of the Dexia Crediop.

With reference to the foreseeable outlook of the Public Finance market, please note that in 2012 too, the activity of territorial entities in making investments and the consequent recourse to debt look set to reduce given the new provisions of the 2012 "Stability Law", which, in force as from the forthcoming years, have further reduced the maximum ratio of debt financial expense and incomings on the financial statements for regions, provinces and municipalities. In addition to this, the same law also establishes that, as from 2013, and for the first time, individual objectives will be established with regards to the reduction of debt for those territorial entities that exceed certain per capita debt thresholds to be identified by Decree of the Ministry for the Economy and Finance. In the medium-term, therefore, spending on investments by territorial entities will be further penalised.

Prospects for the infrastructural sector developed through project financing are positive. In actual fact, if investments in infrastructures made by public administrations have been decreasing for several years and in the medium-term, no reversal of trend is envisaged, investments in infrastructures made by other entities in the form of project financing show evenly positive forecasts, with the exception of the telecommunications sector.

In line with this reference context, the managerial prospects of Dexia Crediop are aimed at maintaining long-term financing activities within the limits of its funding capacity and extending the offer of project financing, also including services such as advisory, arranging, hedging, agency and cash management with companies managing services or activities of public relevance, such as utilities, infrastructures, public transport networks, sustainable energy and health.

Finally, it is forecast that the context will continue to be favourable to the development of short-term loans and the corresponding short-term funding with customers; the interest of suppliers of the public administration in forms of banking intervention aimed at injecting liquid funds into the production system looks set to remain unchanged in the future.

Again under the scope of the Public Finance sector, in 2009 the bank became party to some administrative and legal proceedings in relation to derivative products stipulated with local and territorial entities that are still underway. Also in view of the developments as of today in these proceedings, it has not been deemed necessary to adjust the value, but merely to make allocations to the provisions for risks and charges for legal costs. Additionally, it was not considered that the proceedings underway should significantly affect the management outlook, given the substantial correctness and transparency applied by the bank in drawing up the contracts in question.

Furthermore, as decided in 2011 activities in derivatives will only be carried out for professional and eligible clientèle, with, in any case, the exclusion of local and territorial entities.

Thus it is also envisaged that a notice of liquidation of registration taxes received by the Bank in December 2011 will not affect the management prospects, with respect to which, no allocation has been considered necessary and the suspension has been obtained by the administration of its effects.

In terms of funding, the issue of bonds are set to resume both through domestic and international programmes and through the so-called "Dexia Crediop Series" intended for private or institutional investors, as soon as the markets make it possible.
Research will continue with the secured deposit operations market using loans and/or securities held in the portfolio.

Medium and long-term deposits will be carried out, as usual, also in the form of loans with banking counterparties, including the European Central Bank. With regard to short-term deposits, in addition to the traditional forms of funding, i.e. the interbank market and monetary policy transactions of the Central Bank, the Bank intends to exploit its commercial franchise to collect liquid funds held by the reference clientèle.

In terms of administrative management, Dexia Crediop continues along the path of reducing costs and rationalising resources. By virtue of the agreement for voluntary redundancy signed in 2009, by virtue of which an overall reduction in the workforce at end 2011 of 27 units was recorded, in 2012, staff should reduce by a further 4 units.

In any case, in addition to the above management prospects, Dexia Crediop remains an integral part of the Dexia Group; its strategy cannot fail to consider the evolution of the Group according to that defined by the transformation plan presented by the States, in March 2012, to the European Commission and currently awaiting approval.

The guidelines for the plan entail maintaining the operations of Dexia Crediop with a selective disbursement of credit until such time as the financial market conditions will enable a return to normal funding access levels by the banking system. This will enable the Bank to preserve the commercial franchise and the maintenance of the opportunity for a subsequent sale and further valuation in the hands of other shareholders.

1.8.2. Significant events after the end of the first half

No significant events occurred after the end of the first half.

1.9 Reclassification criteria

To provide a better understanding of the results of the period, abbreviated versions of the balance sheet and income statement have been prepared, making the necessary reclassifications to the models provided in Bank of Italy Circular 262/2005.

These reclassifications are as follows:

➢ Balance sheet schedule
- the item “Cash and cash equivalents" has been included under other assets;
- the item “Hedging derivatives" has been included under other assets/liabilities;
- the item “Fair value adjustment of financial assets in hedged portfolios” has been included among other assets;
- tangible and intangible assets have been aggregated into a single item;
- the provisions for severance indemnities and risks and charges have been aggregated into a single item;
- the item “Fair value adjustment of financial liabilities in hedged portfolios” has been included among other liabilities;
- the profit and valuation reserves have been aggregated into a single item.

➢ Income statement schedule
- the item “Net hedging gains (losses)" has been included under net interest, in relation to the close correlation between hedging derivatives and the instruments covered;
- “net trading gains (losses)" and “Gains (losses) on disposal or repurchase” has been aggregated into a single item;
- net adjustments on tangible and intangible assets have been aggregated into a single item.

Dexia Crediop

1.10 Reclassified schedules and reconciliation reports

Below we provide the reclassified consolidated schedules for the Income Statement and Balance Sheet and the relative reconciliations for the items called for in the stated Circular 262/2005.

For the Balance Sheet Schedule, data at 30 June was compared with that from the most recent annual report, while in the Income Statement, comparison was made with the corresponding period from the previous financial year (as called for in IAS 34 § 20 – "Interim financial reporting").

The items in the annual report registered at a value of zero are those that at the date in question showed a balance which expressed in millions of Euro was less than the unit.

Consolidated balance sheet

millions of euro

Reclassified Balance Sheet	Assets	30.06.2012	31.12.2011	Change
Financial assets held for trading	20. Financial assets held for trading	5,877	5,308	11%
Financial assets available for sale	40. Financial assets available for sale	712	695	2%
Financial assets held to maturity	50. Financial assets held to maturity	317	338	-6%
Due from banks	60. Due from banks	14,752	12,360	19%
Due from customers	70. Due from customers	29,334	29,162	1%
Tangible and intangible assets		*46*	*47*	-2%
	120. Property, plant and equipment	43	44	-2%
	130. Intangible assets	3	3	0%
Tax assets	140. Tax assets	55	71	-23%
Other asset items		*877*	*850*	3%
	10. Cash and cash equivalents	0	0	na
	80. Hedging derivatives	627	599	5%
	90. Fair value adjustment of financial assets in hedged portfolios (+/-)	164	147	12%
	160. Other assets	86	104	-17%
	Total assets	**51,970**	**48,831**	**6%**

millions of euro

Reclassified Balance Sheet	Liabilities and shareholders' equity	30.06.2012	31.12.2011	Change
Due to banks	10. Due to banks	25,967	23,467	11%
Due to customers	20. Due to customers	1,933	1,862	4%
Securities issued	30. Securities issued	12,984	13,464	-4%
Financial liabilities held for trading	40. Financial liabilities held for trading	5,931	5,385	10%
Tax liabilities	80. Tax liabilities	0	0	na
Other liability items		*4,126*	*3,636*	13%
	60. Hedging derivatives	4,105	3,603	14%
	70. Fair value adjustment of financial liabilities in hedged portfolios (+/-)	0	0	na
	100. Other liabilities	21	33	-36%
Provisions		*15*	*16*	-6%
	110. Provision for severance indemnities	2	2	0%
	120. Provisions for risks and charges	13	14	-7%
Reserves		*572*	*573*	0%
	140. Valuation reserves	(165)	(186)	na
	170. Reserves	737	759	-3%
Equity	190. Equity	450	450	0%
Shareholders’ equity of minority interests	210. Shareholders' equity pertaining to minority interests	0	0	na
Profit (Loss) for the period	220. Profit (Loss) for the period (+/-)	(8)	(22)	-64%
	Total liabilities and shareholders' equity	**51,970**	**48,831**	**6%**

Consolidated Income Statement

millions of euro

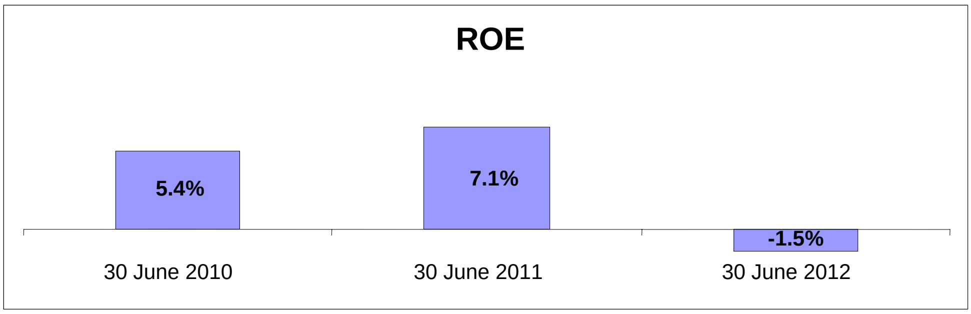
Reclassified Income Statement	Income Statement	30/06/2012	30/06/2011	Change
Net interest income		*61*	*60*	*2%*
	10. Interest and similar income	545	577	-6%
	20. Interest and similar expenses	(484)	(517)	-6%
	90. Net hedging gains (losses)	0	0	na
Net fee and commission income		*(2)*	*10*	*-120%*
	40. Fee and commission income	5	12	-58%
	50. Fee and commission expenses	(7)	(2)	250%
Dividend	70. Dividend and similar income	0	2	-100%
Net trading gains (losses)		*(31)*	*8*	-488%
	80. Net trading gains (losses)	(1)	6	-117%
	100. Gains (losses) on disposal or repurchase	(30)	2	-1600%
	Net interest and other banking income	**28**	**80**	**-65%**
Net adjustments for impairment	130. Net adjustments for impairment	(11)	14	-179%
	Net income from financial activities	**17**	**94**	**-82%**
Administrative expenses	180. Administrative expenses	(18)	(20)	-10%
Net provisions	190. Net provisions for risks and charges	0	(1)	-100%
Amortization on assets		*(2)*	*(1)*	*100%*
	200. Net adjustments on property, plant and equipment	(1)	0	na
	210. Net adjustments on intangible assets	(1)	(1)	0%
Other operating expenses/income	220. Other operating expenses/income	1	0	na
	Operating expenses	**(19)**	**(22)**	**-14%**
	Profit (loss) from continuing operations before tax	**(2)**	**72**	**-103%**
Income tax	290. Income tax for the period on continuing operations	(6)	(30)	-80%
	Profit (Loss) for the period	**(8)**	**42**	**-119%**
	Profit (Loss) pertaining to the Parent Company	**(8)**	**42**	**-119%**

The Group's results at 30 June 2012 are commented on in regards to notable aspects in the "Notes to the Statements," based on the reclassification schedules referenced above.

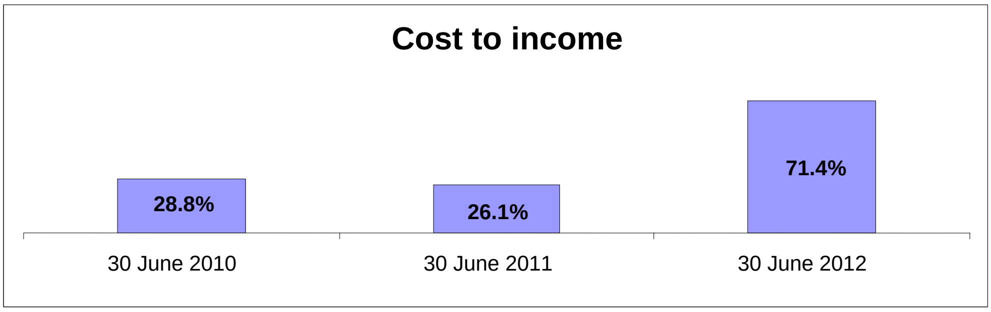
1.11 Alternative performance indicators

Below we provide some economic/financial position indicators, which serve as alternatives to the conventional information that can be deduced from financial statement schedules, relative to the Dexia Crediop Group at 30 June 2012.

ROE[1] at 30 June 2012 was equal to -1.5% with respect to the +7.1% recorded at 30 June 2011. This is a result of the loss booked for the first half of 2012.

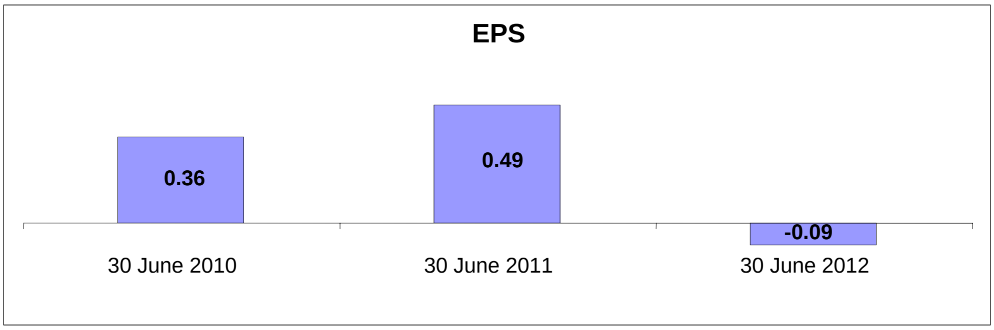


The Cost to Income ratio[2] as of 30 June 2012 is 71.4% with respect to the 26.1% as of 30 June 2011. The change is due to the reduction in Net interest and other banking income.

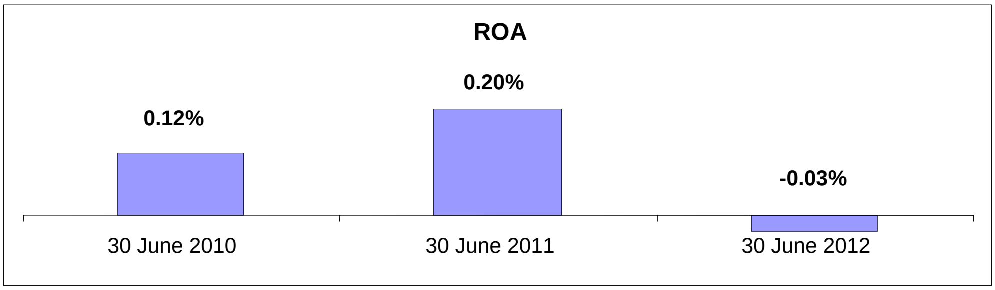


1 Return on Equity is calculated as the ratio between net result for the annualized six month period and net equity at year-end, excluding the result under formation. This indicator expresses the profitability of own equity.
2 Cost to income is the ratio between operating costs (administrative expenses and depreciation) and net interest and other banking income. This indicator is a measure of productivity expressed as a percentage of profit absorbed by operating costs.

EpS[1] at 30 June 2012 equalled €-0.09 per share, in respect to €+0.49 at 30 June 2011, following a decrease in net annualized result.

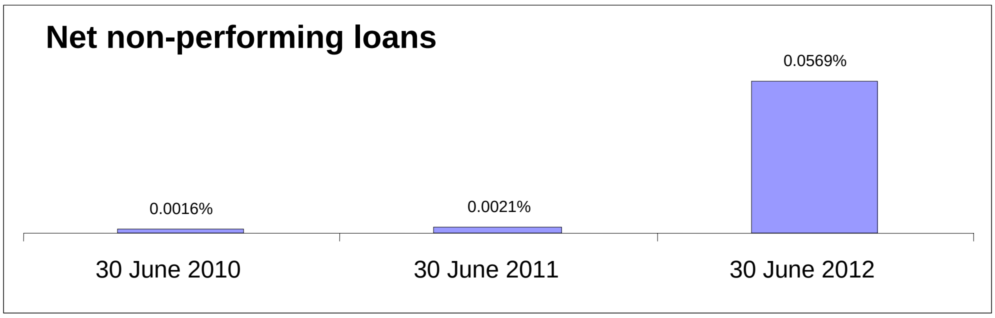


ROA[2] at 30 June 2012 was equal to -0.03 % as compared with +0.20% at 30 June 2011. The decrease is due to both the reduction of the net annualised result and the increase in total assets.



The loans portfolio risk level has increased during the period in relation to the increased net non-performing positions, mainly due to a single position. The effect of non-performing loans net of adjustments is in any case less than 0.06%[3].

1 The EpS figure is the ratio between annualized net result and the number of shares in the equity.
2 The Return on Assets figure is calculated as the ratio between annualized net result and the total balance sheet assets. This indicator expresses the profitability of total invested equity.
3 The effect of non-performing loans is calculated as the ratio between net non-performing loans and net total loans (financial assets available for sale, financial assets held to maturity, loans to banks, and loans to clients). This indicator expresses the risk level of the loans portfolio.


Net non-performing loans
0.0016%
0.0021%
0.0569%
30 June 2010
30 June 2011
30 June 2012

Rating

At 30 June 2012, the rating on the medium/long-term debt assigned to Dexia Crediop by the Agencies Fitchratings and Standard & Poor's respectively come to A and BB-.

On 31 July 2012, Fitchratings altered the rating of Dexia Crediop as follows:

Long-term counterparty rating: to BBB+ from the previous A;
Short-term counterparty rating: to F2 from the previous F1.

On 03 August 2012, Standard & Poor’s altered the rating of Dexia Crediop as follows:

Long-term counterparty rating: to B+ from the previous BB-;
Short-term counterparty rating: confirmed at level B.

Fitchratings and Standard & Poor's respectively express “Rating Watch Negative” and "Negative Outlook".

Fitchratings – med-long term	BBB+
Fitchratings – short term	F2

Standard & Poor’s - med-long term	B+
Standard & Poor’s - short term	B

1.12 Reconciliation between consolidated profit and equity report

Below is the report on reconciliation between results for the period and the Group's shareholders' equity using analogous values from the Parent Company:

	30/06/2012		
			millions of euro
Parent company Dexia Crediop S.p.A.	**Shareholders' equity**	**Profit for the period**	**Total**
Equity	450		
Valuation reserves	8		
Reserves	635		
Profit (Loss) for the period		(14)	
TOTAL	**1,093**	**(14)**	**1,079**
Subsidiary companies	**Shareholders' equity**	**Profit for the period**	**Total**
Equity	100		
Valuation reserves	(184)		
Reserves	117		
Profit (Loss) for the period		3	
TOTAL	**33**	**3**	**36**
Elimination of equity interests in subsidiaries	(100)		
Consolidation accounting on valuation reserves	11	3	
Consolidation accounting on profit reserves	(15)		
TOTAL	**(104)**	**3**	**(101)**
Dexia Crediop Group	**Shareholders' equity**	**Profit for the period**	**Total**
Equity	450		
Valuation reserves	(165)		
Reserves	737		
Profit (Loss) for the period		(8)	
Pertaining to minority interests	0	0	
TOTAL CONSOLIDATED CAPITAL as at 30.06.2012	**1,022**	**(8)**	**1,014**

2. Accounting policies

2.1 Principles and methods used in preparations

The accounting principles adopted when drawing up the six month financial report were essentially unchanged from those used for the 2011 annual report, hence we refer readers to those for additional information.

With reference to the financial statement schedules, data at 30 June was compared with that from the most recent annual report, while in the Income Statement, comparison was made with the corresponding period from the previous financial year, as called for in IAS 34.

2.2 – Declaration of conformity to international accounting standards

The Half-Yearly Financial Report of the Dexia Crediop Group at 30 June 2012 were prepared in accordance with the *International Financial Reporting Standards* and the *International Accounting Standards* (hereafter "IFRS", "IAS", or international accounting standards) issued by the *International Accounting Standards Board* (IASB) and adopted by the European Commission according to procedures referred to in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and Council dated 19 July 2002, which were approved on that date.

This half-yearly financial report was drawn up in accordance with the provisions of IAS 34 regarding interim financial reporting. In particular, the Dexia Crediop group took advantage of the faculty to provide the six month information in a summarized version, in place of the more complete information called for in the annual report.

2.3 – Consolidation area and methods

The consolidated annual report of the Dexia Crediop Group consist of the individual annual report of the Parent Bank Dexia Crediop S.p.A. and the individual annual report of the subsidiaries, which have been fully consolidated.

The consolidation principles adopted for the half-yearly financial report as at 30 June 2012 are shown below:

- the consolidated annual report have been prepared in compliance with the provisions of IAS 27 and SIC 12 through the aggregation of the individual annual report of the Parent Company and subsidiaries, adding the figures for each item of the assets, liabilities, shareholders' equity, income and costs. In order for the consolidated annual report to show the information about the Group as a single economic entity, the following procedures were adopted:

a. the book value of the parent bank's equity investments in each subsidiary was eliminated together with the corresponding part in each subsidiary's shareholders' equity;
b. the asset and liability balance sheet relations, off-balance-sheet operations, revenues and charges, as well as profits and losses relating to transactions between companies included in the area of consolidation were removed.

- The company Tevere Finance S.r.l. is consolidated fully as Dexia Crediop exercises de facto control.

- with regard to the annual report of DCC (Dexia Crediop per la Cartolarizzazione srl) and Tevere Finance S.r.l. only the "above-the-line" balance sheet items were included in consolidation, whereas those relating to "Separate Equity", which includes the assets and liabilities and the economic components of the two securitisation operations, were already included in the individual annual report in accordance with IAS 39.

Company name	Head-quarters	Relationship	Investment relationship		% of votes held
			Investor company	% share	
A. Companies: A.1 Consolidated line-by-line					
DCC – Dexia Crediop per la Cartolarizzazione S.r.l.	Rome	1	Dexia Crediop	100%	100%
D.C.I. – Dexia Crediop Ireland	Dublin	1	Dexia Crediop	100%	100%
Crediop per le Obbligazioni Bancarie Garantite S.r.L.	Rome	1	Dexia Crediop	90%	90%
Tevere Finance S.r.l.	Rome	4			

Key
1 = majority of votes at the General Meeting
4 = other type of control

3. Consolidated accounting reports

3.1 Consolidated financial statement schedules

CONSOLIDATED BALANCE SHEET

millions of euro

	Assets	30.06.2012	31.12.2011
10.	Cash and cash equivalents	0	0
20.	Financial assets held for trading	5,877	5,308
40.	Financial assets available for sale	712	695
50.	Financial assets held to maturity	317	338
60.	Due from banks	14,752	12,360
70.	Due from customers	29,334	29,162
80.	Hedging derivatives	627	599
90.	Fair value adjustment of financial assets in hedged portfolios (+/-)	164	147
120.	Property, plant and equipment	43	44
130.	Intangible assets	3	3
	of which:		
	- goodwill	0	0
140.	Tax assets	55	71
	a) current	*10*	*11*
	b) advance	*45*	61
160.	Other assets	86	104
	Total assets	**51,970**	**48,831**

millions of euro

	Liabilities and shareholders' equity	30.06.2012	31.12.2011
10.	Due to banks	25,967	23,467
20.	Due to customers	1,933	1,862
30.	Securities issued	12,984	13,464
40.	Financial liabilities held for trading	5,931	5,385
60.	Hedging derivatives	4,105	3,603
70.	Fair value adjustment of financial liabilities in hedged portfolios	0	0
80.	Tax liabilities	0	0
	a) current	0	0
	b) deferred	0	0
100.	Other liabilities	21	33
110.	Provision for severance indemnities	2	2
120.	Provisions for risks and charges	13	14
	a) pension funds and similar benefits	*1*	*1*
	b) other provisions	*12*	*14*
140.	Valuation reserves	(165)	(186)
170.	Reserves	737	759
190.	Equity	450	450
210.	Shareholders' equity of minority interests (+/-)	0	0
220.	Profit (Loss) for the period (+/-)	(8)	(22)
	Total liabilities and shareholders' equity	**51,970**	**48,831**

CONSOLIDATED INCOME STATEMENT

millions of euro

Income Statement items		30/06/2012	30/06/2011
10.	Interest and similar income	545	577
20.	Interest and similar expenses	(484)	(517)
30.	**Net Interest income**	**61**	**60**
40.	Fee and commission income	5	12
50.	Fee and commission expenses	(7)	(2)
60.	**Net fee and commission income**	**(2)**	**10**
70.	Dividend and similar income	0	2
80.	Net trading gains (losses)	(1)	6
90.	Net hedging gains (losses)	0	0
100.	Gains (losses) on disposal or repurchase of:	(30)	2
	a) loans	*(31)*	*0*
	b) financial assets available for sale	*0*	*0*
	d) financial liabilities	*1*	*2*
120.	**Net interest and other banking income**	**28**	**80**
130.	Net adjustments for impairment of:	(11)	14
	a) loans	*(11)*	*16*
	d) other financial transactions	*0*	*(2)*
140.	**Net income from financial activities**	**17**	**94**
170.	**Net income from financial and insurance activities**	**17**	**94**
180.	Administrative expenses:	(18)	(20)
	a) personnel expenses	*(10)*	*(12)*
	b) other administrative expenses	*(8)*	*(8)*
190.	Net provisions for risks and charges	0	(1)
200.	Net adjustments on property, plant and equipment	(1)	0
210.	Net adjustments on intangible assets	(1)	(1)
220.	Other operating expenses/income	1	0
230.	**Operating expenses**	**(19)**	**(22)**
280.	**Profit (loss) from continuing operations before tax**	**(2)**	**72**
290.	Income tax for the period on continuing operations	(6)	(30)
300.	**Profit (Loss) from continuing operations after tax**	**(8)**	**42**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

millions of euro

Items		30/6/2012	31/12/2011
10.	**Profit (Loss) for the period**	**(8)**	**(22)**
	Other income components net of tax		
20.	Financial assets available for sale	11	(157)
60.	Cash flow hedging	10	0
110.	**Total other income components net of tax**	21	(157)
120.	**Comprehensive income (items 10 + 110)**	**13**	**(179)**
130.	Consolidated comprehensive income pertinent to minority interests	0	0
140.	**Consolidated comprehensive income pertinent to Parent Company**	**13**	**(179)**

3.2 Report on changes in consolidated shareholders' equity

Below we provide the report on changes to shareholders' equity at 30 June 2012:

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 30 JUNE 2012

millions of euro

	Balances at 31.12.2011	Changes to initial balances	Balances at 1.1.2012	Allocation of profit of the previous period		Comprehensive income	Shareholders' equity as at 30.06.2012	
				Reserves				
	of the group		of the group	of the group	Dividend and other uses		of the group	of third parties
Equity:	**450**		**450**				**450**	
a) ordinary shares	450		450				450	
b) other shares								
Share premiums								
Profit reserves	**759**		**759**	**(22)**			**737**	
Valuation reserves	**(186)**		**(186)**			**21**	**(165)**	
Equity instruments								
Treasury shares								
Profit (Loss) for the period	(22)		(22)	22		(8)	**(8)**	
Shareholders' equity	**1,001**		**1,001**	**-**		**13**	**1,014**	

Shareholders' equity of minority interests at 30 June 2012 amounts to Euro 11 thousand.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 30 June 2011

millions of euro

	Balances at 31.12.2010	Changes to initial balances	Balances at 1.1.2011	Allocation of profit of the previous period		Comprehensive income	Shareholders' equity as at 30.06.2011	
				Reserves	Dividend and other uses			
	of the group		of the group	of the group			of the group	of third parties
Equity:	**450**		**450**				**450**	
a) ordinary shares	450		450				450	
b) other shares								
Share premiums								
Profit reserves	**793**		**793**	**(34)**			**759**	**0**
Valuation reserves	**(30)**		**(30)**			**10**	**(20)**	
Equity instruments								
Treasury shares								
Profit (Loss) for the period	(34)		(34)	34		42	**42**	**0**
Shareholders' equity	**1,179**		**1,179**	**0**	**0**	**52**	**1,231**	**0**

Shareholders' equity of minority interests at 30 June 2011 amounts to Euro 11 thousand.

Dexia Crediop

3.3 Report on changes in consolidated financial position

Indirect method

A. OPERATING ACTIVITIES	*millions of euro*	
	30/06/2012	**30/06/2011**
1. Management	**11**	**55**
- result for the period (+/-)	(8)	42
- gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	1	(6)
- capital gains/losses on hedging assets (+/-)	0	0
- net adjustments for impairment (+/-)	11	(13)
- net adjustments of tangible and intangible fixed assets (+/-)	1	1
- net provisions for risks and charges and other costs/revenues (+/-)	0	1
- unpaid taxes and dues (+)	6	30
2. Liquidity generated/absorbed by financial assets	**(3,151)**	**1,962**
- financial assets held for trading	(571)	800
- financial assets available for sale	(17)	(2)
- due from banks: on demand	158	12
- due from banks: other receivables	(2,549)	(11)
- due from customers	(183)	1,065
- other assets	11	98
3. Liquidity generated/absorbed by financial liabilities	**3,141**	**(2,019)**
- due to banks: on demand		
- due to banks: other payables	2,500	566
- due to customers	71	(439)
- securities issued	(480)	(1,004)
- financial liabilities for trading	546	(794)
- other liabilities	504	(348)
Net liquidity generated/absorbed by operations	**1**	**(2)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**0**	**2**
- sales of equity investments		
- dividend collected from equity investments	0	2
- sales of property, plant and equipment		
2. Liquidity absorbed by	**(1)**	**0**
- purchases of intangible assets	(1)	0
Net liquidity generated/absorbed by investment activities	**(1)**	**2**
C. FUNDING ACTIVITIES		
- distribution of dividend and other uses	0	0
Net liquidity generated/absorbed by funding activities	**0**	**0**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**0**	**0**

KEY

(+) generated

(-) absorbed

4. Certification of the abbreviated half-yearly financial report

Certification of the abbreviated half-yearly financial report pursuant to art. 81-ter of CONSOB Regulation no. 11971 of 14th May 1999 and successive amendments and additions.

1. The undersigned Jean Le Naour, as Chief Executive Officer, and Jean Bourrelly, as the Manager responsible for preparing the annual report of Dexia Crediop S.p.A., hereby testify, also taking into account the provisions of art. 154-bis, clauses 3 and 4, of legislative decree no. 58 of 24th February 1998, to:
   - the adequacy in respect of the features of the company, and
   - the effective application, during the first half of the year 2012, of the administrative and accounting procedures on which the abbreviated half-yearly financial report are based,

2. it is also declared that:

2.1 the abbreviated half-yearly financial report:

a) have been drawn up according to the international accounting standards applicable and recognised in the European Community pursuant to the regulation (EC) no. 1606/2002 of the European Parliament and Council of 19th July 2002;

b) correspond to the balances in the accounting records;

c) give a true and correct representation of the issuer's equity and economic and financial situation and of all the companies included in the consolidation.

2.2 The infra-year operations report includes reliable analysis with reference to the important events occurring during the first six months of the year and their impact on the abbreviated half-yearly financial report, together with a description of the main risks and uncertainties for the remaining six months of the year.

In addition, the infra-year report on operations includes reliable analysis of the information regarding important operations with related parties.

Dated 27 July 2012

Jean Le Naour	*Jean Bourrelly*
Chief Executive Officer	Executive responsible for preparing the company's accounting documents

5. Notes to the Statements

5.1 Equity Situation

The section in question provides the equity figures for the Group at 30 June 2012, compared with the balances in the 2011 annual report.Relative changes, when significant, are accompanied by illustrative notes for changes in the Group's equity situation.

5.1.1 Receivables

The item includes non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market, and which are not designated as "Financial assets available for sale" on the date of initial recognition.

Normally, this includes loans to clients and banks including debt securities with characteristics similar to loans.

The book value of the loans is periodically subjected to checks for the existence of any losses in value. To that end, for classification of impaired debts in the various risk categories (non-performing loans, problem loans, restructured and expired exposures), reference is made to the regulations issued on the subject by the Bank of Italy together with the internal provisions which establish rules for classification and transfers within the scope of the various expected risk categories.

Writedowns to be booked to loans and recognised in the income statement, net of any previous provisions, are equal to the difference between the book value at the time of assessment (the amortised cost) and the current value of expected future cash flows, calculated by applying the original effective interest rate. The estimate of future cash flows takes account of expected recovery times, the presumable realization value of any existing guarantees and costs considered necessary for recovery of the loan exposure (for a detailed numeric explanation, please refer to section 5.3 "Comments on risks and hedging policies.").

The composition of the item in question at 30 June 2012, net of relative value adjustments, was as follows:

millions of euro

IAS category	30/06/2012	31/12/2011	% change
Due from banks	**14,752**	**12,361**	**19%**
Loans	249	289	-14%
Debt securities	6,305	2,908	117%
Other transactions	8,198	9,164	-11%
Due from customers	**29,334**	**29,161**	**1%**
Loans	11,909	12,162	-2%
Debt securities	16,689	16,113	4%
Other transactions	736	886	-17%
Total loans	**44,086**	**41,522**	**6%**

Loans

Total mortgage loans at 30 June 2012 totalled € **12,158** million, of which €11,909 to ordinary clients and €249 million to credit institutions.

Debt securities

The items Due from Banks and Due from Customers include debt securities classified in the functional portfolio Loans and Receivables, which at 30 June 2012 totalled €22,994 million.

The increase, with respect to 31 December 2011, of debt securities issued by banks is mainly connected with the subscription of deposit certificates issued by DCL and guaranteed by the governments of France, Belgium and Luxembourg.

Other transactions

"Other Transactions" includes loans deriving from repurchase agreements in the amount of €987 million and interbank deposits totalling €7,576 million.

5.1.2 Financial assets

The composition of financial assets other than those found in Loans and Receivables is as follows:

millions of euro

IAS category	30/06/2012	31/12/2011	% change
Financial assets held for trading (HFT)	5,877	5,308	11%
Financial assets available for sale (AFS)	712	695	2%
Financial assets held to maturity (HTM)	317	338	-6%
Total	**6,906**	**6,341**	**9%**

Financial assets held for trading

This item, which equalled €5,877 million, includes only derivatives not designed as hedging instruments, valued at fair value as booked to the income statement. These contracts are considered financial assets if their fair value is positive and liabilities if their fair value is negative. Hence, this item should be read together with the value found in "Financial liabilities for trading", which totals €5,931 million.

Financial assets available for sale

Financial assets available for sale are initially booked at fair value, including any costs or income coming from the transaction that can be directly attributed to the asset in question. After the initial booking, variations in fair value are booked to a specific reserve of shareholders' equity until the financial asset is either cancelled or no longer shows a loss of value.

Determination of fair value for financial assets available for sale is based on the prices indicated by the appropriate Risk Management function in active markets, by prices provided by operators, or through the use of internal evaluation models which are generally used for financial practices.

Financial assets available for sale include debt securities not held for sale totalling €574 million, equity securities which cannot be qualified as subsidiaries, associated companies, or joint subsidiaries in the amount of €136 million, and mutual fund shares totalling €2 million.

For debt securities, with a book value of €574 million, the fair value valuation led to a negative reserve of €225 million net of associated deferred taxes (please refer to section 5.1.9 for further information).

These consist of Italian government securities (BTP) of which 88 million at the Irish subsidiary.

During the course of the first half of 2012, no new debt securities classifiable as Available for Sale were acquired.

With reference to the last group, below we provide the funds at 30 June 2012:

			millions of euro
Equity securities and mutual fund shares	**Book value at 30.06.2012**	**AFS reserve at 30.06.2012 including deferred tax**	**AFS reserve at 30.06.2012 net of deferred tax**
Istituto per il Credito Sportivo (*)	136	112	104
Equity securities	**136**	**112**	**104**
Dimensione Network Fund (Mutual fund shares) (**)	0	0	0
Mid Capital Mezzanine Fund (Mutual fund shares)	2	0	0
Securities (Mutual fund shares)	**2**	**0**	**0**
Total	**138**	**112**	**104**

(*) Taxes on the evaluation reserves for the Istituto per il Credito Sportivo were determined pursuant to article 87 of Consolidated Law on Income Tax (T.U.I.R.), which calls for a 95% exemption of taxable income for IRES purposes for the surpluses on so-called "qualified" equity investments, whilst no exemption is envisaged for IRAP purposes.
(**) The share in the Dimensione Network Fund is booked at the symbolic value of €1.

The Istituto del Credito Sportivo (ICS) was set up under Italian Law n. 1295 of 24 December 1957 and is a public sector bank in accordance with art. 151 of Italian Legislative Decree n. 385/1993. Technically, it is a "public law entity with autonomous management".

Dexia Crediop's share in this bank was equal to 21.622% of the equity. Hence, the investment is not considered as one providing significant influence, since the Bank does not have an equivalent number of votes on the Board of Directors, which also performs the functions of the General Meeting, nor is it possible as currently set up, to identify elements that would allow the demonstration that notable influence exists.

As already mentioned in another part of this report, the ICS is currently subjected to extraordinary administration proceedings. At end April 2012, the Institute Commissioners sent a letter to shareholders, including Dexia Crediop, formally ordering them to immediately return the dividends received with regards to the financial years running from 2005 to 2010, for which the share for Dexia Crediop is 18 million euro plus legal interest.

This request would appear to be justified on the basis of the assumption that an equity fund does not pertain to all shareholders, but only the public part.

Also in view of the specific legal opinion given on the matter, Dexia Crediop does not believe that criteria is met to follow up on the compensation claims made by the Commissioners and has not, therefore, made any allocation or altered the measurement criteria of its investment, also reserving the right to take all action necessary to protect its position.

Financial assets held to maturity

The financial assets in question are booked in the annual report at the amortized cost and periodically subjected to verifications regarding any loss of value that may have occurred.

To that end, if any objective evidence regarding a loss of value exists, the amount of such is measured as the difference between the book value of the asset and the current value of future financial flows and is shown on the income statement.

At 30 June 2012, these assets did not demonstrated loss of value.

This item, totalling €317 million, includes only debt securities of the parent company that the bank has the effective intention and capacity to hold until maturity. Over the course of the period, there were no transfers or purchases of securities classified in the HTM portfolio and hence changes during the period can be attributed entirely to reimbursements.

5.1.3 Tangible and intangible assets

Tangible assets totalled €43 million and consisted of the following:

		millions of euro	
Breakdown	**30.06.2012**	**31.12.2011**	**% change**
A. Assets for business purposes			
- land	29	29	0%
- buildings	12	12	0%
- furniture	2	2	0%
- others	0	1	-100%
Total A	**43**	**44**	**-3%**
B. Assets held as investments			
- buildings	0	0	0%
Total B	**0**	**0**	**0%**
Total (A+B)	**43**	**44**	**-3%**

Intangible assets totalled €3 million and consist of software purchased from third parties in the process of amortization.

5.1.4 Tax assets

Tax assets in the form of current taxes, for € 10 million, mainly refer to the excess in the paid direct tax accounts (withholding on interest, premiums and other income from deposits and current bank accounts).

Prepaid taxes, for € 45 million, mainly refer to the negative fair value of the reserves relative to financial assets available for sale (AFS) and derivatives of the Cash Flow Hedge (CFH) and costs for which deductibility has been postponed on the basis of current tax law.

5.1.5 Debt instruments and securities issued

At 30 June 2012, total financial liabilities in question were as follows:

millions of euro

IAS category	30/06/2012	31/12/2011	% change
Due to banks	25,967	23,467	11%
Due to customers	1,933	1,862	4%
Securities issued	12,984	13,464	-4%
Total	**40,884**	**38,793**	**5%**

These items include the various types of interbank funds and with clients, as well as funding operations carried out through bonds, net of any repurchased items.

Securities issued include 2.4 billion euro forward contracts concerning own issue securities, insofar as comparable to a new listing on the market of securities issued and previously bought back.

5.1.6 Financial liabilities held for trading

This item, totalling €5,931 million includes only derivatives with a negative fair value, not designed to serve as hedging instruments. The change with respect to the end of 2011 is mainly due to the effect of the period assessment.

5.1.7 Provisions for risks and charges and severance indemnities

The composition of the funds at 30 June 2012 was as follows:

millions of euro

IAS category	30/06/2012	31/12/2011	% change
Provision for severance indemnities	2	2	0%
Provisions for risks and charges	13	14	-7%
Total	**15**	**16**	**-6%**

Provisions for severance indemnities (TFR)

The liability relative to severance indemnity is posted in the annual report on the basis of the actuarial value (€2.3 million), calculated by an independent actuary according to expected future developments of the work relationship (numeric development of the workforce and salary modifications) and other financial and actuarial hypotheses, while taking into account any actuarial gains or loss not booked to the annual report in application of the corridor option. The valuation also takes into account the effects of the agreement regarding incentivisation of resignation and access to the Solidarity Fund which was signed by the Company and the Unions on 24 June 2009.

Provisions for risks and charges

Provisions for risks and charges consist of "Provisions for retirement funds and similar benefits" and "other provisions".

"Pension funds and similar benefits," totalling €0.5 million, includes provisions recognized on the basis of IAS principle 19 "Employee benefits" against various forms of complementary retirement schemes with defined benefits. These commitments can be traced entirely to the Parent Company and were based on calculations carried out by independent Actuaries using the projected units credit method. In particular, the provisions are the same as the current value of the obligation with defined benefits net of the fair value of the fund's assets and having taken into consideration the actuarial profits and losses not recognised in the annual report by applying the so-called corridor option.

"Other provisions consist of the following: 4.1 million euro relate to costs for employee seniority premiums, for life insurance benefits and for the stated agreement encouraging redundancy and access to the solidarity provision subscribed by the company with some Trade Union Organisations on 24 June 2009; 7.4 million euro for legal disputes for claims underway with the local administrations (refer to paragraph 5.3.1 for more details on this dispute); 1.1 million for tax expenses allocated during the first half of 2011.

5.1.8 Tax liabilities

There are no tax liabilities as of 30 June 2012.

5.1.9 Shareholders' equity

Shareholders' equity for the group at 30 June 2012, including profits for the period, totalled €1,014 million and consisted of the following:

		millions of euro	
Items/Amounts	**30/06/2012**	**31/12/2011**	**Changes of the period**
Equity	450	450	0%
Reserves	737	759	-3%
Valuation reserves	(165)	(186)	na
Profit (Loss) for the period	(8)	(22)	na
Total	**1,014**	**1,001**	**1%**

Changes in shareholders' equity with respect to figures in the last annual report are due to the positive changes in the valuation reserves.

Equity and Reserves

The equity is fully subscribed and paid up and amounts to €450 million, consisting of 174,500,000 ordinary shares with a nominal unit value of €2.58.

Reserves at 30 June 2012 totalled €737 million and the changes seen over the course of the six month period can be entirely attributed to the allocation of the loss from financial year 2011.

Valuation reserves

Valuation reserves at 30 June 2012 totalled -€165 million of which +€2 million deriving from fair value valuation of Cash Flow Hedge operations and -€167 million deriving from fair value valuation of financial assets available for sale (AFS).

Changes in valuation reserves (net of relative deferred taxes) over the course of the six month period were as follows:

		millions of euro
	Reserve for cash flow hedging	**Reserve for financial assets available for sale**
A. Opening balances	**(8)**	**(178)**
B. Increases	13	16
C. Decreases	3	5
D. Closing balances	**2**	**(167)**

For valuation reserves relative to financial assets available for sale (net of deferred taxation), we add the contribution of various categories of financial instruments booked to the portfolio in question.

Reserves from valuation of financial assets available for sale				*millions of euro*
	Debt securities	Equity securities	UCITS units	Total
1. Opening balances at 31.12.2011	**(280)**	**102**	-	**(178)**
2. Increases	14	2	-	16
3. Decreases	5	0	-	5
4. Closing balances at 30.06.2012	**(271)**	**104**	-	**(167)**

The report below shows, relative to debt securities, the reconciliation between the Parent Company AFS reserves and those found in the consolidated annual report (net of deferred taxation):

millions of euro

AFS reserve DEBT SECURITIES	Parent company Dexia Crediop S.p.A.	Subsidiary companies post-consolidation	Total
balance at 31.12.2011	**(99)**	**(181)**	**(280)**
increases	14		14
decreases		5	5
balance at 30.06.2012	**(85)**	**(186)**	**(271)**

5.1.10 Regulatory capital

Regulatory capital was calculated based on capital figures and profits for the year, which were determined in accordance with the international IAS/IFRS accounting standards and taking into account the provisions established by the Bank of Italy in accordance with the new Basel 2 norms.

In particular, Tier 1 capital includes, as positive elements: paid-up equity and profit reserves; negative elements include: intangible assets, valuation reserves and the period result. The elements to be deducted are 50% of equity shareholdings in credit institutions.

Tier II capital consists of subordinated liabilities, which can be calculated entirely as such from valuation reserves and from surpluses from adjustments with respect to expected losses. The elements to be deducted are 50% of equity shareholdings in credit institutions.

In reference to valuation reserves for debt securities issued by the central administration of countries in the European Union included in the “Financial Assets Available for Sale” portfolio, the Group applied complete neutralization of the associated gains and losses, in accordance with the provision sub a) called for by the Bank of Italy with its procedure of 18 May 2010 regarding Regulatory Capital/Prudential Filters.

millions of euro

	Total at 30.06.2012	Total at 31.12.2011
A. Tier 1 capital before application of prudential filters	**1,176**	**1,184**
B.Tier 1 capital prudential filters:	(86)	(87)
B.1 - positive IAS/IFRS prudential filters (+)		
B.2 - negative IAS/IFRS prudential filters (-)	(86)	(87)
C. Tier 1 capital inclusive of elements to be deducted (A+B)	**1,090**	**1,096**
D. Elements to be deducted from tier 1 capital	12	12
E. Total Tier 1 capital (C-D)	**1,078**	**1,084**
F. Tier 2 capital before application of prudential filters	**340**	**420**
G. Tier 2 capital prudential filters:	0	0
G.1 - positive IAS/IFRS prudential filters (+)	0	0
G.2 - negative IAS/IFRS prudential filters (-)		
H. Tier 2 capital inclusive of elements to be deducted (F+G)	**340**	**420**
I. Elements to be deducted from tier 2 capital	12	12
L. Total Tier 2 capital (H-I)	**328**	**407**
M. Elements to be deducted from total tier 1 and tier 2 capital		
N. Regulatory capital (E+L-M)	1,406	1,491
O. Tier 3 capital		
P. Regulatory capital including Tier 3 (N+O)	**1,406**	**1,491**

5.1.11 Other items in assets and liabilities

The “Hedging derivatives” items among the assets (item 80) and liabilities (item 60) on the balance sheet at 30 June 2012, respectively €627 million and €4,105 million, include the positive and negative value of derivatives which are part of effective hedging operations.

The types of hedging transactions used are the following:

- *Fair value hedges*, performed with the aim of hedging the exposure to variations in the fair value of assets/liabilities recognised in the annual report;
- *Cash flow hedges*, performed with the aim of hedging the exposure to variations in cash flows of assets/liabilities recognised in the annual report or relating to highly probable future transactions;

In the case of fair value hedging, any changes in the value of the hedging instruments and the hedged instruments (as regards the part attributable to the hedged risk and when the hedge is effective) are booked to the income statement. The differences between the variations in value constitute the partial ineffectiveness of the hedge and lead to a net impact in the income statement, recognised under item 90. In the case of generic hedging, changes in the fair value of the element hedged are booked to the specific item of the assets (item 90 Fair Value Adjustment of Financial Assets in Hedged Portfolios) and liabilities in the annual report (item 70 Fair Value Adjustment of Financial Assets in Hedged Portfolios) in accordance with the instructions in IAS 39, paragraph 89A.

At 30 June, such value adjustments only involved financial assets and totalled €164 million.

This procedure is also applied in the case in which hedged financial assets are booked in the “Available for Sale” portfolio.

For cash flow hedges, fair value is booked with a matching entry in the specific Shareholders’ Equity reserve (at 30 June 2012 equal to - €2 million net of deferred taxes), while the assets or liabilities that are covered by the hedge are not subjected to similar value adjustments.

5.2 Economic performance

Below we provide a description of the economic progress of the Dexia Crediop Group in the first half of 2012 on the basis of the reclassified income statement schedule. For an analysis of the results by sector please refer to section 5.4.5.

5.2.1 Net interest income

Net interest income for the Dexia Crediop Group in the first half of 2012 totalled €61 million, a 2% increase with respect to 30 June 2011 (€ +1 million). This increase is connected with the evolution of the interest rates.

The reclassified scheme includes the net result of hedging in the item, which in any case comes to zero, as for the first half of 2011. This result relates to the difference in the change in fair value of instruments hedged and the hedging instruments in relation to the risk component hedged.

89% of net interest comes from Dexia Crediop SpA and the remainder comes from the subsidiary Dexia Crediop Ireland and the consolidated accounts.

5.2.2 Net fee and commission income

Net fees and commission income at 30 June 2012 totalled €-2 million, a decrease of €12 million with respect to the same period in the previous year due to lesser commission on project finance activities. Commission mainly derives from the operations of Dexia Crediop SpA and predominantly refers to the Public & Wholesale Banking business and the commission expenses connected with the issue of Italian government backed securities.

5.2.3 Dividends and similar income

During the first half of 2012, dividends were not collected with respect to the 2 million euro of the first half of 2011, which mainly derive from the equity investment held by Dexia Crediop SpA in Istituto per il Credito Sportivo.

5.2.4 Net trading gains (losses)

Total results from trading activities at 30 June 2012 totalled -€ 31 million, a decrease of €39 million with respect to the first half of 2011. This consists of two items, “Net Trading Gains (Losses)” and “Gains (Losses) on Disposal or Repurchase”.

More specifically, the net result of trading was -1 million euro in the first half of 2012, with respect to a result of +6 million as of 30 June 2011. This item expresses the fair value measurement, inclusive of the correction estimated for the credit risk, trading portfolio comprising exclusively derivatives. From a management point of view this portfolio is not exposed to interest rate risk due to broking at par value with the main counterparts, vice versa, these positions suffer effects due to estimated adjustments due to credit risk, negative this year and positive last year. This item also includes so-called Day One Profit (€ 0.2 million in the first half of 2012 and € 1 million in the first half of 2011), or the difference between the fair value at the time of initial booking and the amount determined using valuation models whose variables exclusively include market observable data.

Gains (losses) on disposal or re-purchase came to € -30 million during the first half of 2012 (as compared with +2 million during the same period of last year) and limit the effect of the early repayment of 1.75 billion euro in assets of the parent company DCL, realised in February 2012.

The total result of trading relates almost entirely to the business of the Parent Company Dexia Crediop SpA.

5.2.5 Net interest and other banking income

Net interest and other banking income for the Dexia Crediop Group as of 30 June 2012 came to 28 million euro, down 65% on the 80 million of 30 June 2011. In actual fact, as described above, this margin suffers the expenses involved in the early extinguishing of assets and the lesser commission and dividends received, in addition to the negative change in fair value.

5.2.6 Net adjustments (+/-) for impairment

Net adjustments for impairment are negative for 11 million and mainly refer to specific adjustments on loans.

5.2.7 Net income from financial activities

Following the large operations described above and the progress of such, the Dexia Crediop Group's net financial operations results at 30 June 2012 totalled € 17 million, up 82% on the € 94 million booked at 30 June 2011.

5.2.8 Operating costs

Operating totalled € 18 million in the first half of 2012, down 10% on the same period of last year. In particular, personnel expenses totalled €10 million (€12 million at 30 June 2011) and other operating costs totalled € 8 million, in line with the same period of last year. The decreases in personnel costs with respect to last year are mainly linked to the agreement made with the unions to incentivize resignation and provide access to the solidarity fund.

Net provisions for risks and charges in the first half of 2012 were close to zero, as compared with the -1 million in the first half of 2011. They refer to provisions for tax expenses and future benefits for employees.

Amortizations (net adjustments on tangible and intangible assets) totalled €2 million, as compared with the €1 million at 30 June 2011.

Other administrative expenses and income for the first half of 2012 came to € 1 million as compared with the €0.1 million for the first half of 2011.

Hence, total operating costs totalled €19 million, a 14% reduction with respect to 30 June 2011.

5.2.9 Profit (loss) from continuing operations before tax

Due to that described above, Dexia Crediop Group result from continuing operations before taxes at 30 June 2012 totalled a negative €-2 million, with respect to €+72 million in the first half of 2011.

5.2.10 Income taxes for the period on continuing operations

Taxes for the first half of 2012 totalled - € 6 million, with respect to - €30 million in the corresponding period of the previous year.

This item consists of €2 million in current taxes and €4 million in deferred taxes. To that regard, we note that the non-deductibility of 4% of tax liabilities indicated in Italian Legislative Decree no. 112 of 25 June 2008 led to an estimated €6 million increase in taxation at 30 June 2012, included in current taxes.

5.2.11 Profit (loss) for the period

Net result for the Dexia Crediop Group at 30 June 2012 totalled €-8 million, with respect to the profit of €42 million seen at 30 June 2011.

5.3 Comments on risks and hedging policies

5.3.1 Credit risks

General aspects

The Dexia Crediop Group's area of operations concentrates on financing investments in the public sector and large infrastructure schemes. The remaining part of the credit portfolio refers almost exclusively to assets acquired according to an investment logic based on requisites of high market liquidity and loans available from the European Central Bank.

Credit risk management policies

Credit risk is the risk of loss linked to the counterparts' incapacity to honour their financial obligations.

The factors which influence the level of this risk are:

- the counterpart's creditworthiness, measured by an internal rating (determined on the basis of specific models) or a scoring system.
- the customer segment concerned (public sector, corporate sector, project finance, banking and financial sector, etc.);
- the economic, legal and financial context in which the counterpart operates;
- the type of operation carried out;
- the duration of the operations;
- any guarantees (tangible, personal, financial) which back the operation.

The vast majority of existing exposure regards customers in the public sector, with a low risk level and also subject to particular controls linked to their public nature.

Credit risks are measured and controlled by the Credit Risk department of the Risk Management structure.

Risk Management has no hierarchical relationship with the Bank's operating units. The department therefore operates absolutely independently from the Front Office structures.

Specific Committees form an integral part of the internal auditing systems, helping to ensure that the system works correctly.

The Credit Committee's task is to examine loan proposals of any technical type. The Committee takes decisions relating to risks and financial conditions on the basis of proposals made by the competent operational Department and an opinion regarding the level of risk of each operation provided by the Risk Management Department.

The Default/Watchlist Coordination Committee examines situations falling within the criteria of defaults as established by the Supervisory Authorities and by Dexia Group policies.

Measuring and audit systems

As regards the methods of measuring and auditing, certain guidelines have been fixed at Group level.

The Group has developed specific internal rating systems (IRS) for the following counterparties: Corporate, Project Finance, Western Europe Local Public Sector, Public “Satellites” (public companies that provide public services), Private “Satellites” (in contrast to the previous category, these are counterparts operating under private laws, and are hence subject to bankruptcy), banks, and central governments, etc.

The internal rating system (IRS) defined on the basis of the most advanced methods (Advanced IRBA) involves:

- the adoption of internal procedures which allow for the calculations by and historical documentation of the IRSs;
- the progressive development of an information system (FERMAT) aimed at consolidating - in a common standardised form - the information relating to all counterparties (Client Database) and all exposures (Exposure Database) of the Group;
- the adoption of a system for measuring the Bank’s entire risks on the basis of an approach based on its own economic resources (ECAP model).

Credit risk mitigation techniques

As concerns operations in derivatives, the ISDA Master Agreement is complete with the Credit Support Annex (CSA) for much of the banking counterparties: this securitisation agreement minimises the credit risk through the regular (daily, weekly or monthly) exchange of margins as a guarantee of the net value of the bilateral exposure. The CSA will be adopted for all new derivatives operations established and will be progressively applied to all existing operations already in the portfolio.

In the same way, for repo/reverse repos - in specific situations - Global Master Repurchase Agreements (GMRA) are adopted.

The forms of real guarantees used are essentially pledges (mainly on securities) and much less frequently mortgages on properties. The management of these guarantees is the task of the administrative and legal offices.

In almost all the guarantees backing the bank's loan exposure, the guarantees are personal guarantees. Most of these are provided by banks, while occasionally they are provided by Local or Regional Authorities. The credit risk of these counterparties is assessed on the basis of the external and internal ratings attributed to them.

Since financing activities are mainly aimed at the domestic public sector, the majority of guarantees backing loans consist of the issue of payment notes or guarantees provided by the Italian State (of a contractual nature or arising from legislation), or even a commitment by the latter - in most cases - to directly honour repayment of the various involved counterparties.

Impaired financial assets

The Group has issued specific rules governing the treatment of non-performing loans and actions to be taken in order to manage such loans so as to ensure that the procedures aimed at a positive outcome are implemented correctly.

These rules define the general guidelines within which the individual organisational units treat this subject within the scope of their own responsibilities.

The various conditions of each non-performing loan have been classified within the scope of an internal watchlist consisting of four categories with an ascending scale of seriousness:

- monitored loans;
- pre-problem loans;
- problem loans;
- non-performing loans.

The Default/Watchlist Coordinating Committee is responsible for examining the non-performing positions and proposes:

- their classification in one of the four categories;
- the adoption of specific writedowns on the loans;
- the application of the "default extension" principle.

Transactions which previously included in the default/watchlist categories are re-classified as “performing” when the counterparty emerges from a situation of economic/financial difficulty and returns to making all payments regularly as before.

Credit quality

Impaired assets include exposure to individual debtors that encounter difficulties in fully fulfilling their contractual obligations and correspond to the total of non-performing loans, problem loans, restructured loans, and expired exposures.

At 30 June 2012, financial assets divided into impaired assets and performing assets was as follows:

	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	
30.06.2012	46	20	0	26	51,488	33	51,455	51,481
31.12.2011	8	7	0	1	48,361	36	48,325	48,326

The table makes it possible to note the high quality of the Group's assets, in line with the results of the previous year's annual report. In fact, gross impaired assets represent only 0.089% of total due from customers, due from banks, financial assets available for sale, and financial assets held to maturity. These assets include exclusively a limited number of positions classified as impaired, as they are exposures regarding subjects that are paying from a state of insolvency or temporary difficult (or a situation that is substantially equivalent). With reference to these loans, which objectively show evidence of a durable loss of value, an analytical valuation is carried out by the appropriate company function. Loans which do not show any objective evidence of impairment or for which no impairment is forecast are assessed collectively, by grouping them together in homogeneous categories with similar characteristics in terms of credit risk, such as the technical form of the loan, the economic sector the counterparties belong to, their geographical location and the type of existing guarantees.

At the date in question, there were no restructured, or expired exposures.

The adjustment of 13 million euro made during the first half of 2012 relates to a project financing operation concerning the acquisition and management of 3 port terminals situated in Liguria and Veneto and dedicated to managing "bulk" (coal, metal, etc.). At present, a debt restructuring agreement is in place, also with the other lending banks, and it is considered that the adjustment made suffices to express a correct credit exposure, also in relation to future developments of the agreement.

Below are the changes in impaired assets which occurred during the six month period in question:

Trend of gross impaired positions

millions of euro

Reasons/Categories	Non-performing loans	Problem loans	Restructured loans	Expired exposures	Country risk
Opening gross exposure	**8**	**0**			
Increases	38				
Decreases					
Closing gross exposure	**46**	**0**			

Trend of total adjustments

millions of euro

Reasons/Categories	Non-performing loans	Problem loans	Restructured loans	Expired exposures	Country risk
A. Total initial adjustments	**7**	**0**			
Increases	13				
Decreases					
Total closing adjustments	**20**	**0**			

Administrative, judicial, and arbitration procedures

Below we provide information about the most important administrative, judicial, or arbitration procedures in course which could have, or recently have had, repercussions for the Dexia Crediop Banking Group’s financial situation and/or profits.

On 03 February 2010, in relation to investigations into operations with the Region Apulia, some also carried out by Dexia Crediop, Dexia Crediop was notified of guarantee information insofar as investigated for the administrative crime pursuant to Arts. 5, paragraph 1, letter a), 21, 24, paragraphs 1 and 2 of Italian Legislative Decree no. 231/01, in relation to Arts. 640, paragraph 2 subsection 1 and 61, subsection 7. By Order dated 18 February 2012 the Preliminary Investigation Court of Bari revoked the attachment order applied to Dexia Crediop on 03 February 2010 for the amount of approximately € 8.6 million and arranged for the return of this amount to Dexia Crediop.

On 29 June 2009, the Province of Pisa dissolved, through a self-protection procedure, its deliberations regarding an Interest Rate Swap signed on 4 July 2007 with Dexia Crediop in regards to variable interest rate bonds partially underwritten by Dexia Crediop. As a consequence, the Province of Pisa has interrupted its payments to Dexia Crediop owed through the signed Interest Rate Swap. At present, the Province of Pisa has not proceeded with the payment of approximately € 4 million. Hence, Dexia Crediop has begun legal action in England, aimed at obtaining fulfilment of the obligations of the Province of Pisa. Dexia Crediop has also begun legal action, currently pending before the Council of State, aimed at obtaining the annulment of the above-cited self-protection procedure. Under the scope of these proceedings, on 07 September 2011 the Council of State issued a non-definitive sentence, which *inter alia*, ascertained the exclusive jurisdiction of the administrative courts in ruling on the validity of the self-protection deed and requested an Expert Witness ("CTU") be appointed. The CTU requested was filed on 14 May 2012 with the Council of State.

On 19 June 2012, the hearing was held for discussion at the Council of State; the case has been withheld for decision.

Moreover, on 17 November 2011, Dexia Crediop notified an appeal with Cassation against the sentence of the Council of State for reasons relating to jurisdiction.

On 21 December 2010, Dexia Crediop was served a preventative seizure decree of furniture and equipment, property and receivables up to the value of the amount of approximately €635,000, under the scope of an investigation by the Court of Florence concerning derivative financial instruments stipulated in 2004 by Dexia Crediop with the Regional Authorities of Tuscany, in which it is hypothesised that Dexia Crediop had committed an unlawful administrative act pursuant to arts. 5, paragraph 1, letter a) and 24, paragraph 2 of Italian Legislative Decree no. 231/01 in relation to arts. 110, subsection 81, 640 paragraph 2, no. 1 and 61, subsection 7. The seizure decree has not been enforced, as Dexia Crediop deposited security for the same amount, and was revoked on 30 March 2011.

At present, the Region of Tuscany has initiated two self-protection proceedings. The first concerns a structured loan completed with Dexia Crediop in 2004 and the second a swap with Dexia Crediop in 2006. The two proceedings were still underway at the end of the 1st half of 2012.

On 31 December 2010, the Municipality of Prato dissolved, through a self-protection procedure, its deliberation regarding an Interest Rate Swap signed on 29 June 2006 with Dexia Crediop in regards to two variable interest rate bonds underwritten by Dexia Crediop. By virtue of this, the Municipality has not proceeded with the payment of approximately € 3.5 million. Dexia Crediop has begun legal action in England aimed at obtaining compliance by the Municipality with its obligations and has also begun legal action in Italy before the Regional Administrative Court of Tuscany, aimed at obtaining the annulment of the above self-protection provision, which concluded in the favour of Dexia Crediop with the sentence dated 24 November 2011.

The Municipality of Prato has also initiated second self-protection proceedings notified on 31 January 2011 and aimed at verifying the validity of the tender called by the Municipality to select its advisor (Dexia Crediop) in 2002 and the subsequent restructuring operations of swaps prior to 2006, concerned by the first self-protection proceedings and the appeal to the TAR. On 19 April 2012, the Municipality of Prato resolved annulment in self-protection. On 19 May 2012 Dexia Crediop filed an appeal against this resolution with the TAR of Tuscany. On 09 June 2012, the Municipality of Prato filed an appearance requesting the ascertainment and declaration of ineffectiveness of the swap contracts subscribed from 2002 to 2004 and flowed into the 2006 renegotiations.

Following a criminal investigation aimed at verifying fraud in relation to the swap operations of the Municipality of Prato completed form 2002 to 2006, on 18 June 2012 the Public Prosecutor issued a Notice of Conclusion of the Preliminary Investigations, in which the Notice of Guarantee was formalised to an employee of

Dexia Crediop for the crime of aggravated fraud to the detriment of the Municipality of Prato and Dexia Crediop for the administrative crime pursuant to Italian Legislative Decree no. 231/2001 in relation to failure to adopt/ineffective implementation of the Organisational Model.

On 23 December 2010, the Regional Authorities of Lazio served Dexia Crediop with a writ of summons before the Civil Court of Rome. The deed concerned transactions in derivatives concluded with the Regional Authorities of Lazio. In addition to Dexia Crediop, a further 14 banks are involved. The Regional Authorities of Lazio demand that Dexia Crediop pay compensation for damages it alleges having suffered, for an amount of approximately €8.5 million.

On 30 March 2011, the Municipality of Florence dissolved, through a self-protection procedure, its deliberations regarding two interest rate swaps signed on 26 June 2006 with Dexia Crediop. At present, the Municipality of Florence has not proceeded with the payment of approximately € 6 million. Dexia Crediop has begun legal action in England aimed at ascertaining the validity and efficacy of these contracts and has also begun legal action in Italy, now pending before the Regional Administrative Court of Tuscany, aimed at obtaining the annulment of the above-cited self-protection procedure.

On 14 April 2011, the Municipality of Messina served Dexia Crediop with a writ of summons before the Civil Court of Messina. The deed concerns two transactions in derivatives stipulated by the Municipality of Messina on 28 June 2007 to which Dexia Crediop, along with another bank, is party. The Municipality of Messina asks that the nullity of the contracts be ascertained with regards to Dexia Crediop or alternatively that they be declared as cancelled, in addition to the sentencing of compensation for damages. Additionally, the Municipality of Florence dissolved, through a self-protection procedure, its deliberations in relation to these operations in derivatives. By virtue of this, the Municipality of Messina has not, as of today, proceeded with the payment of approximately € 490,000. Dexia Crediop has begun legal action pending with the TAR in Sicily, aimed at obtaining the annulment of the above-cited self-protection procedure.

On 23 January 2012, the Region of Piedmont dissolved, through a self-protection procedure, its deliberations in relation to an amortising swap contract stipulated on 16 November 2006 with Dexia Crediop. By virtue of this, the Region has not, as of today, proceeded with the payment of approximately € 7 million. Dexia Crediop has begun legal action in England aimed at ascertaining the validity and efficacy of this swap contract and has also begun legal action in Italy, now pending before the Regional Administrative Court of Piedmont, aimed at obtaining the annulment of the above-cited self-protection procedure. On 25 May 2012, the Region of Piedmont served Dexia Crediop an incidental appeal whereby it asked the TAR of Piedmont to return the netting (and related interest) already paid by the Region to Dexia Crediop in accordance with the swap contract.

On 21 June 2012, following a request presented by the Province of Crotone, Dexia Crediop participated in the civil mediation pursuant to Art. 8 of Italian Legislative Decree no. 28/2010 concerning 3 derivative contracts subscribed by Dexia

Crediop and the Province in December 2007. Dexia Crediop initiated legal proceedings in England, aimed at ascertaining the validity and efficacy of this swap contract.

On 30 May 2012, the Municipality of Ferrara initiated self-protection proceedings concerning a derivative completed with Dexia Crediop in 2005; the proceedings are still open. Dexia Crediop initiated legal proceedings in England, aimed at ascertaining the validity and efficacy of this swap contract.

As of the date of this report, for these proceedings, it has not been deemed necessary to adjust the value, but merely to make allocations to the provisions for risks and charges for legal costs.

Tax proceedings

Finally, please note that on 1 December 2011, the Tax Authority served a notice of liquidation for registration tax for approximately € 108 million, in addition to sanctions and interest for a total of approximately € 250 million.

Against presentation of a self-protection request and suspension of the effects of the notice of liquidation, in January the Administration filed suspension of the effects of the notice of liquidation.

Dexia Crediop also appealed against this and considered there being no reason to make any allocation in this respect, also given the achievement of the suspension and valid arguments able to confirm the correctness and legitimacy of the Bank's work.

Moreover, in relation to a general audit by the Tax Authority of tax period 2008, during the first half of 2011, tax expenses were allocated for € 1.1 million.

5.3.2 Interest rate risk

Management and measurement of interest rate risk

The activities for measuring and controlling the interest rate risk, as well as market risks in general, are the responsibility of the Market Risk and Balance Sheet Management sector of the Risks Management department.

According to the market risk management policy followed by the Dexia Group, risk profiles are aggregated according to Business Line (BL). This is also the case when banking and trading items are included in the same BL.

In general, for each BL that can generate an interest rate risk which is more than marginal, operating limits on one or more risk indicators are imposed and the situation is verified daily. Periodic scenario analyses are also carried out periodically to measure the impact on the value of the portfolios monitored, by a series of non-parallel instantaneous shocks in the market interest rates.

The interest rate risk indicators measured and controlled are the following:

- Shift Sensitivity of fair value;
- Value at Risk (VaR).

The shift sensitivity of fair value quantifies the variation in the portfolio value consequent to parallel and instantaneous increases of the market rates curve.

The VaR, which is measured in reference to the "Cash and Liquidity Management BL" assets, is defined as the maximum potential loss caused by possible adverse movement in market rates, with reference to a confidence level of 99% and a holding period of 10 working days.

The internal model is not used to calculate the equity requirements for market risks.

Regulatory trading book

The portfolio is composed exclusively of derivative products, which can be divided on the basis of their remaining duration into short-term (within the year) and medium-long term (after the year).

The first group is composed of forward rate agreements and overnight indexed swaps. These instruments are used by the Cash & Liquidity Management (CLM) Business Line (BL) to hedge the short term interest rate risk linked to the Euribor parameter, including through combinations of the two instruments.

For these operations, the risk indicators described in the section above are measured on a daily basis. Since the interest rate risk is measured within the limits assigned to the CLM business line responsible for the management of the short-term interests rate risk generated by the entire core business of the bank, please see the section dedicated to the banking portfolio to obtain a more comprehensive vision of this risk.

The second group is composed almost entirely of derivatives for matched broking (mainly interest rate swaps). The underlying operations regard the management of the medium/long term debt of the public clientèle, and derivative products to financial and Corporate customers. In both cases, the market risk is precisely covered by derivatives of the opposite sign traded on the market. Operations in derivatives are also carried out to counter balance the sensitivity of the Credit Value Adjustment (CVA) to the interest rate trend.

With regard to the broking of medium and long term derivatives at par value carried out by the Public Banking Structuring business line, a sensitivity shift of € 9,037 for every basis point was registered at 30.06.2012. The same BL also manages the above cited shift sensitivity management for CVA interest rates, which it carries out by negotiating derivatives (plain vanilla interest rate swaps) and which at 30 June recorded sensitivity of € -157,058 per 1 b.p. (originated from four notional derivatives totalling € 197.1 million) in the face of estimated CVA sensitivity of € +173,033.

Banking portfolio

Short term interest rate exposure in the banking portfolio, generated in particular by re-fixing of variable rates, is managed as above by the Cash and Liquidity Management BL. (CLM) Operating proposals for opening or closing the interest rate risk are discussed and approved by the Finance Committee, which evaluates expected impacts on operating limits and fixed risks.

Medium and long-term interest rate risk (ALM Rate department) since the beginning of 2010 has been based on the principle of instant and integral coverage of new production. Decisions regarding management of any residual risks fall within the responsibilities of the Finance Committee.

For the interest rate risk, derivatives to hedge the fair value or the cash flows are used. The first category, fair value hedge derivatives, also includes certain derivatives of the CLM classified in the trading portfolio (see the section above). The most commonly used instruments are Overnight Indexed Swaps, Forward Rate Agreements and Interest Rate Swaps. Initial tests are performed on each hedge regarding the applicability of hedge accounting as well as regular tests on their effectiveness in accordance with the IAS/IFRS principles.

For CLM activities, we note the following values in relation to the first half of 2012:

	VAR 10 days (Euro)	*Shift Sensitivity 100 bps* (absolute values in Euros)
30 June 2012	610,819	23,682,742
minimum	83,858	9,285,775
average	410,736	369,290
maximum	778,288	24,001,988

For the "ALM Rate" sector activities, we note the following values in relation to the first half of 2012:

	Shift Sensitivity 100 bps (absolute values in Euros)
30 June 2012	6,657,630
minimum	5,770,174
average	8,002,359
maximum	11,697,715

5.3.3 Price risk

This risk refers to equity securities classified among financial assets available for sale. Due to the nature of these securities in which the equity in the Istituto del Credito Sportivo is relevant, no price risk hedges have been established.

5.3.4 Exchange rate risk

The Group holds financial assets and issues bonds in non-Euro currencies.

These financial assets and liabilities are systematically hedged at the origin against exchange rate risks using derivative products (currency and interest rate swaps). The activities of measurement and risk control are the same as those described for interest rate risk.

5.3.5 Liquidity risk

Management and measurement of the liquidity risk
The bank is structurally exposed to the risk of liquidity as the loans activity is mainly concentrated on a long-term horizon against deposits that are characterised by a shorter average duration.

The management of short-term liquidity risk lies with the Business Line Cash & Liquidity Management. Sustainability of the liquidity profile over a long-term horizon is first and foremost verified during approval of the multi-year financial plan in relation to the objectives established in terms of volumes and distribution time frame of loans and deposits.

Control of the liquidity risk is entrusted to the Market Risk & Balance Sheet Management department within the Risk Management Structure and takes place through measurement of the following base amounts:

a) liquidity gap (accumulated balance of cash flow forecast according to expiry);
b) available reserves (value of assets that can be allocated according to expiry).

The department checks compliance with the following limits system every day:

- ✓ limits to the absolute liquidity gap in the very short term;
- ✓ limits to the difference between reserves and gap on maturities of up to six months;
- ✓ limits to the accessing of loans with the European Central Bank.

The liquidity risk control system is supplemented by indicators anticipating the onset of any tension in the liquidity situation ("early warning indicators") from stress tests and contingency funding plans laid out both at the Dexia Group level and at the Dexia Crediop Group level.

With regards to the expiries beyond six months, the department carries out regular analysis on monthly buckets (up to three years) and annual buckets (more than three years) of the evolution of the liquidity gap and available reserves. This analysis is carried out both statically, on the basis of the inertial profile of financial assets and liabilities, and a dynamic profile, also considering the impacts deriving from the implementation of the hypothesised use and provisions underlying the multi-year Financial Plan.

The outcome of the above analyses and audits are discussed by the Finance Committee usually once a fortnight.

The entire framework of governance, management and control, with specific reference to the limits system, has been recently reviewed and preliminary action is underway to the measurement of new indicators as established by the new prudential provisions of the Basel Committee.

5.3.6 Operational risks

Operational risk is “the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events”. This definition includes legal risk, but not strategic risk (i.e. the risk of not achieving the desired performance owing to assessment errors by the management) or reputational risk (i.e. the risk of losing revenues owing to a loss of public confidence in the broker).

The method used by the Group for measuring operational risk is the Traditional Standardized Approach (TSA).

As regards the qualitative method of assessing operational risks, an Operational Risks & Security Unit was created some time ago within the Risk Management Office, and has responsibility for:

- laying down rules for the management and monitoring of operational risks;
- defining and adopting methods for measuring risks;
- defining, adopting and producing the reporting system on risk trends;
- managing profiles and passwords for IT applications, including the National Interbank Network and SWIFT.

As regards management performance assessments, a number of Operational Risk Correspondents (ORC) have been chosen within each of the Parent Bank’s structures, with the task of noting every operational risk event and subsequently filing the information in the Group’s loss-database.

With regards to the aspects linked to legal risks, we would point out that also in view of the disputes with some local administrations, described in paragraph 5.3.1, the Legal Department has taken on a key role in its management and the related risk.

The main causes of operational risk events are shown below in percentage terms:

CATEGORY OF EVENT	%
Internal fraud	0%
External fraud	0%
Relationships with staff and safety in the workplace	0%
Customers, products and business practice	0%
Damage to or loss of tangible assets	14%
System failure or breakdown	14%
Process execution, delivery and management	72%

5.3.7 Other information regarding risks

This section provides information regarding the bank's involvement with vehicle companies and about risks linked to special financial instruments, as requested by the Bank of Italy and in conformance with that included in the Financial Stability Forum Report of 7 April 2008.

Special Purpose Entities (SPE)

The Parent Company Dexia Crediop S.p.A. has complete control over the vehicle company DCC, Dexia Crediop per la Cartolarizzazione S.r.l., through which transfers of performing bonds from Italian Local and Regional Authorities have been carried out.

The class A ABS securities (senior) issued by the vehicle company have the benefit of an unconditional first-demand guarantee granted by Dexia Crediop S.p.A.; pursuant to this guarantee and the consequent obligation to buy back the securities and repay the entire ABS in the case of any credit or fiscal event, in accordance with the indications of IAS 39, the securities in question are posted on the Italian Parent Bank's annual report as well as the corresponding liabilities for the ABSs issued by the vehicle company.

In addition, Dexia Crediop S.p.A. originated securitisation operations for credits represented by loans through the vehicle company Tevere Finance S.r.l. The *Special Purpose Entity* has equity held by a Foundation operating under Dutch law and Dexia Crediop has acquired all of the bonds issued by this vehicle company, both in the Senior and Junior (subordinate) classes. The Senior ABS securities can be used for fund raising repurchasing operations with the Central European Bank. Transfer of these assets to the vehicle company with the contextual total repurchase of senior and junior ABS bonds is seen as substantial maintenance of all the risks and benefits of ownership of the financial assets, and hence, requires the entity to continue to book these assets (IAS 39, § 17 as amended) to the annual report of Dexia Crediop.

At 30 June 2012, the book value of the financial assets of the vehicle company booked in the annual report of the Parent Company, as well as in the consolidated annual report, was as follows:

	millions of euro
Description	**Loans and Receivables Securities**
Securitisation in 2004	736
Securitisation in 2005	671
Securitisation in 2008	2,515
Total	**3,922**

	millions of euro
Description	**Loans and Receivables Mortgages**
Securitisation in 2009	234
Securitisation in 2010	326
Total	**560**

Asset - backed Securities (ABS)

At 30 June 2012 the value of the securities portfolio in question, entirely booked to the "Loans and Receivables" category, totalled €1,060 million, of which 94% was relative to non-segmented operations and the remaining 6% regarded senior securities.

The exposure of this portfolio was guaranteed by the State and the Regions in the amount of 58%.

Residential Mortgage–Backed Securities (RMBS)

At 30 June 2012 the nominal value of the securities portfolio in question, entirely booked to the "Loans and Receivables" category, totalled €88 million and was entirely attributable to senior securities.

Collateralised Debt Obligations (CDO)

At 30 June 2012, there are no securities of this type in the portfolio.

Valuation criteria

The ABS/RMBS are valued through the appropriate Dexia Group Competence Centre using a methodology, shared with the Dexia Crediop Risk Management unit, that uses market spread curves on these products, divided by ratings provided by external providers with excellent standing.

Market prices for individual securities, received from brokers using the main informational circuits, are compared with the above-cited curves in order to arrive at a final valuation which takes into account other factors such as liquidity and the last time the price was updated.

5.4 Other information

5.4.1 Transactions with related parties

As requested by IAS 24 and CONSOB Communication no. 6064293 of 28 July 2006, below we provide information relative to transactions with related parties.

In addition, we note again that the company Dexia Crediop S.p.A. is the parent company of the Dexia Crediop Banking Group which includes the following subsidiaries:

1. DCC - Dexia Crediop per la Cartolarizzazione S.r.l., with a 100% shareholding;
2. DCI. - Dexia Crediop Ireland Unlimited with a 100% shareholding;
3. Crediop per le Obbligazioni Bancarie Garantite S.r.L. with a 90% shareholding;
4. Tevere Finance S.r.l., over which it exercises de facto control.

Additionally, the company is controlled and subject to management and coordination (70% of equity) on the part of Dexia Crédit Local SA.

Transactions with the holding company Dexia SA

Income and charges	*millions of euro*
- Administrative expenses	(1)
Total	**(1)**

Liabilities	*millions of euro*
- Other liabilities	1
Total	**1**

Transactions with other companies in the DCL Group

The operations in question mainly refer to those carried out with the Parent Company Dexia Crédit Local SA.

Assets and Liabilities	millions of euro
Assets	
- Financial assets held for trading	856
- Deposits	1,730
- Treasury securities	6,305
- Hedging derivatives	1
- Other assets	4
Total	**8,896**
Liabilities	
- Deposits	856
- Loans received	909
- Financial liabilities held for trading	15
- Repurchase agreements	4,893
- Hedging derivatives	550
- Subordinated debts	400
- Securities issued	3,509
Total	**11,132**

Other transactions	millions of euro
Guarantees received	629

Income and charges	millions of euro
- Interest and similar income	56
- Interest and similar expenses	(97)
of which	
differentials on hedging transactions	*(12)*
- Fee and commission income	3
- Fee and commission expenses	0
- Net trading gains (losses)	25
Total	**(13)**

Operations with related parties as above were carried out using conditions equivalent to prevailing conditions for transactions made on the free market.

5.4.2 Significant non-recurring operations and events

No important non-recurring events or transactions occurred.

5.4.3 Atypical and/or unusual transactions.

No atypical and/or unusual transactions occurred.

5.4.4 Segment reporting

Criteria for segment reporting

Segment reporting must be drawn up in accordance with IFRS8 Operating Sectors principle and no longer drafted according to IAS 14, as required in the past.

The adoption of IFRS8 confirms the logic according to which the sectors of activity subject to disclosure are chosen, the Bank having long had a so-called management approach, i.e. the adoption of using the same structure for the annual report as that used for the preparation of internal reporting.

- Primary schedule "Segment Reporting"

The approach, in line with that adopted in 2011, contemplates the aggregation of business lines with similar features as regards the products and services offered to the clientèle, and the use of the following two sectors:

- Public and Wholesale Banking (PWB);
- Group Centre.

The Public and Wholesale Banking (PWB) includes loans and financial services offered by the Group to customers of the public sector and the corporate clientèle, which represent the two target segments.

The Group Centre sector includes all the activity carried out by the Dexia Crediop Group on financial and monetary markets, as well as the management of the free capital, equity investments and other assets not otherwise allocated.

For more information on the contents of each segment, please refer to paragraph 1 "Report on Operations".

- Secondary schedule "Information by geographic area"

The method adopted, in line with 2011, is based on the country where the Group companies are located.

For more information on group companies, please refer to paragraph 1 "Report on Operations".

Profits by business sectors

The table below provides the economic results of the Dexia Crediop Group at 30 June 2012, subdivided by business sector. For a general description of the Dexia Crediop Group's business results, please refer to section 5.2.

The income statement for each sector is constructed by aggregating the income statements of the Dexia Crediop Group companies after having eliminated infra-group transactions and consolidation entries.

millions of euro

Income Statement items at 30 June 2012	Public and Wholesale Banking	Group Centre	GROUP DEXIA CREDIOP
Net interest income (item 30)	39	22	61
Net interest and other banking income (item 120)	46	-18	28
Net adjustments (+/-) for impairment (item 130)	-11	0	-11
Total net adjustments on property, plant and equipment and intangible fixed assets (items 200 and 210)	-2	0	-2
Profit (loss) from continuing operations before tax (item 280)	22	-24	-2

millions of euro

Income Statement items at 30 June 2011	Public and Wholesale Banking	Group Centre	GROUP DEXIA CREDIOP
Net interest income (item 30)	40	19	60
Net interest and other banking income (item 120)	57	23	80
Net adjustments (+/-) for impairment (item 130)	14	0	14
Total net adjustments on property, plant and equipment and intangible fixed assets (items 200 and 210)	-1	0	-1
Profit (loss) from continuing operations before tax (item 280)	58	14	72

Consolidated interest income at 30 June 2012 totalled €61 million.

With respect to the first half of 2011, this item saw an overall increase of €1 million.

Of the total net interest and other banking income of the Dexia Crediop Group amounting to €28 million at 30 June 2012, €46 million is from Public and Wholesale Banking and €-18 million from Group Centre activities. This latter result includes the effect of the early redemption of 1.75 billion euros in assets of the parent company DCL, realised in February 2012. With respect to the first half of 2011, a decrease in net interest and other banking income (€ -52 million) was recorded, in particular due to a decrease in Public & Wholesale Banking (-11 million) and of Group Centre (-41 million).

With respect to the first half of 2011, the percentage contribution of the Public and Wholesale Banking (from 71% to 72%) and Group Centre (from 29% to 28%) has remained basically unchanged.

Total net impairment adjustments were determined using Dexia Group methodology and comes to € -11 million (€ 14 million in June 2011). They refer almost entirely to the Public & Wholesale Banking sector.

Of the total continuing operations profits for the Dexia Crediop Group, totalling €-2 million at 30 June 2012, €22 million came from Public and Wholesale Banking activities, and €-24 million from Group Centre business. With respect to the first half of 2011, both sectors saw a decrease totalling € -74 million, mainly linked to the decrease net interest and other banking income explained above.

6. Parent Company accounting reports

As required by CONSOB Regulation 11971 article 81, paragraph 3, enacted by Italian Legislative Decree no. 58 of 24 February 1998, we provide the accounting reports for the Parent Company, drawn up in accordance with the criteria used for the financial year annual report.

6.1 Financial statement schedules

BALANCE SHEET

millions of euro

Assets		30.06.2012	31.12.2011
10.	Cash and cash equivalents	0	0
20.	Financial assets held for trading	6,027	5,436
40.	Financial assets available for sale	625	603
50.	Financial assets held to maturity	317	338
60.	Due from banks	14,747	12,359
70.	Due from customers	29,566	29,378
80.	Hedging derivatives	627	600
90.	Fair value adjustment of assets in hedged portfolios	18	23
100.	Equity investments	100	100
110.	Property, plant and equipment	43	44
120.	Intangible assets	3	3
	of which:		
	- goodwill	*0*	*0*
130.	Tax assets	53	69
	a) current	*10*	*10*
	b) advance	*43*	*59*
150.	Other assets	87	103
	Total assets	**52,213**	**49,056**

	Liabilities and shareholders' equity	30.06.2012	31.12.2011
			millions of euro
10.	Due to banks	25,967	23,467
20.	Due to customers	5,565	5,570
30.	Securities issued	9,529	9,918
40.	Financial liabilities held for trading	6,080	5,513
60.	Hedging derivatives	3,956	3,475
70.	Fair value adjustment of financial liabilities in hedged portfolios (+/-)	0	0
80.	Tax liabilities	0	0
	a) current	*0*	*0*
	b) deferred	*0*	*0*
100.	Other liabilities	22	33
110.	Provision for severance indemnities	2	2
120.	Provisions for risks and charges	13	14
	a) pension funds and similar benefits	*1*	*1*
	b) other provisions	*12*	*13*
130.	Valuation reserves	8	(21)
160.	Reserves	635	668
180.	Equity	450	450
200.	Profit (Loss) for the period (+/-)	(14)	(33)
	Total liabilities and shareholders' equity	**52,213**	**49,056**

Dexia Crediop

Income Statement			*millions of euro*
	Income Statement items	**30/06/2012**	**30/06/2011**
10.	Interest and similar income	540	527
20.	Interest and similar expenses	(486)	(476)
30.	**Net interest income**	**54**	**51**
40.	Fee and commission income	5	12
50.	Fee and commission expenses	(7)	(2)
60.	**Net fee and commission income**	**(2)**	**10**
70.	Dividend and similar income	0	4
80.	Net trading gains (losses)	(1)	6
90.	Net hedging gains (losses)	0	0
100.	Gains (losses) on disposal or repurchase of:	(30)	2
	a) loans	*(31)*	*0*
	b) financial assets available for sale	*1*	*0*
	d) financial liabilities	*0*	*2*
120.	**Net interest and other banking income**	**21**	**73**
130.	Net adjustments for impairment of:	(11)	14
	a) loans	*(11)*	*16*
	d) other financial transactions	*0*	*(2)*
140.	**Net income from financial activities**	**10**	**87**
150.	Administrative expenses:	(18)	(19)
	a) personnel expenses	*(10)*	*(12)*
	b) other administrative expenses	*(8)*	*(7)*
160.	Net provisions for risks and charges	0	(1)
170.	Net adjustments on property, plant and equipment	(1)	(1)
180.	Net adjustments on intangible assets	(1)	(1)
190.	Other operating expenses/income	0	0
200.	**Operating expenses**	**(20)**	**(22)**
250.	**Profit (loss) from continuing operations before tax**	**(10)**	**65**
260.	Income tax for the period on continuing operations	(4)	(27)
270.	**Profit (Loss) from continuing operations after tax**	**(14)**	**38**
290.	**Profit (Loss) for the period**	**(14)**	**38**

6.2 Parent Company Equity Investments

In the parent company annual report, the item “Equity Investments” includes equity investments in subsidiaries totalling €100,024 thousand.

At 30 June 2012, this item consisted of the following:

					thousands of euro
Description	**% share**	**Opening balances at 31.12.2011**	**Purchases/Sales**	**Write-downs/Write-backs**	**Closing balances at 31.06.2012**
DCC-Dexia Crediop per la Cartolarizzazione S.r.l.	100%	15	-	-	15
Dexia Crediop Ireland*	100%	100,000	-	-	100,000
Crediop per le Obbligazioni Bancarie Garantite S.r.l	90%	9	-	-	9
Total		100,024			100,024

** Dexia Crediop Ireland has equity of €100 million, represented by 100 million shares with a nominal value of €1 each, including:*

- *99,999,999 shares held by Dexia Crediop S.p.A.;*
- *1 share held by Dexia Investments Ireland, in its capacity as Trustee for Dexia Crediop S.p.A.*

Dexia Crediop