Half - Yearly Financial Report at 30th June 2013

Dexia Crediop Group

Dexia Crediop

HALF-YEARLY FINANCIAL REPORT
DEXIA CREDIOP GROUP
AT 30 JUNE 2013

Introduction

The half-yearly financial report of the Dexia Crediop Group was drawn up using the rules issued by CONSOB on the subject, Bank of Italy Circular 262/2005 “Banks' Financial Statements: Layouts and preparation,” and the international accounting standard IAS 34 which governs the preparation of interim financial reports.

It consists of the Directors’ Report on Operations, the Balance Sheet and Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders’ Equity, the Statement of Cash Flows, and the Notes to the Statements for the Dexia Crediop Banking Group. 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.

The interim financial report also includes the certification required by Art. 154-*bis*, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998 pursuant to Art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments, the report on the limited auditing issued by the independent auditors, and the Balance Sheet and Income Statement of 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 that operates 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 works 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 ensuring the growth of Italy.

Over time, the Bank has developed an effective market approach, to guarantee adequate support to its customers, 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 and Banca Popolare dell’Emilia Romagna.

Dexia Crediop is one of the partners of choice for local authorities, large public administrations and the most important companies active in the public utility sectors, for structured finance transactions and project financing, for debt management operations and the optimisation of supplier debt, for issuing national and international bonds, for advice and assistance connected to privatisation and restructuring processes and for cash management.

The company is specialised in satisfying the demand for bank services in respect of budget limits and legal and institutional constraints, typical of public institutions. For Dexia Crediop, attention to correct customer relations is one of its strong marketing points.

With regards 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: Sales & Cash Management, Funding & Capital Markets, Structuring & Execution, Cash & Liquidity Management.

Dexia Crediop offers its clientèle a range of products and services, especially in the sector of public works and large infrastructures: 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 2013, 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	% stake	
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	99.99%	99.99%
Crediop per le Obbligazioni Bancarie Garantite S.r.L.	Rome	Dexia Crediop	90%	90%

** Dexia Crediop Ireland has a share capital of € 100 million, represented by 100 million shares with a face value of € 1 each, of which:*

- *99,999,999 shares held by Dexia Crediop S.p.A.;*
- *1 share held by Dexia Crédit Local.*

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

This company, wholly owned by Dexia Crediop, has been operational since 2004. Its exclusive purpose is the performance 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.

At its meeting on 26 July 2013, the Dexia Crediop Board of Directors resolved to extinguish in advance, by the end of 2013, the three securitisation transactions in being through the purchase of the securitised assets mainly by the current subscriber of the ABSs and, subsequently, to close or sell the vehicle company.

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, the share capital has been reduced from € 700 million to € 100 million, reimbursing the shareholder Dexia Crediop at par value.

Compared with 31 December 2012, it can be noted that in 2013 Belfius Ireland (*ex* Dexia Investments Ireland), the holder of 1 share in Dexia Crediop Ireland in its capacity as Trustee of Dexia Crediop, transferred its share to Dexia Crédit Local with no trustee agreement.

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

The company, whose share capital of € 10,000 is held 90% by Dexia Crediop, was acquired in 2010. Its registered offices are in Rome and it is registered on 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 sole purpose is the issuing of covered bonds in accordance with Article 7-bis of Law 130 of 30 April 1999, and subsequent implementing measures. 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 2012.

Dexia Crediop's share capital is fully subscribed and paid up and amounts to € 450,210,000 consisting of 174,500,000 ordinary shares, each with a face 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 share capital, totalling € 315,147,000;
- Banca Popolare di Milano S.c.a.r.l.: 17,450,000 ordinary shares, representing 10% of the share capital, totalling € 45,021,000;
- Banco Popolare società cooperativa: 17,450,000 ordinary shares, representing 10% of the share capital, totalling € 45,021,000;
- Banca Popolare dell'Emilia Romagna società cooperativa: 17,450,000 ordinary shares, representing 10% of the share capital, 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

Historically operating in the public lending and retail bank services sectors, Dexia is a European banking group which, since the end of 2011, has been managing an orderly resolution. Dexia SA, the Group's holding company, a limited liability company operating under Belgian law, has its shares listed on the Brussels and Paris Euronext and the Luxembourg stock exchange. At the end of 2012, the date on which a capital increase reserved for the Belgian and French states was authorised, these two countries became the main shareholders of the Group.

In 2008, in a difficult economic situation, the Dexia Group - with the support of the governments of Belgium, France and Luxembourg - implemented a restructuring plan, endorsed by the European Commission, in order to concentrate its activities in its historic franchises, and thus reduce its risk profile and restore balance to the financial structure.

In the autumn of 2011, in the face of renewed liquidity pressure, the Group presented an orderly resolution plan, based on two main pillars:

- sale of the Group's operating franchises;

- management in orderly resolution of the other entities, with Group operations that will be ensured by a financing guarantee of € 85 billion, granted by Belgium, France and Luxembourg, and recapitalisation, approved on 31 December 2012, for an amount of € 5.5 billion on the part of the Belgian and French governments.

The Group's resolution plan, which aims at avoiding the development of systemic risk that could lead to immediate liquidation, was approved by the European Commission on 28 December 2012.

In line with the commitments made, the Group has acted to sell most of its operating entities, specifically Dexia Banque Belgique in 2011, RBC Dexia Investor Services, DenizBank and Dexia Banque Internationale à Luxembourg in 2012, Dexia Municipal Agency at the beginning of 2013 and Sofaxis in June 2013.

This strategy translates into a significant decrease both in the Group's scope of action and in the size of its budget. In fact, at 31 December 2012, before the sale of Dexia Municipal Agency and Sofaxis, the budget had decreased to € 357.2 billion, a 13.5% reduction from 31 December 2011. Considering the sale of the entities and the natural impairment of the assets, the budget will continue to decrease and, according to the forecasts, will be at around € 150 billion at the end of 2020, with a dramatic reduction between 2020 and 2025.

If there are not significant credit shocks, the creditworthiness of the portfolio should remain relatively stable over time. The Group's operations will mainly be financed through state-backed debt securities, placed on the market, through short and medium-term collateralised financing and, to a lesser extent, financing from central banks.

At an operating level, Dexia will move towards a more centralised management model and, once the various processes currently in progress have been completed, will continue to optimise its procedures, adjusting them to the new size of the Group.

Dexia SA rating: Fitch A+

Dexia Crédit Local rating

Ratings Agency	Medium/Long-term	Short-term	Outlook
Standard & Poor’s	BBB	A-2	Stable
Fitch Ratings	A	F1	Stable
Moody’s	Baa2	P-2	Negative

The ratings of Dexia Crédit Local presented are those published in the Dexia 2012 financial report as of 21 February 2013, with the exception of the Fitch rating updated to 18 July 2013.

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: internet@dexia.com
Certified e-mail: dexia-crediop@pec.dexia-crediop.it

Share Capital € 450,210,000 fully paid up
Rome Register of Companies No. 04945821009
Register of banks No. 5288
Parent Company of the Dexia Crediop Banking Group
Listed in 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[1]:
Turin - Via S. Francesco d'Assisi, 22
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 – 2nd Floor, La Touche House, 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.

(1) The Milan Branch was closed on 1 April 2013.

<u>Dexia Crediop</u>

Honorary Chairman

Antonio **Pedone**

Company bodies

Board of Directors [1]

Mario **Sarcinelli**	**Chairman**
Claude **Piret** [2]	**Deputy Chairman**
Jean **Le Naour**	**Chief Executive Officer**
Alberto Ludovico Maria **Basadonna**	Director
Marc **Brugière Garde** [3]	Director
Enrico **Corali**	Director
Roberto Ferrari	Director
Philippe **Rucheton**	Director

Board of Auditors [4]

Pierre Paul **Destefanis**	**Chairman**
Vincenzo **Ciruzzi**	Auditor
Flavia Daunia **Minutillo**	Auditor

(1) Board of Directors appointed for the three-year term 2012-2014 by the Ordinary Shareholders' Meeting on 27 April 2012.

(2) Claude Piret was appointed Deputy Chairman by the Board of Directors on 18 January 2013.

(3) Marc Brugière Garde co-opted by the Board of Directors on 18 January 2013 and confirmed in the position by the Ordinary Shareholders' Meeting on 29 April 2013.

(4) Board of Auditors appointed for the three-year term 2013-2015 by the Ordinary Shareholders' Meeting on 29 April 2013.

The alternate Auditors appointed by the Ordinary Shareholders' Meeting on 29 April 2013 are: Nadia Bonelli and Nicola Fiameni.

Steering Committee

Jean **Le Naour** (Chairman)
Jean **Bourrelly**
Stefano **Catalano**
Fabrizio **Pagani**

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

Jean **Bourrelly**

Organisation[1]

Chief Executive Officer	Jean LE NAOUR

Management:

Administration	Jean BOURRELLY
Finance	Stefano CATALANO
Project & Public Finance	Fabrizio PAGANI

Departments*:*

General and Legal Secretariat	Edoardo BARATELLA
Internal Audit	Giuseppe NUSINER
Compliance	Claudio COLA
Human Resources	Daniela POZZALI
Communication	Marta BASSOTTI

[1] As at 30 June 2013

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 oversee the typical business risks to which it is exposed. This system involves the Financial Reporting Manager, the Company Boards, the independent auditing firm and the internal audit departments as established by the so-called Corporate Governance Model, introduced in June 2009, following a specific resolution of the Board of Directors.

With regard to financial reporting in particular, the administrative-accounting control system introduced by the Financial Reporting Manager is based on the analysis framework contemplated by the Committee of Sponsoring Organizations (the so-called CoSO Report), since this represents an internationally accepted standard of reference for internal auditing and financial reporting. The system can be divided into the following four components:

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

The administrative-accounting model is in line with the requirements provided for in Italian Law 262 of 2005 and subsequent amendments and additions made due to the European Transparency Directive (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 Business Performance

1.7.1 Loans and financial services for the public sector

The general macro-economic situation

In the first half of 2013 the global macro-economic situation continued to record elements of uncertainty, of which many pre-existing and some of more recent origin, which compared with the expectations further slowed down progress on a route out of the crisis which already was likely to be in any case - even in the most optimistic scenarios - characterised by particular graduality and slowness.

In the USA, the most pressing worries about the policies and resources of the federal budget were attenuated with the approval of the government agency financing plans but, at least until September, the question of the debt ceiling will not be resolved, while the encouraging results (more for the constancy of the result than for the absolute amount) on the employment front cannot ease the concern associated with the end, authoritatively forecast, of the FED's quantitative easing policies.

The prospects for 2013 of the so-called BRIC countries[1], already not particularly encouraging at the end of 2012, were revised downwards after they recorded a first half of the year below expectations.

In Japan, the adoption of unprecedented expansive policies oriented to an exchange rate functional to the national export objectives obtained in the first half of the year an increase in consumption and facilitated the repositioning upwards of expectations for 2013.

The prolonged continuation of the combination of generalised austerity policies, structural problems of competitiveness and disappointing economic prospects generated a further increase in unemployment rates in many European countries. Unemployment, at exceptionally high levels in Greece and Spain, continues to rise also in Italy and France.

European consumers have adopted their lifestyle to the context and prospects: in 2012 the trend in domestic demand made a negative contribution to GDP growth in most European countries, including Germany. Consumer price indexes therefore remained far from the peaks of 2011.

Where in Europe GDP increased in 2012, this happened thanks only to the trend in net exports. The performance of the international economy in the first half of 2013 did not turn out to be favourable to this trend.

In the opinion of many observers, the prospects for the Euro area may be better defined after the general elections scheduled in Germany in September 2013. The same observers believe that signs of a recovery will begin to be seen starting from the end of 2013.

As regards Italy, the period of uncertainty following the outcome of the elections before the new Government was formed had no significant influence on the spread of Italian securities, which during the first half of the year recorded prolonged periods of relative stability.

(1) Brazil, Russia, India and China

From the point of view of public finance, the end of the first half of 2013 saw the closure of the excessive deficit procedure against Italy. This was a first important step in allowing the Italian State to gradually return to giving new boosts to the economy. The first concrete effects may derive from the process begun by the Government aimed at reducing the vast mass of debt that the Public Administrations have in relation to suppliers of goods and services. In particular difficulty is the building industry, the target at the same time of a reduction in new contracts for public works and of the postponement of collection times on work already completed. The solution to delayed payments by Public Administrations will lead to an improvement in companies' liquidity with positive effects on expectations and investments.

Recourse to direct bank borrowing to make public and private investments is falling, owing to the evolution of legislation and refinancing terms. In this context, recourse to bond issues by Corporate entities increased in the first half of 2013. The activities of Banks in the field of infrastructures is expected to shift to shorter maturities with ever-increasing room for the introduction of co-financing instruments capable of involving other kinds of institutional investors (project bonds, debt funds). As regards investments by territorial authorities, there is now a generalised demand, on the part of local Administrators, for new mechanisms for directing local finance capable of correcting the main distortion encountered following application of the so-called “Internal Stability Pact” in the versions adopted since 2007, the reduction in spending for investments.

The use of spending for investments of the local public sector can be a lever in an anti-cyclical sense, so much more useful because it can be used in a decentralised manner diffused over the whole country. Changes to the orientations in this regard are demanded, not only by territorial authorities, but also by Industrial Associations in various economic segments.

Recourse to new debt by Italian local authorities has, on an annual basis, been relatively stable for a few years, at a level close to the debt that in the meantime has been repaid. 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 Project Finance Activities

Loans

As already mentioned, from 2007 onwards, 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 focused for a large part of the time on the budget approval process, which constitutes a preliminary requirement for taking on new loans. As a consequence, the first half of the year is generally a period with reduced access to the market. As has been "normal practice" over the last few years, for 2013 too, the deadline for the approval of budgets was extended (this year to 30 September), with the foreseeable effects on the trend of loan applications made during the first half of the year by the authorities: very low and in line with that of 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 2013 will mainly be assumed by the authorities - with the new limits set out in the paragraph above - during the fourth quarter of the year.

In the Utilities and Corporate segment, the needs for financing or refinancing remain significant, in a context in which bank lending is permanently selective and, at least for longer maturities, does not look like being easily available again in the near future. Consequently activity was limited, both in the amount disbursed and in the number of transactions.

In the same period, the return to the capital market with bond issues by the main issuers was facilitated by a scenario of a low level of interest rates and by an improvement in the perception of Italy risk on the part of institutional investors.

Debt Management

At the end of June 2008, Italian Law Decree No. 112/2008 was issued. Article 62 prohibited local authorities, "*from the date on which the regulation*" to be issued by the MEF "*takes effect, and in any case for a period of a year from the date it takes effect,*" from undertaking derivative operations, or from taking on debt through contracts that do not provide for repayment methods through amortisation instalments including principal and interest or that provide for amortisation schedules exceeding thirty years.

In October 2009, a draft regulation was submitted by the MEF to a public consultation procedure. A number of interested parties and institutions participated in the consultation, providing their observations. At the time the present document was prepared, the Ministerial regulation in question had not yet been approved.

Considering this, the activity therefore regarded operations with Corporate customers and mainly with entities implementing project financing operations.

Credit Structuring

This activity is aimed at offering financial structures to public authorities with the objective of optimizing payment terms for suppliers (both private companies or themselves public agencies) for short term operations.

Over the last few years the segment has been at the heart of the debate on 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 growth of the Italian economy. In particular, during the first half of 2013 Italian Law Decree 35 of 2013 (subsequently converted into a Law) was issued. This provides for a sharp reduction in the stock of trade payables of the Public Administration in the next two years, for an announced amount of € 40 billion, in part deriving from measures removing spending constraints deriving from the Stability Pact and in part from making new liquidity available through a state fund to which the authorities can gain access.

The measures announced will not eliminate the stock of trade payables but can certainly improve the debt position of many Public Administrations which will therefore be able to manage their “ordinary” commercial indebtedness more efficiently. All of the above, together with the planned computerisation of the trade payable certification processes (through a web platform managed by Consip), will lead in the next few months to an improvement in the operating conditions of the Public Administration borrowing market which, after a initial period strongly focused on health service spending, will begin to confirm the trend of diversification to include wider spending categories and all the main public administrations (Regions, Provinces, Municipalities, Central Public Administration and Bodies controlled by this last).

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 business and the results achieved in the first half of 2013 are in line with the planning and also for the second half of the year the business is expected to fulfil the expectations.

Project Finance

During the first half of the year the market was characterised by an uncertain start which however saw the achievement of the closing of a number of jumbo deals characterised by the presence of Italian banks and the EIB.

As a consequence of the European Commission decisions on the customer perimeter, the business was focused on identifying new operating opportunities, characterised by a limited risk profile and by adequate profitability, with existing customers. The potential of this business should be fulfilled in the second half of the year.

In addition, during the half-year period a number of advisory appointments in the infrastructure segment were renewed or extended. These are aimed at assisting major customers in presenting offers for concessions to be awarded under project financing by the Public Administration.

1.7.2 Funding and activities on financial markets

Funding activities

The objective of the structure is medium- and long-term funding on the securities markets through secured or unsecured paper liabilities, and the work of originating debt capital market transactions for the bank's customers.

During the half-year period Dexia Crediop used the Financing Agreement signed by the ABI and Cassa Depositi e Prestiti, which makes available to the banking industry € 10 billion to finance SMEs, including through the purchase of receivables claimed by the same from the Public Administration.

In addition, the loan terms were agreed for a portfolio of securities not eligible for ECB loans for a face value of € 340 million. The expected net loan is € 280 million. The operation provides for execution in two tranches: the first for € 200 million of the portfolio, the second for the balance. The second tranche is conditional on obtaining an investment grade rating for the security involved in the loan, as of today unrated. At moment in which we are writing the operation is being assessed by the counterparty's decision-making bodies and we expect to be able to execute the first tranche by the end of July 2013.

As far as short-term paper funding is concerned, bearer certificates of deposit for 20 million were also issued.

As regards origination activity, the operating conditions for concluding transactions on the primary market with customers did not present themselves, and no economic results were produced, that is to say there were no origination activities on the debt capital market.

Business on the financial and money markets

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

Sales and cash management

This activity involves the sale of monetary and financial products on the Italian market and is divided into distribution of funding products issued by Dexia Crediop and by Dexia Group companies and distribution of financial products associated with the bank's lending business. The secondary market of bonds issued by Dexia Crediop is an integral part of the business.

On the short-term segment the Cash Management business produced new flows for an amount of € 54 million.

During the six-month period a total of a nominal € 24 million of our issues were repurchased.

Structuring & execution

This desk is mainly engaged in pricing activity and in derivatives trading at the request of the bank's structures (hedging transactions with customers, managing Credit Value Adjustment, implementing Balance Sheet Management strategies, etc.), in executing buy-backs of securities issued by the bank, and the securities trading activity connected with company-owned bond portfolios.

The market context related to leading customers did not permit the development of new business over the six months.

Cash & liquidity management

The business concerns the management of short-term liquidity and the interest rate risk, generated in particular by Euribor indexation of banking book items.

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

Participation in LTRO[1] auctions amounted to € 14.4 billion euro and at 30 June accounted for approximately 83% of total refinancing with the ECB. Participation in shorter-term auctions was less, for a total of € 3.1 billion (€ 2.6 billion with weekly maturity and € 0.5 billion with quarterly maturity).

During the period the volumes of financing alternative to the ECB grew. The growth was significant on the secured markets (MTS[2] Repo and New MIC[3]). On the NewMIC Dexia Crediop was noted as one of the most active banks.

Between February and June 2013, the Bank subscribed newly-issued certificates of deposit of the parent company Dexia Crédit Local guaranteed by the governments of France, Belgium and Luxembourg. These operations are in line with the more general strategy for financing the Dexia Group's liquidity gap. The securities subscribed were placed with the Central Bank. The total amount in the portfolio at the end of the period was 7.15 billion, accounting for approximately 36% of refinancing received from the ECB (LTRO and MRO included).

1.7.3 Changes in the Company

Human Resources

The Bank employed 188 people as of 30 June 2013 (-4 compared to 31 December 2012).

The first half of 2013 was marked by ongoing training aimed at strengthening linguistic, technical-specialist and managerial skills of internal resources, and training and periodic refresher initiatives on the subjects of Compliance and Health and Safety in the workplace; in relation to staff professional development, the company's

(1) *Long term refinancing operations*.

(2) Electronic government securities market.

(3) Collateralised interbank market.

investment continued 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 and discussions on both general and specific subjects, adopting shared solutions on various matters.

As regards the aspects of operational functioning, as well as managing several formalities deriving from the recent renewal of the national collective employment contract, work continued on tools and administrative procedures applying new legislative provisions related to the management of employment relationships.

Compliance

In the first half of 2013 anti-money-laundering activities continued in more depth. These are provided for in the control dashboard defined for the year 2013 following the important legislative changes made.

In terms of investment services, auditing continued according to the Dexia Group schedule, and sample checks were completed on personal operations.

As part of the monitoring and support activities carried out continually in relation to several corporate structures we can note the updates of the procedures regarding personal operations and that relating to the register of persons who have access to privileged information and, lastly, conflict of interests.

The control activities carried out in support of the Oversight Committee regarded in particular credit structuring operations while the audit carried out on the subject of money laundering is at the completion stage.

Among other activities it is worth noting the audits on the subjects of market abuse and the code of conduct of the markets room.

In the area of training activities we can note the performance of new training actions on the subject of combating money laundering.

Finally the 9th Compliance Conference was organised with the title: “Italy – United States, tackling the global growth of compliance risks” in which representatives of the Institutions took part as speakers.

Communication and Sustainable Development

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 and financial world, at which qualified speakers from the academic, institutional, and financial world participated, together with clients.

This first half of the year was also marked by constant activity of commercial, financial and press communication, aimed at enhancement of the Dexia Crediop business and evolution of the Dexia Group, and by communication activity internal to the bank, with participation in events of an economic and financial nature.

In the first half of 2013 Dexia Crediop's commitment to sustainable development and corporate social responsibility continued; we continued, in fact, to manage and promote the relevant activities paying particular attention to participation in the ABI Working Parties and to initiatives related to this matter.

Administration

During the first half of 2013 the **Accounting and Operational Control** Unit was engaged in its usual activities, overseeing preparation of the financial report, fiscal compliance and operational control. In addition, the supervisory reports relating to the new law on the subject of associated subjects were analysed and implemented. In application of the accounting standard IFRS 13, and in agreement with Risk Management, measurement of the fair value of collateralised derivatives was analysed and implemented according to the OIS curve and the Debit Value Adjustment (DVA), and the estimates for calculating the Credit Value Adjustment (CVA) were refined.

In addition, the accounting schedules relating to a number of products created by the bank were updated.

In the area of projects, to implement the new American law FATCA ("Foreign Account Tax Compliance Act") a specific analysis was begun of the involvement of multiple corporate areas with impacts both at the level of organisational and business processes and at the information system level.

Supervised by the **Risk Management** Structure**,** in April the ICAAP Report with reference to the date of 31 December 2012 was sent to the Bank of Italy.

The controls of the Financial Reporting Manager called for by the organizational model continued.

The structure also continued the activity of carefully monitoring liquidity, market and interest rate risk. Automatic processes were reinforced, in particular those having to do with control systems.

In the area of planning activities the **Back Office** Structure focused its attention on the numerous initiatives within the industry, taking part, on the one hand, in the various meetings of the Target 2 National User Group, Target 2 Security and X-Com (the domestic collateralisation platform), and on the other guaranteeing the test and approval activities in relation to the new developments in processes associated with the NewMIC and the Custody of securities deposited with Monte Titoli.

In agreement with the bank's other structures analyses began for development of the EMIR project[1] and for the implementations consequent to new obligations.

The **ICT & Facility Services** Structure carried out a number of specific planning actions to meet technical/organisational and legislative requirements that emerged during 2012. In particular, organisational restructuring actions were implemented for adjustment of the ICT processes to recognised best practices (COBIT, ITIL, ISO27002).

In addition, of significant importance was the creation of a new application platform in support of the bank's liquidity control. As regards reinforcing and consolidating security measures to protect the Bank's information assets, rationalisation began of the digital network design and actions were taken to introduce intrusion detection system devices to prevent and intercept intrusions into the network, completion of which is planned during 2013.

Other Equity Investments

ISTITUTO PER IL CREDITO SPORTIVO (ICS)

The ICS, set up with Italian Law No. 1295 of 24 December 1957 and a public bank under the terms of Art. 151 of Italian Legislative Decree No. 385/1993, is a public law entity with autonomous management. The Institute operates in the sector of lending for sport and cultural activity.

Dexia Crediop’s stake in this bank at the end of the period was stable compared with the previous year, at 21.622% of the share capital. The investment is not considered as one giving significant influence, since, in accordance with the current Articles of Association, this investment does not provide an equivalent number of votes on the Board of Directors, which also performs the functions of the General Meeting.

During 2012 and the first half of 2013 no dividends were distributed to Shareholders.

With a 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 Institute was placed in extraordinary administration, in order to adjust its regulations to the rules for public bodies as laid down in Italian Presidential Decree No. 207 of 27 October 2011. The procedure was extended at the end of December 2012 for a maximum of six months and, on expiry, further extended for two months. As regards commissioner activities, the special commissioners have sought to reopen the case of the legal nature of a fund created by the State, asking for a review of the distribution of profits to investors and of the

(1) European Market Infrastructure Regulation

regulations implemented in 2005 on the subject. At their request the Prime Minister's Office, with a communication received on 13 November 2012, opened proceedings aimed at cancelling the current Articles of Association of the ICS (approved on 2 August 2005), which were completed on 6 March 2013 with the issue of an Inter-ministerial Decree cancelling by order the deeds with which the above Articles of Association were issued.

Together with the all the other private shareholders of the ICS, the company presented an appeal to the Regional Administrative Court of Lazio against the aforementioned Decree.

1.7.4 Income Statement performance and the consolidated half year result

Net interest and other banking income of the Dexia Crediop Group at 30 June 2013 came to € -13 million, compared with € +28 million at 30 June 2012. The reduction was due above all to the worsening of net interest income (-49 million) linked to the evolution of interest rates on short-term funding and to the worsening of net fee and commission income (-3 million). The result from trading, hedging and sale/repurchase - although negative owing mainly to the effects of measurements made in line with the new accounting standard IFRS 13 “Fair Value Measurement” and deriving from the revision of the parameters used in measuring derivatives - was +11 million higher than in the same period of the previous year, which was affected by expenses for early repayment of DCL securities for an amount of € 1.75 billion.

Net adjustments for impairment were a negative € -2 million (as compared with the € -11 million of the first half of 2012).

Operating costs, including administrative expenses, amortisation and depreciation, provisions and other operating expenses and income, totalled € -22 million, compared with € -19 million at 30 June 2012. The difference was entirely due to provisions for risks and charges of € -3 million relating to legal expenses for administrative and judicial proceedings in progress on derivative contracts signed with local authorities. The other operating costs (personnel expenses, other administrative expenses and net adjustments of tangible and intangible assets) fell instead by 3% compared with the first half of 2012.

This trend resulted in a loss from continuing operations before tax of € -37 million. Taxes amounted to € +5 million and take account of the increase in the taxable base deriving from the legislation on the subject of non-deductibility of interest expense. The loss for the half-year period was therefore € -32 million, compared with the € -8 million of 30 June 2012.

For more details see Section 4.2.

1.7.5 Income Statement performance and the corporate half year result

Net interest and other banking income of Dexia Crediop at 30 June 2013 came to € -20 million, compared with € +21 million at 30 June 2012. The reduction was due above all to the worsening of net interest income (-46 million) linked to the evolution of interest rates on short-term funding and to the worsening of net fee and commission income (-6 million). The result from trading, hedging and sale/repurchase - although negative owing mainly to the effects of measurements made in line with the new accounting standard IFRS 13 “Fair Value Measurement” and deriving from the revision of the parameters used in measuring derivatives, was 11 million higher than in the same period of the previous year, which was affected by expenses for early repayment of DCL securities for an amount of € 1.75 billion.

Net adjustments for impairment were a negative € -2 million (compared with the € -11 million of the first half of 2012).

Operating costs, including administrative expenses, amortisation and depreciation, provisions and other operating expenses and income, totalled € -22 million, compared with € -20 million at 30 June 2012. The difference was entirely due to provisions for risks and charges of € -3 million relating to legal expenses for administrative and judicial proceedings in progress on derivative contracts signed with local authorities. The other operating costs (personnel expenses, other administrative expenses and net adjustments of tangible and intangible assets) fell instead by 3% compared with the first half of 2012.

This trend resulted in a loss from continuing operations before tax of € -44 million. Taxes amounted to € +7 million and take account of the increase in the taxable base deriving from the legislation on the subject of non-deductibility of interest expense. The loss for the half-year period was therefore € -37 million, compared with the € -14 million of 30 June 2012.

1.8 Business outlook

1.8.1 Operating prospects

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

Already in past years, following the deterioration of its financial conditions, the Group had begun a restructuring plan aimed at repositioning activities in its historic franchise, reducing its risk profile, and restoring balance to its financial structure.

In October 2011, the Group adopted structural measures that profoundly changed its structure, announcing an orderly resolution plan. This plan, reviewed and presented by the Belgian, French and Luxembourgian governments to the European Commission, was definitively approved by the latter on 28 December 2012.

The new Dexia Group orderly resolution plan envisages sales in the near future of the commercial franchises considered saleable and management in orderly resolution of the other entities, possibly accompanied by residual financing activities, bringing other assets to maturity.

As of the approval date of the said orderly resolution plan, Dexia had already sold a number of its main operating entities, which allowed for a notable reduction in its budget and in its weighted assets.

The new plan contains a programme of sales of certain Group entities not yet sold and management in orderly resolution, with no new production for other residual entities, with the exception of Dexia Crediop and its parent company Dexia Crédit Local (DCL), which will benefit from certain specific conditions.
Specifically, for Dexia Crediop this plan includes:

- the possibility of generating new assets up to € 200 million, destined for existing clients during 2013, a period in which Dexia Credop may be subject to sale but can, in this way, preserve its commercial franchise. At the end of the year, the Belgian, French and Luxembourgian governments may ask the European Commission to authorise new financing for an additional one-year period. If this authorisation is not granted, and in the meantime Dexia Crediop has not been sold, the same will be put in orderly resolution with no new commercial activity.

- separate management of Dexia Crediop, in the best interests of the latter. To this end, Dexia SA has appointed Jean Le Naour, the current Chief Executive Officer of Dexia Crediop, as the hold-separate manager; on this basis the Chief Executive Officer will implement the management activity, in accordance with the commitments relating to Dexia Crediop taken on by the Dexia Group in the orderly resolution plan and after consultation with Dexia SA;

- the appointment of a monitoring trustee, proposed by the three member states and approved by the European Commission, assigned to supervise observance of the commitments taken on by the Dexia Group in the orderly resolution plan, including those relating to Dexia Crediop.

In consideration of the orderly resolution plan approved by the European Commission, the consolidated report at 30 June 2013 of the Dexia Group was prepared on the assumption that the company is a going concern. In fact, already in the previous year, for the entire Dexia Group the latter was influenced by a number of factors, adjusted to take into account the main changes which occurred in the reference market. In particular, this plan is based on certain structural assumptions, around which there are some uncertainties. In addition, it takes into account:

- the guarantee on the liquidity granted by the Belgian, French and Luxembourgian governments, without requiring collateral. The limit of this guarantee, approved by the European Commission, is € 85 billion in principal; it is granted 51.41% by Belgium, 45.59% by France, and 3% by Luxembourg and will cover funding obtained through to 31 December 2021 in the forms of securities and financial instruments, deposits or loans, with a maximum duration of ten years;

- maintaining of the banking licenses of the various Group entities and maintaining of the ratings of Dexia SA and Dexia Crédit Local.

The macroeconomic scenario underlying the revised plan is based on market data observable at the end of September 2012 and assumes a gradual improvement starting in 2014. No additional relevant credit event was taken into account for the projection period.

In addition, the plan is based on an assumption of improvement in the situation on the capital market, such as to allow the Dexia Group to finance its assets through secured loans (repos) and, on the other side, to place its guaranteed short- and long-term debt on the market. If the market is not able to absorb these issues, Dexia will have to resort to more expensive sources of funding, with a consequent impact on its profitability.

The plan therefore concludes with self-sufficiency for the Dexia Group, on the basis of the assumptions and scenarios considered.

Despite this, some uncertainties connected to its implementation remain. These were already noted in the 2012 financial statements. In particular, the plan is sensitive to changes in interest rates and creditworthiness. For example, a reduction of 10 basis points on 10-year interest rates would entail an increase of one billion for cash collateral deposit needs.

Given the above, the financial report at 30 June 2013 of the Dexia Crediop Group was also prepared in accordance with the going concern assumption, in consideration of the orderly resolution plan approved by the European Commission and what it establishes specifically for Dexia Crediop. The company's prospects could suffer from the same factors as described above for the Dexia Group, in particular the capacity to provide support for subsidiaries, also in a deteriorated market situation.

The dynamic liquidity position of Dexia Crediop presents negative expected net balances over the entire time horizon due mostly to the margins paid to counterparties for cash collateral contracts on derivative products. In this regard, the notable increase in long-term interest rates recorded in the period in any case caused a decline in the prospective needs compared with the end of 2012.

Over the next few months, the prospective needs will be covered with the same methods used during the first half of 2013, that is to say mobilising the available reserves, medium- and long-term financing operations being negotiated, autonomous funding on the inter-bank markets and through its reference customers and, for the differential part, through financing on an overnight basis of the Dexia Group, in line with the indications of the guarantor governments, the Central Banks and the European Commission.

With a view to the company being a going concern, therefore, Dexia Crediop's dynamic liquidity position looks to be sustainable, on the assumption that the conditions which already characterised the fist half of the year will persist, with particular reference to the Dexia Group's possibility to gain access to financing.

As regards the foreseeable evolution of the Public Finance and Project Financing market, what was already outlined in terms of operational prospects in the 2012 financial statements remains valid. In particular for Public Finance, despite the direct and indirect constraints on contracting debt by territorial authorities, introduced with Italian Law 183/2011 (2012 Stability Law) which appear able to contribute to reducing expenses for investments, there remain, looking ahead to the next few years, needs for investment on the market and consequently the need for long-term borrowing operations.

Better prospects can be seen in other business segments in which Dexia Crediop has for some time been diversifying its clientèle and services offered, while still remaining in the area of a perimeter of public relevance in line with its main business. In particular, the prospects of the infrastructure sector realised through Project Finance are positive, relating to investments by subjects in the public sector and private managers of networks and infrastructure, especially in the motorway sector.

Following the clarifications made in the legislative framework of reference in the first half of 2013, there seem to be equally positive prospects for business associated with operations to optimise payables to suppliers of public sector entities or companies.

In line with this reference context, Dexia Crediop maintains its long- and short-term financing activities within the limits of the provisions of the plan approved by the European Commission. Thus, also with a view to ensuring diversification, the commercial strategy continues to focus on the availability for its customers of a more extensive, fuller range of offers, including advisory, arranging, hedging and agency and cash management services allowing also, in part, kinds of operations that are not constrained by the use of credit facilities.

Again under the scope of the Public Finance sector, in the last few years the bank became party to some administrative and legal proceedings in relation to derivative contracts signed with local and territorial entities that are still under way. Also in the light of the developments which have occurred in the proceedings, the judgements of which up to now have all been favourable for Dexia Crediop it was not considered necessary to carry out write-downs or provisions, other than those to provisions for risks and charges to cover legal costs, in view of the substantial correctness and transparency adopted by the bank in concluding the contracts in question.

Furthermore, as decided in 2011, and described in the previous financial report, activities in derivatives will only be carried out for professional and eligible customers, with, in any case, the exclusion of local and territorial authorities.

Thus it is also considered that a demand for payment of registration taxes received by the bank in December 2011 will not affect the operating prospects, with respect to which, as more extensively explained in the notes to the statements, in the section on provisions for risks and charges, again for the first half of financial year 2013 no provisions were set aside, while the suspension of its effects has been obtained from the tax authority.

On the funding side, it is considered that issuing of bonds will begin again as soon as the markets make it possible, under conditions that will be defined on a case by case basis. Medium and long-term funding operations can continue to be performed as usual, also in the form of loans with banking counterparties. As regards short-term funding, in addition to the traditional forms of financing, i.e. the interbank market and monetary policy operations of the Central Bank, the Bank intends to take advantage of its commercial franchise to collect liquid funds held by leading customers.

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, on the basis of which an overall reduction in the workforce at the end of 2012 of thirty-one employees was recorded, in 2013 staff will be reduced by a further three employees.

In conclusion, the strategy adopted by the Group and validated by the European Commission will lead Dexia to withdraw from all markets in which it is present, through the sales of its commercial franchises and run-off management of the residual entities, the two exceptions being Dexia Crediop and its parent company, within the terms and using the methods described above.

This process will lead to a significant reduction in the size of the Group's budget which, according to the forecasts, will reach € 150 billion around the end of 2020, with a significant reduction between 2020 and 2025.

In terms of commitments, the creditworthiness of the portfolio should remain relatively stable over time, while in terms of sources the Group will finance itself mainly through guaranteed state-backed debt securities sold on the market, collateralised short- and medium-term financing and, to a lesser degree, financing from central banks.

Considering also the capital increase of € 5.5 billion subscribed by the governments at the end of 2012, Dexia finds itself in a stable situation of solvency, according to both Basel 2 and Basel 3, which is besides destined to be reinforced over time through reduction of the Group's weighted assets.

Also for Dexia Crediop and the Dexia Crediop Group, the solvency position can be considered solid. Over the next six months the management aimed at preserving its commercial franchise will continue with a view to enabling a subsequent sale or to redetermining its expectations in the light of the assessments carried out between the governments and the European Commission.

1.8.2. Significant events after the end of the first half

At its meeting on 26 July 2013, the Dexia Crediop Board of Directors resolved to extinguish in advance, by the end of 2013, the three securitisation transactions in being through the purchase of the securitised assets mainly by the current subscriber of the ABSs and, subsequently, to close or sell the vehicle company.

1.9 Reclassification criteria for annual reports

To provide a better understanding of the results of the period, condensed 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
- 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;
- 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
- the item “Net hedging gains (losses)" has been included under net interest, in relation to the close correlation between hedging derivatives and the instruments hedged;
- “net trading gains (losses)" and “Gains (losses) on disposal or repurchase” have been aggregated into a single item;
- net adjustments on tangible and intangible assets have been aggregated into a single item.

1.10 Reclassified and reconciliation statements

Below we provide the reclassified consolidated Income Statement and Balance Sheet and the related reconciliations for the items provided for in the aforementioned Circular 262/2005.

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

The items in the financial report recorded 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.

millions of euro

Reclassified Balance Sheet	Assets	30/06/2013	31/12/2012	Change
Financial assets held for trading	20. Financial assets held for trading	5,413	6,259	-14%
Financial assets available for sale	40. Financial assets available for sale	810	790	3%
Financial assets held to maturity	50. Financial assets held to maturity	289	281	3%
Due from banks	60. Due from banks	12,354	13,043	-5%
Due from customers	70. Due from customers	25,922	28,165	-8%
Tangible and intangible assets		*46*	*46*	0%
	120. Property, plant and equipment	43	43	0%
	130. Intangible assets	3	3	0%
Tax assets	140. Tax assets	61	52	17%
Other asset items		*715*	*812*	-12%
	10. Cash and cash equivalents	0	0	0%
	80. Hedging derivatives	465	541	-14%
	90. Fair value adjustment of financial assets in hedged portfolios (+/-)	143	171	-16%
	160. Other assets	107	100	7%
	Total assets	**45,610**	**49,448**	**-8%**

millions of euro

Reclassified Balance Sheet	Liabilities and shareholders' equity	30/06/2013	31/12/2012	Change
Due to banks	10. Due to banks	25,481	23,681	8%
Due to customers	20. Due to customers	2,105	2,566	-18%
Securities issued	30. Securities issued	7,971	11,535	-31%
Financial liabilities held for trading	40. Financial liabilities held for trading	5,437	6,287	-14%
Tax liabilities	80. Tax liabilities	1	3	-67%
Other liability items		*3,488*	*4,237*	-18%
	60. Hedging derivatives	3,456	4,199	-18%
	70. Fair value adjustment of financial liabilities in hedged portfolios (+/-)	0	0	0%
	100. Other liabilities	32	38	-16%
Provisions		*19*	*12*	58%
	110. Provisions for severance indemnities	2	2	0%
	120. Provisions for risks and charges	17	10	70%
Reserves		*690*	*669*	3%
	140. Valuation reserves	(55)	(68)	19%
	170. Reserves	745	737	1%
Equity	190. Equity	450	450	0%
Shareholders' equity of non-controlling interests	210. Shareholders' equity pertaining to non-controlling interests	0	0	0%
Profit (Loss) for the period	220. Profit (Loss) for the period (+/-)	(32)	8	-500%
	Total liabilities and shareholders' equity	**45,610**	**49,448**	**-8%**

Consolidated Income Statement

millions of euro

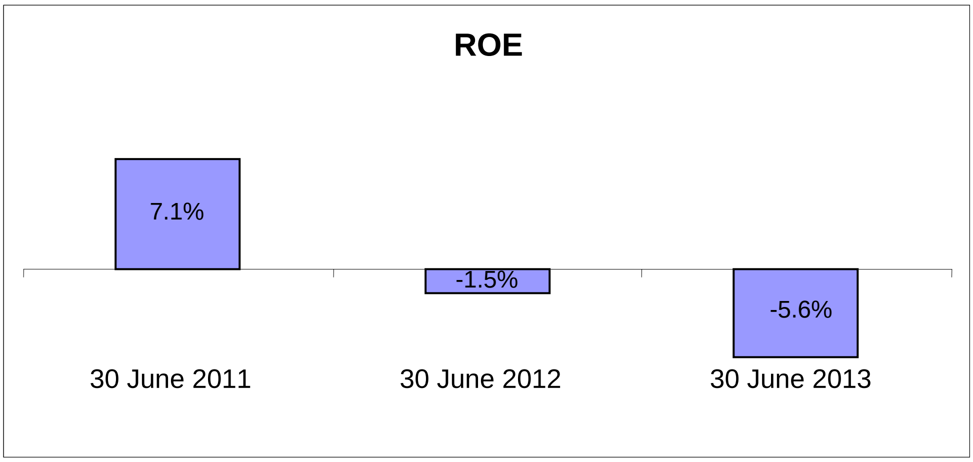
Reclassified Income Statement	Income Statement	1st half 2013	1st half 2012	Change
Net interest income		*(15)*	*61*	*-125%*
	10. Interest and similar income	399	545	-27%
	20. Interest and similar expenses	(387)	(484)	-20%
	90. Net hedging gains (losses)	(27)	0	na
Net fee and commission income		*(5)*	*(2)*	*150%*
	40. Fee and commission income	5	5	0%
	50. Fee and commission expenses	(10)	(7)	43%
Dividends	70. Dividends and similar income	0	0	0%
Net trading gains (losses)		*7*	*(31)*	-123%
	80. Net trading gains (losses)	7	(1)	-800%
	100. Gains (losses) on disposal or repurchase	0	(30)	-100%
	Net interest and other banking income	**(13)**	**28**	**-146%**
Net adjustments for impairment	130. Net adjustments for impairment	(2)	(11)	-82%
	Net income from financial activities	**(15)**	**17**	**-188%**
Administrative expenses	180. Administrative expenses	(18)	(18)	0%
Net provisions	190. Net provisions for risks and charges	(3)	0	na
Amortization and depreciation of fixed assets		*(1)*	*(2)*	*-50%*
	200. Net adjustments on property, plant and equipment	0	(1)	na
	210. Net adjustments on intangible assets	(1)	(1)	0%
Other operating expenses/income	220. Other operating expenses/income	0	1	na
	Operating expenses	**(22)**	**(19)**	**16%**
	Profit (loss) from continuing operations before tax	**(37)**	**(2)**	**1750%**
Income tax	290. Income tax for the period on continuing operations	5	(6)	-183%
	Profit (Loss) for the period	**(32)**	**(8)**	**300%**
	Profit (Loss) pertaining to the Parent Company	**(32)**	**(8)**	**300%**

The Group’s results at 30 June 2013 are commented on, with regard to notable aspects, in the “Notes to the Statements,” based on the reclassification schedules referenced above.

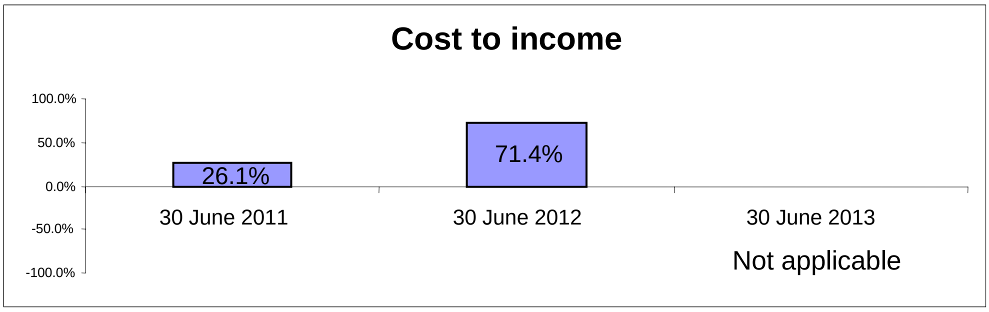
1.11 Alternative performance indicators

Below we provide some economic/financial position indicators, which serve as alternatives to the conventional information deducible from the financial statements, related to the Dexia Crediop Group at 30 June 2013.

ROE[1] at 30 June 2013 came out at -5.6% compared with the -1.5% recorded at 30 June 2012. The decrease was due to the fall in the annualized net result.

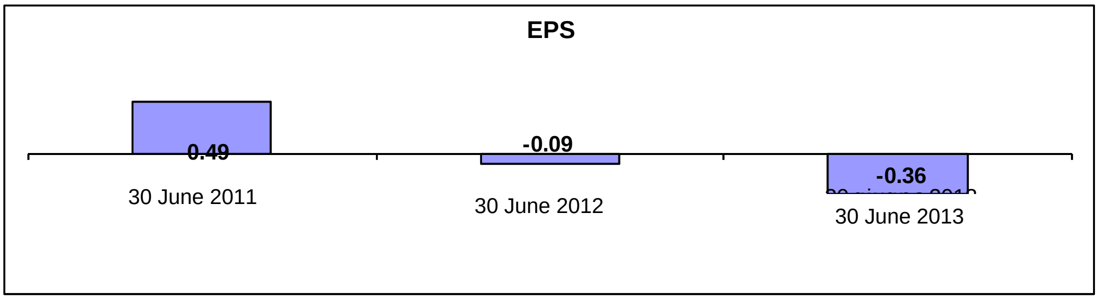


The Cost to Income ratio[2] at 30 June 2013 cannot be calculated in relation to negative net interest and other banking income compared with 71.4% for the first half of 2012.

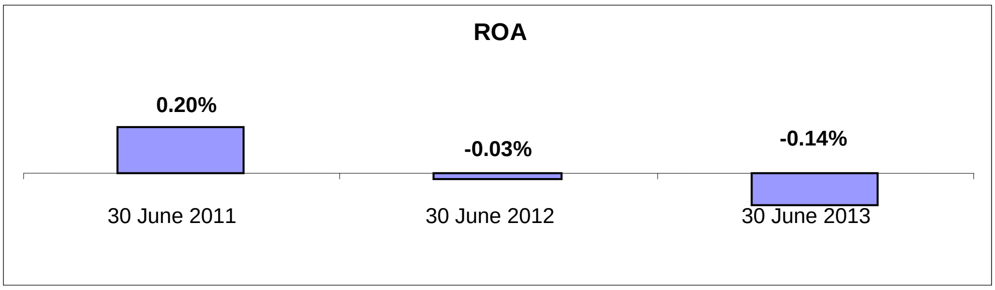


[1] Return on Equity is calculated as the ratio between annualized net result for the six month period and net equity at the end of the period, excluding the result under formation. This indicator expresses the profitability of own equity.
[2] The Cost to Income ratio is the ratio between operating costs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

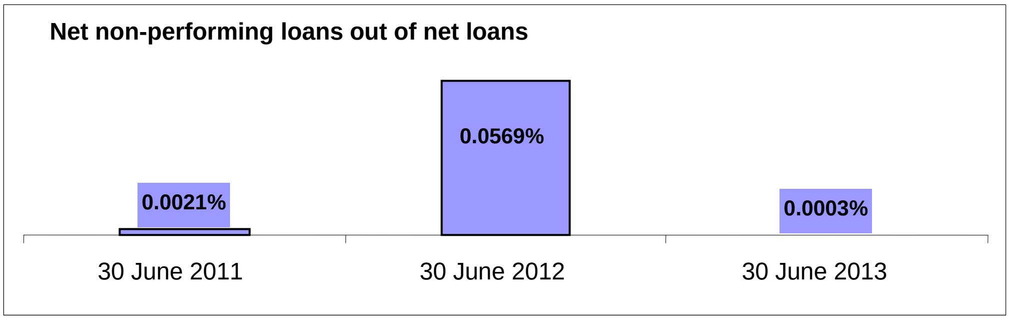
EPS[1] at 30 June 2013 came out at € -0.36 per share, compared with € -0.09 at 30 June 2012, following the decrease in the annualized net result.



At 30 June 2013 ROA[2] came out at -0.14% compared with the -0.03% recorded at 30 June 2013. The decrease was due to the fall in the annualized net result.



The loans portfolio risk level declined during the period in relation to the decrease in net non-performing positions due to the restructuring of a single position. The proportion of non-performing loans net of adjustments is thus very low[3].



1 EPS (Earnings per Share) is the ratio between the annualized net result and the number of shares making up the share capital.
2 ROA (Return on Assets) is calculated as the ratio between the annualized net result and the total balance sheet assets. This indicator expresses the profitability of total invested capital.
3 The proportion of non-performing loans is calculated as the ratio between net non-performing loans and total net loans (financial assets available for sale, financial assets held to maturity, loans to banks, and loans to customers). This indicator expresses the risk level of the loans portfolio.

Rating

At 30 June 2013 the rating on medium/long-term debt assigned to Dexia Crediop by the Agencies Fitch Ratings and Standard & Poor's was BBB+ and B+, respectively.

On 12 July 2013, after the rating of the Italian Republic was cut, Standard & Poor’s placed Dexia Crediop's rating in Credit Watch with negative implications.

On 18 July 2013, Fitch Ratings lowered Dexia Crediop's rating to a level of BBB (Long Term) and F3 (Short Term), as a consequence of the downgrading of the parent company Dexia Crédit Local, caused by the cut in the rating of the French Republic.

Fitch Ratings has kept Dexia Crediop's rating at "Negative Outlook".

Fitch Ratings – m/l-term	BBB
Fitch Ratings – short term	F3
Fitch Ratings – viability rating	CCC
Fitch Ratings – support	2

Standard & Poor’s - m/l-term	B+
Standard & Poor’s - short term	B

1.12 Statement of reconciliation between consolidated result and equity

Below is the statement of reconciliation between the result for the period and the Group's shareholders' equity with the analogous amounts of the Parent Company:

	30/06/2013		
			millions of euro
Parent company Dexia Crediop S.p.A.	**Shareholders' equity**	**Profit for the period**	**Total**
Equity	450		
Valuation reserves	50		
Reserves	631		
Profit (Loss) for the period		(37)	
TOTAL	**1,131**	**(37)**	**1,094**
Subsidiaries	**Shareholders' equity**	**Profit for the period**	**Total**
Equity	100		
Valuation reserves	(112)		
Reserves	123		
Profit (Loss) for the period		2	
TOTAL	**111**	**2**	**113**
Elimination of equity interests in subsidiaries	(100)		
Elimination of dividends of subsidiaries	-	-	
Consolidation accounting on valuation reserves	7	3	
Consolidation accounting on profit reserves	(9)		
TOTAL	**(102)**	**3**	**(99)**
Dexia Crediop Group	**Shareholders' equity**	**Profit for the period**	**Total**
Equity	450		
Valuation reserves	(55)		
Reserves	745		
Profit (Loss) for the period		(32)	
Pertaining to non-controlling interests	0	0	
TOTAL CONSOLIDATED CAPITAL as at 30.06.2013	**1,140**	**(32)**	**1,108**

2. Accounting policies

2.1 Standards and methods used in preparation

The accounting standards adopted in drawing up the interim financial report were essentially unchanged from those used for the 2012 annual report (to which you are therefore referred), with the exception of what is specified in paragraph 2.3 below.

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

2.2 Declaration of conformity to international accounting standards

The Half-Yearly Financial Report of the Dexia Crediop Group at 30 June 2013 was 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 the procedure referred to in Art. 6 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002, which had been approved at 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 option to provide the interim information in a condensed version, in place of the more complete information called for in the annual report.

2.3 Application of new international accounting standards

The interim report of the Dexia Crediop Group at 30 June 2013 reflects the effects of entry into force, as of 1 January 2013, of the new accounting standard IFRS 13 "Fair Value Measurement" and of the update of the already existing IAS 19 "Employees Benefits". The new accounting rules applied are illustrated below, together with their effects on the six-monthly income statement.

IFRS 13 "Fair Value Measurement"

This accounting standard examines in depth the concept of fair value establishing a series of unambiguous and uniform rules for its definition and measurement and for the related disclosure in financial statements.

In particular, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the trading market of this asset/liability at the measurement date. This definition implies the concept of “exit price”, that is the expected sale or purchase value in realistic market conditions.

In particular, it is essential to take into adequate consideration:

- the specific characteristics of the asset/liability being measured, if they are significant for a participant in the relevant trading market, at the moment of pricing the transaction;
- the principal trading market for the asset or liability, or in the absence of this, the most advantageous;
- all estimate assumptions that reference market participants would use when pricing the asset/liability, acting in their best interest. Among these assumptions is non-performance risk, which includes the credit risk associated with the issuers or the counterparty of the transaction, including the creditworthiness of the entity that prepares the financial statements (in the case of valuation of a liability).

Application of IFRS 13 by the Dexia Group, with reference to financial instruments measured at fair value according to IAS 39 “Financial Instruments”, led to a change in the accounting estimates, as defined by IAS 8, deriving from a revision of the parameters used, in particular for the measurement of derivatives.

The valuation of bilateral and active derivatives subject to the ISDA Master Agreement with a Credit Support Annex (“collateralised” derivatives), to take account of valuation by means of the Overnight Indexed Swap (OIS) curve currently applied by the market to such instruments, previously valued by means of the discount curve based on the Euribor parameter.

For the above type of collateralised derivatives the calculation of the CVA (“Credit Value Adjustment”), previously computed only on non-collateralised derivatives, was also extended in order to reflect the impacts for each counterparty of the CSA of potential exposures in the event of default (Exposure At Default or EAD) generated by the guarantee margin adjustment times. This calculation regards specularly also the risk associated with the company's own creditworthiness, entailing in the case positive effects on the income statement due to recognition of the so-called Debit Value Adjustment (DVA).

At the level of the Dexia Crediop Group, the effect on the income statement at 30 June 2013 of applying the new measurement methods can be summarised as follows:

- effect deriving from adoption of the OIS discount curve: € -38.6 mln;
- effect deriving from the CVA on collateralised derivatives: € -14.5 mln;
- effect deriving from the DVA on collateralised derivatives: € +18.3 mln;

These negative effects are of a valuative nature and will be recovered over time if no negative credit events occur; they are therefore not actual losses.

Lastly, as regards the CVA on non-collateralised derivatives, the input credit spreads for the calculation were adjusted, with greater use of “mark-to-market” values.

IAS 19 “Employee Benefits” (Revised)

Regulation 475/2012 of the EU Commission (published in the O.J. of the European Union of 6.6.2012) endorsed the changes made by the IASB to the Accounting Standard IAS 19.

The amendments mainly affect the accounting treatment of Defined-Benefit Schemes subsequent to the end of the employment relationship, and can be summarised as follows:

- abolition of the so-called “corridor option”, which allowed companies to recognise in the income statement only a portion of the actuarial gains/losses;
- abolition of the possibility to record *pro-rata-temporis* costs relating to past work performed, which must now always be recorded at the moment of restructuring the scheme.

The cost components of defined benefits must be recognised as follows:

- the pension cost and net interest on the net liabilities (assets) are recognised in the income statement, according to the actuarial method already provided for in the previous text of IAS 19;
- the revaluations of net liabilities (assets) are recognised in the other components of comprehensive income (O.C.I.) Para. 122 specifies that the amounts recognised in other comprehensive income can be reclassified to shareholders' equity.

Applying the new rules of IAS 19 to the interim financial statements of the Dexia Crediop Group at 30 June 2013 determines an increase in net accounting liabilities for obligations relating to defined-benefit pension schemes for an amount of 10 million (gross of the tax effect). This effect, which is totally attributable to abolition of the so-called “Corridor Option”, was booked as an accounting counter-item in as specific shareholders' equity reserve, as these are costs exclusively linked to actuarial valuations.

It should be noted finally that, with a technical note of 9 May 2013 in application of a specific transitory rules included in Regulation 575/2013 (CRD IV-implementing Basel 3 rules), the Bank of Italy ordered application of a prudential filter aimed at sterilising for 2013 the impact of the changes in question in the Regulatory Capital of intermediaries.

2.4 Consolidation scope and methods

The consolidated financial statements of the Dexia Crediop Group consist of the separate financial statements of the Parent Bank Dexia Crediop S.p.A. and the separate financial statements of the subsidiaries, which have been consolidated line-by-line.

The consolidation principles adopted for the half-yearly financial report as at 30 June 2013 are described below:

- the consolidated financial statements have been prepared in compliance with the provisions of IAS 27 and SIC 12 through the aggregation of the individual financial statements of the Parent Company and subsidiaries, adding the figures for each item of the assets, liabilities, shareholders' equity, revenues and costs. In order for the consolidated financial statements 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 financial asset and liability 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 eliminated.
- the company Tevere Finance S.r.l. is consolidated line-by-line as Dexia Crediop exercises de facto control.

- as regards the financial statements of the companies DCC-Dexia Crediop per la Cartolarizzazione S.r.l. and Tevere Finance S.r.l. only “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 separate financial statements in accordance with IAS 39.

Company name	Headquarters	Relationship	Investment relationship		% of votes held
			Investor company	Stake %	
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	99.9%	99.9%
Crediop per le Obbligazioni Bancarie Garantite S.R.L.	Rome	1	Dexia Crediop	90%	90%
Tevere Finance S.r.l.	Rome	4			

* *Dexia Crediop Ireland has a share capital of € 100 million, represented by 100 million shares with a face value of € 1 each, of which:*

- 99,999,999 shares held by Dexia Crediop S.p.A.;

- 1 share held by Dexia Crédit Local.

Key: 1 = majority of votes at the Ordinary Shareholders' Meeting

4 = other types of control

3. Consolidated accounting statements

3.1 Consolidated financial statements

millions of euro

	Assets	30/06/2013	31/12/2012
10	Cash and cash equivalents	0	0
20	Financial assets held for trading	5,413	6,259
40	Financial assets available for sale	810	790
50	Financial assets held to maturity	289	281
60	Due from banks	12,354	13,043
70	Due from customers	25,922	28,165
80	Hedging derivatives	465	541
90	Fair value adjustment of financial assets in hedged portfolios (+/-)	143	171
120	Property, plant and equipment	43	43
130	Intangible assets	3	3
	of which:		
	- goodwill	0	0
140	Tax assets	61	52
	a) current	10	6
	b) deferred	51	46
	of which pursuant to Law 214/2011	0	0
160	Other assets	107	100
	Total assets	45,610	49,448

millions of euro

	Liabilities and shareholders' equity	30/06/2013	31/12/2012
10	Due to banks	25,481	23,681
20	Due to customers	2,105	2,566
30	Securities issued	7,971	11,535
40	Financial liabilities held for trading	5,437	6,287
60	Hedging derivatives	3,456	4,199
70	Fair value adjustment of financial liabilities in hedged portfolios	0	0
80	Tax liabilities	1	3
	a) current	1	3
	b) deferred	0	0
100	Other liabilities	32	38
110	Provisions for severance indemnities	2	2
120	Provisions for risks and charges	17	10
	a) pension funds and similar benefits	5	0
	b) other provisions	12	10
140	Valuation reserves	-55	-68
170	Reserves	745	737
190	Equity	450	450
210	Shareholders’ equity of non-controlling interests (+/-)	0	0
220	Profit (Loss) for the period (+/-)	-32	8
	Total liabilities and shareholders' equity	**45,610**	**49,448**

CONSOLIDATED INCOME STATEMENT

millions of euro

	Income Statement items	1st half 2013	1st half 2012
10	Interest and similar income	399	545
20	Interest and similar expenses	-387	-484
30	**Net interest income**	**12**	**61**
40	Fee and commission income	5	5
50	Fee and commission expenses	-10	-7
60	**Net fee and commission income**	**-5**	**-2**
70	Dividend and similar income	0	0
80	Net trading gains (losses)	7	-1
90	Net hedging gains (losses)	-27	0
100	Gains (losses) on disposal or repurchase of:	0	-30
	a) loans	0	-31
	b) financial assets available for sale	0	0
	d) financial liabilities	0	1
120	**Net interest and other banking income**	**-13**	**28**
130	Net adjustments for impairment of:	-2	-11
	a) loans	-2	-11
	d) other financial transactions	0	0
140	**Net income from financial activities**	**-15**	**17**
170	**Net income from financial and insurance activities**	**-15**	**17**
180	Administrative expenses:	-18	-18
	a) personnel expenses	-10	-10
	b) other administrative expenses	-8	-8
190	Net provisions for risks and charges	-3	0
200	Net adjustments on property, plant and equipment	0	-1
210	Net adjustments on intangible assets	-1	-1
220	Other operating expenses/income	0	1
230	**Operating expenses**	**-22**	**-19**
280	**Profit (loss) from continuing operations before tax**	**-37**	**-2**
290	Income tax for the period on continuing operations	5	-6
300	**Profit (Loss) from continuing operations after tax**	**-32**	**-8**

millions of euro

	Items	1st half 2013	1st half 2012
10	**Profit (Loss) for the period**	**-32**	**-8**
	Other income components net of tax without reversal to income statement		
20	Actuarial gains (losses) on defined benefits schemes	-7	
	Other income components net of tax with reversal to income statement		
90	Cash flow hedging	-8	10
100	Financial assets available for sale	28	11
130	**Total other income components net of tax**	13	21
140	**Comprehensive income (items 10 + 130)**	**-19**	**13**
150	Consolidated comprehensive income pertinent to non-controlling interests	0	0
160	**Consolidated comprehensive income pertinent to Parent Company**	-19	13

3.2 Statement of changes in consolidated shareholders' equity

Below we provide the statement of changes in shareholders' equity at 30 June 2013:

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 30 JUNE 2013

millions of euro

	Balances at 31.12.2012		Balances at 1.1.2013	Allocation of profit of the previous period			Shareholders' equity as at 30.06.2013	
				Reserves				
	of the group	Changes to initial balances	of the group	of the group	Dividend and other uses	Comprehensive income	of the group	of non-controlling interests
Equity:	**450**		**450**				**450**	
a) ordinary shares	450		450				450	
b) other shares								
Share premiums								
Profit reserves	**737**		**737**	**8**			**745**	
a) of profits								
b) others								
Valuation reserves	**(68)**		**(68)**			**13**	**(55)**	
Equity instruments								
Treasury shares								
Profit (Loss) for the period	8		8	(8)		(32)	**(32)**	
Shareholders' equity	**1,127**		**1,127**	**0**		**(19)**	**1,108**	

Shareholders' equity of non-controlling interests at 30 June 2013 amounted to Euro 11 thousand.

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	
	of the group		of the group	Reserves: of the group	Dividends and other uses		of the group	of non-controlling interests
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**	**0**		**13**	**1,014**	

Shareholders' equity of non-controlling interests at 30 June 2012 amounted to Euro 11 thousand.

3.3 Statement of changes in consolidated cash flows

A. OPERATING ACTIVITIES	*millions of euro*	
	30/06/2013	**30/06/2012**
1. Operations	**-11**	**11**
- result for the period (+/-)	-32	-8
- gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	-7	1
- capital gains/losses on hedging assets (+/-)	27	0
- net adjustments for impairment (+/-)	2	11
- net adjustments of tangible and intangible fixed assets (+/-)	1	1
- net provisions for risks and charges and other costs/revenues (+/-)	3	0
- unpaid taxes and duties (+)	0	6
- other adjustments (-/+)	-5	0
2. Liquidity provided/used by financial assets	**3,816**	**-3,151**
- financial assets held for trading	853	-571
- financial assets available for sale	-20	-17
- due from banks: on demand	-17	158
- due from banks: other receivables	706	-2,549
- due from customers	2,241	-183
- other assets	53	11
3. Liquidity provided/used by financial liabilities	**-3,804**	**3,141**
- due to banks: on demand		
- due to banks: other payables	1,800	2,500
- due to customers	-460	71
- securities issued	-3,564	-480
- financial liabilities for trading	-850	546
- other liabilities	-730	504
Net liquidity provided/used by operations	1	1
B. INVESTING ACTIVITIES		
1. Liquidity provided by	0	0
- sales of equity investments	0	0
- dividends collected from equity investments	0	0
- sales of property, plant and equipment	0	0
2. Liquidity used by	-1	-1
- purchases of intangible assets	-1	-1
Net liquidity provided/used by investment activities	-1	-1
C. FUNDING ACTIVITIES		
- distribution of dividend and other uses	0	0
Net liquidity provided/used by funding activities	0	0
NET LIQUIDITY PROVIDED/USED IN THE PERIOD	0	0
RECONCILIATION		
Balance Sheet Items		
Cash and cash equivalents at start of period	0	0
Total net liquidity provided/used in period	0	0
Cash and cash equivalents: effect of variations in exchange rates	0	0
Cash and cash equivalents at end of period	**0**	**0**

KEY: (+) provided (-) used

4. Notes to the Statements

4.1 Statement of Financial Position

The section in question provides the financial amounts for the Group at 30 June 2013, compared with the balances in the 2012 financial statements. The related changes, when significant, are accompanied by notes illustrating changes in the Group's financial position.

4.1.1 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 impairment losses. To this end, for classification of impaired debts in the various risk categories (non-performing loans, problem loans, restructured and past-due 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 estimated realisable value of any existing guarantees, and the costs considered necessary for recovery of the loan exposure (for a detailed numeric explanation, please refer to section 4.3 "Comments on risks and hedging policies.").

The breakdown of the item in question at 30 June 2013, net of the related value adjustments, was as follows:

millions of euro

IAS category	30/06/2013	31/12/2012	% change
Due from banks	**12,354**	**13,043**	**-5%**
Loans	219	234	-6%
Debt securities	7,163	6,305	14%
Other transactions	4,972	6,504	-24%
Due from customers	**25,922**	**28,165**	**-8%**
Loans	9,719	10,110	-4%
Debt securities	15,851	16,429	-4%
Other transactions	352	1,626	-78%
Total loans	**38,276**	**41,208**	**-7%**

Loans

Total loans at 30 June 2013 amounted to € 9,938 million, of which € 9,719 million to ordinary customers and € 219 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 2013 totalled € 23,014 million.

The increase, with respect to 31 December 2012, 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 € 554 million and interbank deposits totalling € 4,418 million.

The decrease in the item derives from net exposure of the receivable and payable components related to amortising swap transactions in line with the clarifications of the Oversight Committee on the subject.

4.1.2 Financial assets

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

millions of euro

IAS category	30/06/2013	31/12/2012	% change
Financial assets held for trading (HFT)	5,413	6,259	-14%
Financial assets available for sale (AFS)	810	790	3%
Financial assets held to maturity (HTM)	289	281	3%
Total	**6,512**	**7,330**	**-11%**

Financial assets held for trading (HFT)

This item, which amounted to € 5,413 million, includes only derivatives not designated as hedging instruments, valued at fair value as recognised in 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 held for trading", which amounted to € 5,437 million.

Financial assets available for sale (AFS)

Financial assets available for sale are initially recognised at fair value, including any transaction costs or revenues directly attributable to the instrument in question. After initial recognition, changes in fair value are booked to a specific shareholders' equity reserve until the financial asset is either written off or no longer shows a loss of value.

Determination of the fair value of financial assets available for sale is based on prices found by the competent Risk Management unit on active markets, on prices provided by operators, or on internal measurement models generally used in financial practice.

Financial assets available for sale include debt securities not held for trading of € 651 million, equity securities which cannot be qualified as in subsidiaries, associated companies, or joint ventures of € 157 million, and UCITS units of € 2 million.

For debt securities, with a book value of €651 million, measurement at fair value led to a negative reserve of € 128 million net of associated deferred taxes (see also section 4.1.9).

During the first half of 2013, no new debt securities classifiable as Available for Sale were purchased.

With reference to these latter, below we provide the amounts at 30 June 2013:

millions of euro

Equity securities and mutual fund shares	Book value at 30/06/2013	AFS reserve at 30/06/2013 including deferred tax	AFS reserve at 30/06/2013 net of deferred tax
Istituto per il Credito Sportivo (*)	157	132	123
Equity securities	**157**	**132**	**123**
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	**159**	**132**	**123**

(*) Taxes on the valuation reserve of the Istituto per il Credito Sportivo were determined pursuant to Article 87 of Consolidated Law on Income Tax (T.U.I.R.), which provides 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 unit in the Dimensione Network Fund is booked at the symbolic value of €1.

As far as the Istituto del Credito Sportivo (ICS) is concerned, see the explanation in paragraph 1.7.3 under the item "Other equity investments".

Financial assets held to maturity (HTM)

The financial assets in question are recognised in the balance sheet at amortized cost and periodically subjected to impairment tests.

To this end, if there is any objective evidence of impairment, the amount of the same is measured as the difference between the book value of the asset and the present value of future cash flows and is recognised in the income statement.

At 30 June 2013, these assets did not show any loss of value.

This item, totalling € 289 million, includes only debt securities of the parent company that the bank has the effective intention and capacity to hold until maturity. During the period there were no sales or purchases of securities classified in the HTM portfolio.

4.1.3 Tangible and intangible assets

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

millions of euro

Breakdown	30/06/2013	31/12/2012	% change
A. Assets for business purposes			
- land	29	29	0%
- buildings	12	12	0%
- furniture	2	2	0%
Total A	**43**	**43**	**0%**
B. Assets held as investments			
- buildings	0	0	0%
Total B	**0**	**0**	**0%**
Total (A+B)	**43**	**43**	**0%**

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

4.1.4 Tax assets

Tax assets for current taxes, of € 10 million, mainly refer to direct tax advances paid and to withholdings on interest, premiums and other income from deposits and current bank accounts.

Prepaid taxes, of € 51 million, mainly refer to the negative fair value of reserves relating to financial assets available for sale (AFS) and to Cash Flow Hedging (CFH) derivatives, to the tax loss and to costs for which deductibility has been postponed on the basis of current tax law.

4.1.5 Debt instruments and securities issued

At 30 June 2013, total financial liabilities in question were as follows:

millions of euro

IAS category	30/06/2013	31/12/2012	% change
Due to banks	25,481	23,681	8%
Due to customers	2,105	2,566	-18%
Securities issued	7,971	11,535	-31%
Total	**35,557**	**37,782**	**-6%**

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.

4.1.6 Financial liabilities held for trading

This item, totalling € 5,437 million includes only derivatives with a negative fair value, not designated as hedging instruments. The change with respect to the end of 2012 is mainly due to the effect of measurement in the period.

4.1.7 Provisions for risks and charges and severance indemnities

The breakdown of provisions at 30 June 2013 was as follows:

millions of euro

IAS category	30/06/2013	31/12/2012	% change
Provisions for severance indemnities	2	2	0%
Provisions for risks and charges	17	10	70%
Total	**19**	**12**	**58%**

Provisions for severance indemnities (TFR)

The liability relating to severance indemnities is recognised on the balance sheet on the basis of the actuarial value of the same (€ 2.1 million), determined by an independent actuary, on the basis of financial and actuarial assumptions, also taking into account the actuarial gains or losses. These latter are recognised on the balance sheet among other component of comprehensive income and reclassified in a specific shareholders' equity valuation reserve, as envisaged in the accounting standard IAS 19, as updated starting from 1 January 2013 (for more information on the subject, see Sect. 2 – Accounting Policies). The valuation also takes into account the effects of the agreement regarding redundancy incentives and access to the Solidarity Fund which was signed by the Company and the Trade Unions on 24 June 2009.

Provisions for risks and charges

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

"Pension funds and similar benefits,” amounted to € 5.3 million and relate to provisions - recognised on the basis of the accounting standard IAS 19 "Employee benefits" - against various forms of complementary defined-benefit pension schemes. These commitments can be traced entirely to the Parent Company and are based on calculations carried out by independent actuaries using the projected unit credit method. In particular, the provisions are equal to the present value of the defined-benefit obligation net of the fair value of the fund assets and taking into account the actuarial gains or losses recognised in the balance sheet among other comprehensive income reclassified to a specific shareholders' equity valuation reserve, following the aforesaid update of IAS 19 (see also Sect. 2 – Accounting Policies).

"Other provisions" consist of the following: € 3.3 million for costs of employee seniority bonuses, for life assurance benefits and for the aforementioned agreement on redundancy incentives and access to the solidarity fund signed by the company with certain Trade Union Organisations on 24 June 2009; € 7.7 million for legal disputes for claims underway with local administrations (see paragraph 4.3.1 for more details on this dispute); € 1.1 million for tax expenses set aside during the first half of 2011.

4.1.8 Tax liabilities

Tax liabilities for current taxes refer to taxes withheld on issues mainly of bonds.

4.1.9 Shareholders' equity

The group's shareholders' equity at 30 June 2013, including the result for the period, amounted to € 1,108 million and consisted of the following:

millions of euro

Items/Amounts	30/06/2013	31/12/2012	Changes of the period
Equity	450	450	0%
Reserves	745	737	1%
Valuation reserves	(55)	(68)	na
Profit (Loss) for the period	(32)	8	na
Total	**1,108**	**1,127**	**-2%**

Changes in shareholders' equity with respect to figures in the last financial statements are due to the positive changes in valuation reserves offset by the loss for the period.

Capital and Reserves

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

Reserves at 30 June 2013 amounted to € 745 million and the change seen over the six-month period can be entirely attributed to the profit from financial year 2012.

Valuation reserves

Valuation reserves at 30 June 2013 totalled € -54.7 million of which € +0.4 million deriving from measurement at fair value of Cash Flow Hedging (CFH) operations, € -47.8 million deriving from measurement at fair value of financial assets available for sale (AFS) and € -7.3 million deriving from actuarial valuation of defined-benefit schemes.

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

millions of euro

	Reserve for cash flow hedging	Reserve for financial assets available for sale	Reserve for defined-benefit schemes
A. Opening balance	**8**	**-76**	-
B. Increases	5	31	
C. Decreases	13	3	7
D. Closing balances	-	**-48**	**-7**

For valuation reserves related to financial assets available for sale (net of deferred taxation), the contribution of the various categories of financial instruments booked to the portfolio in question is shown below.

Reserves from valuation of financial assets available for sale ***millions of euro***

	Debt securities	Equity securities	UCITS units	Total
1. Opening balances at 31/12/2012	**-201**	**125**	**-**	**-76**
2. Increases	31	0	-	31
3. Decreases	1	2	-	3
4. Closing balances at 30/06/2013	**-171**	**123**	**-**	**-48**

The report below shows, in relation to debt securities, the reconciliation between the Parent Company's AFS reserve and that found in the consolidated financial statements (net of deferred taxation).

millions of euro

AFS DEBT SECURITIES reserve	Parent company Dexia Crediop S.p.A.	Subsidiary companies post-consolidation	Total
balance at 31/12/2012	**-68**	**-133**	**-201**
increases	10	21	31
decreases	1	-	1
balance at 30/06/2013	**-59**	**-112**	**-171**

4.1.10 Regulatory capital

Regulatory capital was calculated on the basis of the balance sheet and income statement figures, determined in accordance with the IAS/IFRS international accounting standards and taking into account the rules laid down by the Bank of Italy in accordance with the new Basel 2 regulations.

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

Tier II capital consists of subordinated liabilities, which can all be calculated in the same, of valuation reserves and of excess writedowns with respect to expected losses. The elements to be deducted are 50% of equity interests in credit institutions.

With reference to valuation reserves for debt securities issued by the central administrations 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 arrangement sub a) provided for by the Bank of Italy in its order of 18 May 2010 regarding Regulatory Capital - Prudential Filters.

millions of euro

	Total at 30/06/201	Total at 31/12/2012
A. Tier 1 capital before application of prudential filters	**1,152**	**1,191**
B.Tier 1 capital prudential filters:	-77	-85
B.1 - positive IAS/IFRS prudential filters (+)	7	
B.2 - negative IAS/IFRS prudential filters (-)	-84	-85
C. Tier 1 capital inclusive of elements to be deducted (A+B)	**1,075**	**1,107**
D. Elements to be deducted from tier 1 capital	12	12
E. Total Tier 1 capital (C-D)	**1,063**	**1,094**
F. Tier 2 capital before application of prudential filters	**256**	**342**
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)	**256**	**342**
I. Elements to be deducted from tier 2 capital	12	12
L. Total Tier 2 capital (H-I)	**244**	**330**
M. Elements to be deducted from total tier 1 and tier 2 capital		
N. Regulatory capital (E+L-M)	**1,307**	**1,424**
O. Tier 3 capital		
P. Regulatory capital including Tier 3 (N+O)	**1,307**	**1,424**

4.1.11 Other asset and liability items

The "Hedging derivatives" items among assets (item 80) and liabilities (item 60) on the Balance Sheet at 30 June 2013, respectively € 465 million and € 3,456 million, include the positive and negative value of derivatives which are part of effective hedging operations.

The types of hedging used are the following:

- *Fair value hedges*, put in place with the aim of hedging the exposure to changes in the fair value of assets/liabilities recognised in the balance sheet;
- *Cash flow hedges*, put in place with the aim of hedging the exposure to changes in cash flows of assets/liabilities recognised in the balance sheet 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 changes 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 macro-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 balance sheet (item 70 Fair Value Adjustment of Financial Assets in Hedged Portfolios) in accordance with the instructions in IAS 39, paragraph 89A.

At 30 June, the said value adjustment involved only financial assets and totalled € 143 million.

This procedure is also applied when hedged financial assets are booked in the "Available for Sale" portfolio.

For cash flow hedges, fair value is recognised with a matching entry in the specific Shareholders' Equity reserve (at 30 June 2013 equal to € 0.4 million net of deferred taxes), while the assets or liabilities covered by the hedge are not subjected to similar value adjustments.

4.2 Economic performance

Below we provide a description of the economic progress of the Dexia Crediop Group in the first half of 2013 on the basis of the reclassified income statement. For an analysis of the results by business segment please refer to section 4.4.4.

4.2.1 Net interest

Net interest of the Dexia Crediop Group in the first half of 2013 amounted to € - 15 million, compared with + 61 million at 30 June 2012. This item is made up of net interest income (interest income and expenses) and the net result of hedging activities.

Net interest income amounted to € 12 million at 30 June 2013, down - 49 million compared with the first half of 2013, following the changes in interest rates.

The net result of hedging activities amounted to € -27 million at the end of June 2013, compared with zero in the first half of 2012.

This result relates to the difference in the change in fair value of instruments hedged and hedging instruments in relation to the risk component hedged. In particular, in line with the new accounting standard IFRS 13, this result derives from measuring collateralised hedging derivatives by means of the OIS curve, with respect to measuring hedged instruments on the basis of the Euribor curve. In addition, for the above type of collateralised derivatives the calculation of the CVA ("Credit Value Adjustment"), previously computed only on non-collateralised derivatives, was also extended in order to reflect the impacts for each counterparty of the Credit Support Annex of potential exposures in the event of default (Exposure At Default or EAD) generated by the guarantee margin adjustment times. This calculation regards specularly also the risk associated with the company's own creditworthiness, entailing in this case positive effects on the income statement due to recognition of the so-called Debit Value Adjustment (DVA).

The net interest of the Dexia Crediop Group derives for € -17 million from Dexia Crediop S.p.A. and for the remainder from the subsidiary Dexia Crediop Ireland and from the consolidation accounts.

4.2.2 Net fee and commission income

Net fee and commission income at 30 June 2013 totalled € -5 million, down compared with the € -2 million of the same period in the previous year due mainly to commission expense associated with securities lending activities.

Fees and commissions of € -8 million derive from the operations of Dexia Crediop S.p.A. and predominantly refer to the Public & Wholesale Banking business, to commission expenses connected with the issue of Italian government-backed securities, and to securities lending activities.

4.2.3 Dividends and similar income

In the first half of 2013 no dividends were received, as in the same period of the previous year.

4.2.4 Net trading gains (losses)

Total net trading gains (losses) at 30 June 2013 amounted to € 7 million, compared with € -31 million in the first half of 2012. This consists of two items, “Net Trading Gains (Losses)” and “Gains (Losses) on Disposal or Repurchase”.

More specifically, net trading gains (losses) were +7 million euro in the first half of 2013, compared with a result of -1 million as of 30 June 2012. This item expresses the measurement at fair value, inclusive of the correction estimated for the credit risk, of the trading portfolio comprising exclusively derivatives. From an operational point of view this portfolio is not exposed to interest rate risk due to balanced broking with the main counterparties; but the related positions are affected by the estimated correction for credit risk.

In the first half of 2013 this item was subject, in line with the new accounting standard IFRS 13 “Fair Value Measurement”, to the effects of the refinements in the measurement of collateralised trading derivatives, for a total of € -8 million.

For these latter, as for collateralised hedging derivatives (see section 4.2.1), the measurement was made using the OIS curve, unlike the measurement made previously on the basis of the Euribor curve. In addition, for the above type of collateralised derivatives the calculation of the CVA (Credit Value Adjustment), previously computed only on non-collateralised derivatives, was also extended in order to reflect the impacts for each counterparty of the Credit Support Annex of potential exposures in the event of default (Exposure at Default or EAD) generated by the guarantee margin adjustment times. This calculation regards specularly also the risk associated with the company's own creditworthiness, entailing in this case positive effects on the income statement due to recognition of the so-called Debit Value Adjustment (DVA).

Gains (losses) on disposal or repurchase came to € 0 million during the first half of 2013, compared with a result of € -30 million in the same period of the previous year. It should be recalled that the result of the first half of 2012 contained the effect of the early extinguishing of € 1.75 billion of assets of the parent company DCL.

Total net trading gains (losses) are referable for € +5 million to the business of the Parent Company Dexia Crediop S.p.A. and for the remainder to the subsidiary Dexia Crediop Ireland and to the consolidation accounts.

4.2.5 Net interest and other banking income

Net interest and other banking income of the Dexia Crediop Group at 30 June 2013 came to € -13 million, compared with € +28 million at 30 June 2012 and was affected by the above trends.

4.2.6 Net adjustments (+/-) for impairment

Net value adjustments for impairment were a negative € -2 million and related for € +1 million to specific writebacks and for € -3 million to flat-rate writedowns. In the same period of the previous year net adjustments amounted to € -11 million as a consequence substantially of specific writedowns.

4.2.7 Net income from financial activities

Following the large operations described above and their progress, the Dexia Crediop Group's net income from financial activities at 30 June 2013 totalled € -15 million compared with € +17 million at 30 June 2012.

4.2.8 Operating costs

In the first half of 2013 administrative expenses amounted to € -18.1 million, down -3% compared with the corresponding period of the previous year (€ -18.7 million at 30 June 2012). In particular, personnel expenses totalled € 10.5 million (€ 10.4 million at 30 June 2012, +1%) and other administrative expenses totalled € 7.6 million (€ 8.3 million at 30 June 2012, -8%).

Net provisions for risks and charges in the first half of 2013 were -3 million, compared with approximately zero in the first half of 2012. They mainly relate to legal expenses for administrative and judicial proceedings in progress in relation to derivative contracts signed with local authorities.

Depreciation and amortisation (net value adjustments on tangible and intangible assets) amounted to € -1.2 million, down € 0.1 million compared with the same period of the previous year.

In the first half of 2013 other operating expenses and income came to € +0.2 million, down -48% compared with the first half of 2012.

Hence, total operating costs amounted to € -22 million, compared with € -19 million at 30 June 2012.

4.2.9 Profit (loss) from continuing operations before tax

Owing to all of the above, Dexia Crediop Group's result from continuing operations before taxes at 30 June 2013 came out at a negative € -37 million, compared with € -2 million in the first half of 2012.

4.2.10 Income taxes for the period on continuing operations

Taxes for the first half of 2013 totalled € +5 million, compared with € -6 million in the corresponding period of the previous year. Taxes were affected by increases in the taxable base, deriving from the partial non-deductibility of interest expense.

4.2.11 Profit (loss) for the period

The Dexia Crediop Group's net loss at 30 June 2013 amounted to € -32 million, compared with a loss of € -8 million at 30 June 2012.

4.3 Comments on risks and hedging policies

4.3.1 Credit risk

General aspects

The Dexia Crediop Group's area of operations has historically concentrated on financing investments in the public sector and large infrastructures. The remaining part of the loan portfolio refers almost exclusively to assets acquired according to an investment logic based on requisites of high market liquidity and eligibility at the European Central Bank.

Credit risk management policies

Credit risk is the risk of loss linked to counterparties' inability to honour their financial obligations.

In particular, by credit risk is meant the possibility that an unexpected change in the creditworthiness of a counterparty in relation to which there is an exposure, will generate a corresponding unexpected change in the market value of the loan position.

The factors which influence the level of this risk are:

- the counterparty's creditworthiness, measured by means of an internal rating (determined on the basis of specific models);
- the customer segment concerned (public sector, corporate, project finance, banking and financial sector, etc.);

- the economic, legal and financial context in which the counterparty operates;
- the type of operation carried out;
- the duration of the operations;
- any guarantees (real, personal, financial) backing the operation.

The vast majority of existing exposure regards customers in the public sector, generally 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 Unit.

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

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 Unit.

The Default/Watchlist Coordination Committee examines situations falling within the default criteria established by the Supervisory Authorities and by the Dexia Group's 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 different types of counterparties: Corporate, Project Finance, Western Europe Local Public Sector (LPS), Public “Satellites” (public companies providing public services), Private “Satellites” (unlike the previous category, these are private-law counterparties, hence subject to bankruptcy), banks, and central governments, etc.

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

- the adoption of internal procedures which allow for the calculation 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 accompanied by the Credit Support Annex (CSA) for most of the banking counterparties: this collateralisation agreement minimises credit risk through the regular (daily, weekly or monthly) exchange of cash 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 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 Territorial 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 the debt of the various counterparties involved.

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 loan in difficulty 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 positions in difficulty 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 previously included in the default/watchlist categories may be 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 2013, the breakdown of financial assets into impaired assets and performing assets was as follows:

millions of euro

	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	
30/06/2013	**36**	**7**	**0**	**29**	**45,104**	**39**	**45,065**	**45,094**
31/12/2012	**46**	**20**	**0**	**26**	**48,929**	**36**	**48,893**	**48,919**

The table makes it possible to note the high quality of the Group’s assets, in line with the results of the last annual report. In fact, gross impaired assets represent only 0.080% 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 in a state of insolvency or temporary difficult (or in substantially equivalent situations). With reference to these loans, which objectively show evidence of a durable loss of value, an analytical valuation is carried out by the competent corporate unit. Loans which do not show any objective evidence of impairment or for which, following the analytical valuation, no loss forecast has been determined, 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.

The impaired assets include an amount of € 29 million relating to the restructuring, completed in the first quarter of 2013, of a loan position in the project financing sector which at the 2012 reporting date was recognised among non-performing loans for a gross amount of € 38.5 million. The transaction involved, *inter alia*, the writing off of an amount of € 10.3 million, related to the said loans, and an additional receivable amount of € 1.2 million, determined at the restructuring date, against early repayment of a derivatives position existing with the same counterparty. The above amounts were extinguished in exchange for the subscription, on the part of the pool of creditor banks (in which Dexia Crediop served as Lead Manager), of shares with the right of pre-emption on the counterparty's future dividends. This restructuring did not lead to additional writedowns in addition to those already recognised in financial year 2012.

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	**46**	**0**	**0**		
Increases			29		
Decreases	39				
Closing gross exposure	**7**	**0**	**29**		

Trend of total adjustments

millions of euro

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

Administrative, judicial, and arbitration procedures

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

On 3 February 2010, in relation to investigations into operations with the Apulia Region, some also carried out by Dexia Crediop, Dexia Crediop was served a guarantee notice as suspected for the administrative offence pursuant to Arts. 5, clause 1, letter a), 21, 24, clause 1 and 2 of Italian Legislative Decree No. 231/01, in relation to Arts. 640, clause 2 N° 1 and 61, N° 7 of the Italian Penal Code. With an Order dated 18 February 2012 the Magistrate for Preliminary Investigations of Bari revoked the attachment order applied against Dexia Crediop on 3 February 2010 for an amount of approximately € 8.6 million and ordered the return of this amount to Dexia Crediop.

On 29 June 2009, the Province of Pisa reversed, through a self-protection procedure, its resolutions regarding an Interest Rate Swap signed on 4 July 2007 with Dexia Crediop in relation to floating rate bonds subscribed in par by Dexia Crediop itself. 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 € 5.3 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. As part of these proceedings, on 7 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 Technical Opinion ("ETO"). The ETO requested was filed on 14 May 2012 with the Council of State. On 27 November 2012 the Council of State filed the judgement with which it accepted the merits of Dexia Crediop's appeal, cancelling the self-protection measures adopted by the Province. The swap contracts signed with the province are therefore valid and effective.

On 17 November 2011, Dexia Crediop had lodged an appeal to the Court of Cassation against the judgement of the Council of State for reasons relating to jurisdiction. However, after the definitive judgement of 27 November 2012, Dexia Crediop no longer has any interest in pursuing the appeal to Cassation. Dexia Crediop, therefore, presented a deed of waiver of the said appeal, which the Province opposed. The hearing before the Court of Cassation was held on 29 January 2013 and on 26 March 2013 an order to terminate the action was issued. On 15 February 2013, the Province served on Dexia Crediop an appeal to the Court of Cassation against the judgement of the Council of State filed on 27 November 2012. On 25 March 2013 Dexia Crediop filed its counter-appeal to the Court of Cassation.

On 21 December 2010, Dexia Crediop was served an order for the preventative seizure of furniture and equipment, property and receivables up to an amount of approximately € 635,000, under the scope of an investigation by the Court of Florence concerning derivative financial instruments placed in 2004 by Dexia Crediop with the

Region of Tuscany, in which it is alleged 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 clause 2, No. 1 and 61, No. 7 of the Italian Penal Code. The seizure order was not enforced, as Dexia Crediop deposited a surety for the same amount, and was revoked on 30 March 2011. On 14 January 2013 the order to file was issued by the Magistrate for Preliminary Investigations of the Court of Florence accepting the Public Prosecutor's request.

Dexia Crediop therefore acted to extinguish the surety provided for an amount of € 634,582.02 (in lieu of the preventive seizure originally ordered) in favour of the Public Prosecutor of Florence.

The Tuscany Region has initiated two self-protection proceedings. The first, of 26 October 2011, concerns a loan agreed with Dexia Crediop in 2004 and the second, on 3 January 2012, a swap with Dexia Crediop in 2006. The two proceedings are still open but, as of today although a significant length of time has passed, they have not led to a decision by the Region to cancel in self-protection the deeds involved in the assessment.

On 31 December 2010, the Municipality of Prato dissolved, through a self-protection procedure, its resolution regarding an Interest Rate Swap signed on 29 June 2006 with Dexia Crediop in relation to two floating rate bonds subscribed with Dexia Crediop. By virtue of this, the Municipality has not proceeded with the payment of approximately € 4.5 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 cancellation in self-protection. On 19 May 2012 Dexia Crediop filed an appeal against this resolution with the TAR of Tuscany. On 9 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 included in the 2006 renegotiations. The hearing on the merits was held on 21 November 2012. On 21 February 2013 the Regional Administrative Court of Tuscany's judgement was published. Accepting Dexia Crediop's appeal, this judgement held to be illegitimate the self-protection proceedings by which the Municipality had intended to cancel the derivatives contracts signed with Dexia Crediop and also reiterated the jurisdiction of the civil court (in the case at hand, English) when a dispute involves a contract signed by the Public Administration iure privatorum; On 21 May 2013 the Municipality served on Dexia Crediop its appeal to the Council of State against the above judgement. On 20 June 2013 Dexia Crediop filed its incidental appeal against this appeal.

Following a criminal investigation aimed at verifying fraud in relation to the swap operations of the Municipality of Prato completed from 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 21 February 2013 the hearing was held at the Court of Prato before the Preliminary Hearing Judge ("PHJ"); the Municipality joined the proceedings as a civil claimant and sued Dexia Crediop for civil liability. On 27 June 2013, the PHJ decided to order committal for trial (as requested by the Public Prosecutor and by counsel for the civil claimant).

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

On 30 March 2011, the Municipality of Florence cancelled, through a self-protection procedure, its resolutions regarding two Interest Rate Swaps signed on 26 June 2006 with Dexia Crediop. At present, the Municipality of Florence has not made the payment of approximately € 8 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 annulment of the aforementioned self-protection procedure. On 7 June 2013 the TAR of Tuscany filed the grounds for Judgement No. 00932/2013 which: 1) declares Dexia Crediop's appeal inadmissible owing to lack of jurisdiction; 2) explains, *inter alia*, that the self-protection resolutions adopted by the Municipality of Florence are not in reality of a public-law nature and therefore are to be considered as unilateral deeds of rescission from the contract signed by the Municipality of Florence iure privatorum and not in a capacity as a public body, and that therefore the court competent to judge the dispute is the civil court (in the case in question, the English courts).

On 19 April 2013 the Municipality of Florence served on Dexia Crediop a further appeal to the RAC of Tuscany for compensation for damages, owing to its pre-contractual liability, deriving from infringements of the disclosure obligations. Dexia Crediop joined the proceedings within the deadline and is waiting for a date to be set for the hearing.

With a deed of summons served on Dexia Crediop on 6 April 2013, the Municipality of Florence initiated a case at the Civil Court of Florence aimed at obtaining, *inter alia*: 1) a declaration of nullity of the swap contracts; 2) an order against Dexia Crediop to return all the amounts received; 3) an order against Dexia Crediop to compensate for damages owing to its contractual and/or extra-contractual liability. The hearing was set for 9 October 2013.

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 carried out 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 regard to Dexia Crediop or alternatively that they be declared cancelled, in addition to the award of compensation for damages. Additionally, the Municipality of Messina dissolved, through a self-protection procedure, its resolutions in relation to these operations in derivatives. By virtue of this, the Municipality of Messina has not, as of today, made the payment of approximately € 1.5 million. Dexia Crediop has begun legal action pending with the RAC of Sicily, aimed at obtaining cancellation of the aforementioned self-protection procedure.

Following the hearing on 13 February 2013, the RAC of Sicily, with a measure dated 18 February 2013, ordered the case to be suspended as a consequence of the decision by BNL (which has in being an analogous dispute with the Municipality) to request a prior judgement on jurisdiction before the Court of Cassation, with the aim of obtaining a pronouncement of the latter on the subject of the administrative or civil court's competence to decide the dispute. On 18 March 2013 Dexia Crediop in turn filed an analogous appeal to the Court of Cassation.

On 23 January 2012, the Region of Piedmont, through a self-protection procedure, cancelled its resolutions in relation to an amortising swap contract signed on 16 November 2006 with Dexia Crediop. As a result, the Region has not, as of today, proceeded with the payment of approximately € 27 million. Dexia Crediop initiated legal proceedings in England, aimed at ascertaining the validity and efficacy of this swap contract. This legal action concluded with the issue, by the English Court, of a Default Judgement which certifies, *inter alia*, the validity and effectiveness of the swap contract and orders the Piedmont Region to pay the legal costs of an amount of GBP 70,000. Dexia Crediop also launched a further legal action in England, with a claim filed on 11 February 2013 and served on the Piedmont Region on 4 March 2013, aimed at obtaining an order against the Piedmont Region to pay the nettings due and not yet paid. This legal action culminated with the issue, on 16 July 2013, by the English Court, of a measure which (i) establishes Dexia Crediop's right to a Summary Judgement which will enable it to obtain payment of the amounts due under the terms of the swap contract; and (ii) rejects the Piedmont Region's request to annul the Default Judgement which ascertains that the swap contracts are legitimate, valid and binding, considering too late and ungrounded in the merit the arguments put forward by the Piedmont Region in support of its request. Dexia Crediop has also begun a legal action in Italy, before the Regional Administrative Court of Piedmont, aimed at obtaining the annulment of the aforementioned self-protection procedure. On 25 May 2012, the

Piedmont Region served on Dexia Crediop an incidental appeal whereby it asked the RAC 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 December 2013 the RAC of Piedmont filed Judgement No. 1390/2012 which: 1) declares the parties' appeals inadmissible owing to lack of jurisdiction; 2) ascertains that the self-protection measures were adopted by the Piedmont Region, in the absence of all the legal prerequisites, in order to mask a unilateral juristic act of a private-law nature, aimed at dissolving unilaterally the contractual constraint and that, therefore, the court competent to pronounce on this dispute is the civil court (in the case in question, English). The judgement was served, on 22 January 2013, to the Piedmont Region, which, on 27 February 2013, notified Dexia Crediop of its appeal to the Council of State. The hearing was set for 23 July 2013.

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 swap contracts signed by Dexia Crediop and the Province in December 2007. This proceeding ended on 25 October 2012 and was unsuccessful. Dexia Crediop initiated legal action in England, aimed at ascertaining the validity and efficacy of the above swap contracts.

On 30 May 2012, the Municipality of Ferrara initiated self-protection proceedings concerning a derivative completed with Dexia Crediop in 2005. On 23 July 2012, the Municipality of Ferrara cancelled in self-protection all the deeds which led to approval of the swap contracts. We are waiting for a date for the hearing to be set. Dexia Crediop also initiated a legal action in England, aimed at ascertaining the validity and efficacy of this swap contract.

On 22 November 2012, following a letter sent by the Municipality of Forlì in which the Municipality announced that it had found critical issues in the derivatives operations carried out with Dexia Crediop, a legal action was initiated in England, aimed at ascertaining the validity and efficacy of the swap contracts.

Finally, with a 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, clause 1 of the Consolidated Law on Banking, Istituto per il Credito Sportivo, a bank in which Dexia Crediop has a stake of 21.622% in the share capital, was placed in extraordinary administration, in order to adjust ICS's regulations to the rules for public bodies as laid down in Italian Presidential Decree No. 207 of 27 October 2011. The procedure was extended at the end of December 2012 for a maximum of six months and, on expiry, further extended for two months. In the context of commissioner activities, the special commissioners have sought to reopen the legal case of a government fund, asking for a review of the distribution of profits to investors and the regulations which were implemented in 2005 on the subject. At their request the Prime Minister's Office, with a communication received on 13 November 2012, opened proceedings aimed at cancelling the current Articles of Association of the ICS (approved on 2 August 2005), which were completed on 6 March 2013 with the issue of an Inter-ministerial Decree cancelling by order the deeds with which the above Articles of Association were issued.

Together with the all the other private shareholders of the ICS, the company presented an appeal to the Regional Administrative Court of Lazio against the aforementioned Decree. 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

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

After a request was presentation for self-protection and suspension of the effects of the demand for payment, in January the Administration ordered the effects of the demand for payment to be suspended.

Dexia Crediop also appealed and decided not to set aside any provisions, because there are valid arguments able to confirm the correctness and legitimacy of the Bank's work.

4.3.2 Interest rate risk

Management and measurement of interest rate risk

The activities for measuring and controlling 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.

In accordance with 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 of a series of non-parallel instantaneous shocks in 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 change in the portfolio value consequent to parallel and instantaneous increases of the market rates curve.

The VaR, which is measured with 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 capital requirements for market risks.

Regulatory trading book

The portfolio consists exclusively of derivative products.

Short-term derivatives, mainly forward rate agreements and overnight indexed swaps, are used by the Cash & Liquidity Management (CLM) Business Line (BL) to hedge the interest rate risk linked to the Euribor parameter and generated by the bank's core business. At 30 June 2013 there are no short-term trading derivatives.

Medium/long-term derivatives, mainly interest rate swaps, are almost all in balanced broking. The underlying operations regard the management of the medium/long-term debt, represented by loans or securities, of public customers, and the sale of derivative products to financial and Corporate customers. In both cases, the interest rate risk is precisely hedged, from an operating point of view, by derivatives of the opposite sign traded on the market. Operations in derivatives are also carried out to counter-balance changes in the Credit Value Adjustment (CVA) due to the interest rate trend.

With regard to the balanced broking of medium- and long-term derivatives carried out by the Public Banking Structuring BL, a sensitivity shift of € 30,830 for 1 basis point (b.p.), was recorded at 30 June 2013, against a limit set at € 10,000. The sensitivity remained below this limit during the period, except for a temporary and marginal overflow caused by inclusion in the scope of the BL of "Amortizing Swap" derivatives (cf. Section 4.1.1). The value recorded at the end of the period, in itself not excessive in absolute terms but which represents a significant overflow of the set limit, is instead due to adoption of the discount curve based on Overnight Indexed Swap rates for collateralised derivatives (cf. Section 2.3), because the pairs of balanced derivatives mentioned above are typically made up of a collateralised derivative and a non-collateralised derivative. This operating limit is being revised in consideration of the new measurement methods.

The same BL has responsibility for the aforementioned management of shift-sensitivity to interest rates of the CVA, which is performed through the trading of derivatives (plain vanilla interest rate swaps) and which generated at 30 June a sensitivity of € -81,171 euro for 1 b.p. (originated by three derivatives with a total notional value of € 121.5 million) against an estimated CVA sensitivity of € +60,317.

Banking book

Short-term interest rate exposure of the banking book, generated in particular by re-fixing of the Euribor parameter, is managed as mentioned 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 the operating and risk limits set.

Since the beginning of 2010 medium- and long-term interest rate risk management ("ALM Rate" segment made up of medium- and long-term assets/liabilities and the related hedging derivatives) has been based on the principle of instantaneous and full hedging of new production. Decisions regarding management of any residual risks are the responsibility of the Finance Committee.

For interest rate risk, fair value or cash flow hedging derivatives are used. The first category also includes, as an economic purpose, certain CLM derivatives classified in the trading book (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 effectiveness in accordance with the IAS/IFRS standards.

For CLM assets, the following values were recorded in the first half of 2013.

	VAR 10 days (Euro)	*Shift Sensitivity 100 bps* (absolute values in euro)
30 June 2013	73,633	1,182,793
Minimum	51,526	31,874
Average	139,799	6,427,970
Maximum	386,913	21,193,128

The operating limits set on the two risk indicators shown above were constantly observed during the period.

For the "ALM Rate" segment, the following values were recorded in the first half of 2013.

	Shift Sensitivity 100 bps (absolute values in euro)
30 June 2013	11,556,019
Minimum	11,556,019
Average	17,231,415
Maximum	20,888,020

During the period there was a temporary overflow of the sensitivity operating limit (set at € 15 million), due to deferment of the Own Funds investment, considered as a conventional fixed-rate liability for the purposes of ALM management.

4.3.3 Price risk

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

4.3.4 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 risk measurement and control are the same as those described for interest rate risk.

4.3.5 Liquidity risk

Management and measurement of the liquidity risk

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

Short-term liquidity risk management is the responsibility of the Cash & Liquidity Management Business Line. 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 liquidity risk is entrusted to the Market Risk & Balance Sheet Management department within the Risk Management Unit and takes place through measurement of the following basic amounts:

a) liquidity gap (accumulated balance of forecast cash flows according to maturity);

b) available reserves (value of eligible assets according to maturity).

Every day the department checks compliance with the following limits system:

- ✓ limits on the absolute liquidity gap in the very short term;
- ✓ limits on the difference between reserves and gap on maturities of up to six months;
- ✓ limits on access to financing 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), by stress tests and by Contingency Funding Plans laid out both at the Dexia Group level and at the Dexia Crediop Group level.

With regard to maturities 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. 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 particular reference to the limits system, will be revised during the second half of the year, also in order to guarantee prompt implementation of the prudential rules of the Basel Committee, which will come into force, for the part relating to liquidity, already on 1 January 2014.

4.3.6 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 Unit, 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 regard to the aspects linked to legal risks, we note that, also in view of the disputes with some local administrations, described in Section 4.3.1, the Legal Department has taken on a key role in managing these disputes 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	10%
Customers, products and business practice	20%
Damage to or loss of tangible assets	0%
System failure or breakdown	30%
Process execution, delivery and management	40%

4.3.7 Other information regarding risks

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

Special Purpose Entities (SPEs)

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 sales of performing bonds of Italian Local and Regional Authorities have been carried out.

The class A (senior) ABS securities issued by the SPE 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 recognised in the Italian Parent Bank's financial statements together with the corresponding liabilities for the ABS issued by the SPE.

In addition, Dexia Crediop S.p.A. originated securitisation transactions for receivables represented by loans through the SPE Tevere Finance S.r.l. The *Special Purpose Entity* has share capital 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 (subordinated) classes. The Senior ABS securities can be used for funding operations involving repurchase agreements. The sale of assets to the vehicle company with total repurchase at the same time of senior and junior ABSs represents substantial maintenance of all the risks and benefits of ownership of the financial assets, and therefore, requires the entity to continue to recognise these assets (IAS 39, § 17 as amended) in the financial statements of Dexia Crediop.

At 30 June 2013, the book value of the financial assets of the SPE recognised in the financial statements of the Parent Company, as well as in the consolidated financial statements, was made up as follows.

	€ millions
Description	**L&R Securities**
Securitisation in 2004	683
Securitisation in 2005	605
Securitisation in 2008	2,414
Total	**3,702**

	€ millions
Description	**L&R Loans**
Securitisation in 2009	217
Securitisation in 2010	237
Total	**454**

Asset - Backed Securities (ABSs)

At 30 June 2013 the value of the securities portfolio in question, entirely booked to the "Loans and Receivables" category, totalled € 1,015 million, of which 94% relating to single tranche (non-segmented) transactions and the remaining 6% regarding senior securities.

The exposure of this portfolio was guaranteed by the State and the Regions in the amount of 57%.

Residential Mortgage–Backed Securities (RMBSs)

At 30 June 2013 the nominal value of the securities portfolio in question, entirely booked to the "Loans and Receivables" category, totalled € 85 million and was entirely made up of senior securities.

Collateralised Debt Obligations (CDOs)

At 30 June 2013, there are no securities of this type in the portfolio.

Measurement criteria

ABSs/RMBSs are measured by the specific 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 aforementioned 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.

4.4 Other information

4.4.1 Transactions with related parties

As required by IAS 24 and CONSOB Communication No. 6064293 of 28 July 2006, below we provide information on 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% stake;
2. DCI - Dexia Crediop Ireland Unlimited with a 100% stake;
3. Crediop per le Obbligazioni Bancarie Garantite S.r.L. with a 90% stake;
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 the share capital) by Dexia Crédit Local SA.

Transactions with the holding company Dexia SA

Income and charges	*millions of euro*
- Administrative expenses	0
Total	**0**

Liabilities	*millions of euro*
- Other liabilities	2
Total	**2**

Transactions with 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	56
- Repurchase agreements	443
- Deposits	13
- Treasury securities	7,163
Total	**7,675**
Liabilities	
- Deposits	909
- Loans received	2,894
- Financial liabilities held for trading	15
- Repurchase agreements	728
- Hedging derivatives	499
- Subordinated debts	400
- Securities issued	54
Total	**5,499**

Other transactions	*millions of euro*
Guarantees received	372

Income and charges	*millions of euro*
- Interest and similar income	38
- Interest and similar expenses	-80
of which	
differentials on hedging transactions	-43
- Net trading gains (losses)	3
Total	**-39**

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

4.4.2 Significant non-recurring operations and events

No important non-recurring events or transactions occurred.

4.4.3 Atypical and/or unusual transactions.

No atypical and/or unusual transactions occurred.

4.4.4 Segment reporting

Criteria for segment reporting

Segment reporting is drawn up in accordance with the standard "IFRS 8 - Operating Segments" and no longer according to IAS 14, as required in the past.

The adoption of IFRS 8 confirms the logic according to which the business segments subject to disclosure are chosen, the Bank having long used the so-called "*management approach*", i.e. choosing to use the same structure for the financial statements as that used for the preparation of internal reporting.

Primary schedule "Segment Reporting"

The approach, in line with that adopted in 2012, contemplates the aggregation of business lines with similar features as regards the products and services offered to customers, and the use of the following two segments:

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

The Public and Wholesale Banking (PWB) includes the lending business and financial services offered by the Group to customers in the public sector and corporate customers, which represent the two target customer segments.

The Group Centre segment includes all the activity carried out by the Dexia Crediop Group on the financial and money markets, as well as 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".

Results by business segments

The table below provides the economic results of the Dexia Crediop Group at 30 June 2013, divided by business segment. The income statement for each segment is constructed by aggregating the income statements of the Dexia Crediop Group companies after eliminating intra-group transactions and consolidation entries.

€ millions

Income Statement items at 30 June 2013	Public and Wholesale Banking	Group Centre	**GROUP DEXIA CREDIOP**
Net interest income (item 30)	39	-27	12
Net interest and other banking income (item 120)	41	-54	-13
Net adjustments (+/-) for impairment (item 130)	-2	0	-2
Net adjustments of tangible and intangible assets (items 200 and 210)	-1	0	-1
Profit (loss) from continuing operations before tax (item 280)	24	-61	-37

€ millions

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
Net adjustments of tangible and intangible assets (items 200 and 210)	-2	0	-2
Profit (loss) from continuing operations before tax (item 280)	22	-24	-2

Total net interest and other banking income of the Dexia Crediop Group amounted to € -13 million at 30 June 2013, compared with € 28 million in the first half of 2012, a reduction of -41 million. This reduction was mainly due to the reduction in net interest income (-49 million), owing to the trend in interest rates, partially offset by an improvement in net trading gains (+11 million). This last item, in fact, although negatively affected in the first half of 2013 by measurement effects associated with the entry into force, on 1 January 2013, of the new accounting standard IFRS 13 "Fair Value Measurement" (for a detailed analysis of these effects see Sect. 2.3), was less negative than in the corresponding period of the previous year, which had been affected by the early extinguishing of assets with the parent company DCL. For more details on the evolution of the Dexia Crediop Group's results in the period, please refer to section 4.2.

Net interest and other banking income derived for € 41 million from the Public & Wholesale Banking business (-5 million compared with 30 June 2012) and for € -54 million from the Group Centre business (-36 million compared with 30 June 2012).

Net adjustments for impairment were a negative € 2 million (compared with € -11 million in the first half of 2012) and mainly refer to the Public & Wholesale Banking segment.

The total result from continuing operations of the Dexia Crediop Group at 30 June 2013 amounted to € -37 million, down by € -35 million from the first six months of 2012, owing to the phenomena described above, and derived for € +24 million from Public and Wholesale Banking activities, and for € -61 million from the Group Centre business.

5. The Parent Company's financial statements

As required by CONSOB Regulation 11971 Article 81, Section 3, enacting Italian Legislative Decree No. 58 of 24 February 1998, we provide the financial statements of the Parent Company, drawn up in accordance with the accounting policies used for the annual financial statements.

5.1 Financial statements

BALANCE SHEET

millions of euro

	Assets	30/06/2013	31/12/2012
10.	Cash and cash equivalents	0	0
20.	Financial assets held for trading	5,546	6,416
40.	Financial assets available for sale	663	666
50.	Financial assets held to maturity	288	281
60.	Due from banks	12,353	13,042
70.	Due from customers	25,973	28,221
80.	Hedging derivatives	465	541
90.	Fair value adjustment of assets in hedged portfolios	15	19
100.	Equity investments	100	100
110.	Property, plant and equipment	43	43
120.	Intangible assets	3	3
	of which:		
	- goodwill	*0*	*0*
130.	Tax assets	45	33
	a) current	*10*	*6*
	b) deferred	*35*	*27*
150.	Other assets	107	100
	Total assets	**45,601**	**49,465**

millions of euro

	Liabilities and shareholders' equity	30/06/2013	31/12/2012
10.	Due to banks	25,481	23,680
20.	Due to customers	5,374	5,935
30.	Securities issued	4,705	8,171
40.	Financial liabilities held for trading	5,572	6,444
60.	Hedging derivatives	3,321	4,042
70.	Fair value adjustment of financial liabilities in hedged portfolios (+/-)	0	0
80.	Tax liabilities	1	4
	a) current	*1*	*4*
	b) deferred	*0*	*0*
100.	Other liabilities	34	40
110.	Provisions for severance indemnities	2	2
120.	Provisions for risks and charges	17	10
	a) pension funds and similar benefits	*5*	*0*
	b) other provisions	*12*	*10*
130.	Valuation reserves	50	55
160.	Reserves	631	635
180.	Equity	450	450
200.	Profit (Loss) for the period (+/-)	(37)	(3)
	Total liabilities and shareholders' equity	**45,601**	**49,465**

INCOME STATEMENT			millions of euro
	Income Statement items	**1st half 2013**	**1st half 2012**
10	Interest and similar income	393	540
20	Interest and similar expenses	-385	-486
30	**Net interest income**	**8**	**54**
40	Fee and commission income	5	5
50	Fee and commission expenses	-13	-7
60	Net fee and commission income	-8	-2
70	Dividend and similar income	0	0
80	Net trading gains (losses)	5	-1
90	Net hedging gains (losses)	-25	0
100	Gains (losses) on disposal or repurchase of:	0	-30
	a) loans	0	-31
	b) financial assets available for sale	0	1
	d) financial liabilities	0	0
120	**Net interest and other banking income**	**-20**	**21**
130	Net adjustments for impairment of:	-2	-11
	a) loans	-2	-11
	d) other financial transactions	0	0
140	**Net income from financial activities**	**-22**	**10**
150	Administrative expenses:	-18	-18
	a) personnel expenses	-10	-10
	b) other administrative expenses	-8	-8
160	Net provisions for risks and charges	-3	0
170	Net adjustments on property, plant and equipment	0	-1
180	Net adjustments on intangible assets	-1	-1
190	Other operating expenses/income	0	0
200	**Operating expenses**	**-22**	**-20**
250	**Profit (loss) from continuing operations before tax**	**-44**	**-10**
260	Income tax for the period on continuing operations	7	-4
270	**Profit (Loss) from continuing operations after tax**	**-37**	**-14**
290	**Profit (Loss) for the period**	**-37**	**-14**

5.2 The Parent Company's equity investments

In the parent company's financial statements, the item “Equity Investments” comprises equity investments in subsidiaries totalling € 100,024 thousand.

At 30 June 2013, this item consisted of the following.

thousands of euro

Description	% share	Opening balances at 31/12/2012	Purchases /Sales	Write-downs/Write-backs	Closing balances at 30/06/2013
DCC–Dexia Crediop per la Cartolarizzazione S.r.l.	100%	15			15
Dexia Crediop Ireland*	99.99%	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 face value of € 1 each, including:*

- 99,999,999 shares held by Dexia Crediop S.p.A.;

- 1 share held by Dexia Crédit Local.

6. Certification of the condensed interim financial report

Certification of the condensed interim financial statements pursuant to Art. 154-bis of Italian Legislative Decree 58/98 and Art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Jean Le Naour, as Chief Executive Officer, and Jean Bourrelly, as the Financial Reporting Manager of Dexia Crediop S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, clauses 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:
   - the adequacy in respect of the features of the company, and
   - the effective application, during the first half of the year 2013, of the administrative and accounting procedures on which the condensed interim financial report is based,

2. They also certify that:

2.1 the condensed interim financial report:

   a) has been drawn up according to the international accounting standards applicable and recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) corresponds to the balances in the accounting records;
   c) gives 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 interim report on operations includes reliable analysis with reference to the important events occurring during the first six months of the year and their impact on the condensed interim financial report, together with a description of the main risks and uncertainties for the remaining six months of the year. In addition, the interim report on operations includes reliable analysis of the information regarding important operations with related parties.

26 July 2013

Jean Le Naour	*Jean Bourrelly*
Chief Executive Officer	Financial Reporting Manager

7. Independent Auditors' Report

(Translation from the original Italian document)

Auditors' Review Report on the half-year condensed financial statements for the six-month period ended June 30, 2013

To the Stockholders of
Dexia Crediop S.p.A.

1. We have reviewed the half-year condensed financial statements, consisting of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, the statement of changes in equity, consolidated statement of cash flows and related explanatory notes as of June 30, 2013 of Dexia Crediop S.p.A. and its subsidiaries ("Dexia Crediop Group"). These half-year condensed financial statements, prepared in conformity with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union, are the responsibility of Dexia Crediop S.p.A.'s Directors. Our responsibility is to issue a report on these half-year financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the half-year condensed financial statements, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end financial statements, we do not express an audit opinion on the half-year condensed financial statements.

   With regard to the comparative figures related to the year ended December 31, 2012 and to the six-month period ended June 30, 2012, reference should be made to our auditors' report dated April 3, 2013 and our auditors' review report dated September 13, 2012.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed financial statements of the Dexia Crediop Group as of June 30, 2013 are not presented fairly, in all material respects, in accordance with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union.

4. As an emphasis of matter, we draw your attention to what is described by the directors in the report on operations, in the paragraph 1.8.1 " *Operational prospects*", regarding the information related to the maintenance of the going concern basis of Dexia Crediop Group. In particular, the directors report that given what described for Dexia Group, "*the financial report at 30 June 2013 of the Dexia Crediop Group was also prepared in accordance with the going concern assumption, in consideration of the orderly resolution plan approved by the European Commission and what it establishes specifically for Dexia Crediop. The company's prospects could suffer from the same factors as described above for the Dexia Group, in particular the capacity to provide support for*

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subsidiaries, also in a deteriorated market situation" and "*over the next few months, the prospective needs will be covered with the same methods used during the first half of 2013, that is to say mobilising the available reserves, medium- and long-term financing operations being negotiated, autonomous funding on the inter-bank markets and through its reference customers and, for the differential part, through financing on an overnight basis of the Dexia Group, in line with the indications of the guarantor governments, the Central Banks and the European Commission. With a view to the company being a going concern, therefore, Dexia Crediop's dynamic liquidity position looks to be sustainable, on the assumption that the conditions which already characterised the first half of the year will persist, with particular reference to the Dexia Group's possibility to gain access to financing."*

Rome, August 5, 2013

Mazars S.p.A.

(Signed on the original by)

Emmanuele Berselli
Partner

Dexia Crediop