

Dexia S.A.

U.S. Resolution Plan

Section 1: Public Section

December 12, 2014

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A. INTRODUCTION AND OVERVIEW¹

1. Overview of Dexia

Dexia S.A. (“Dexia” and together with its subsidiaries the “Dexia Group”) is the top-tier parent company of a European-based banking group that has been managed in orderly resolution since the end of 2011. Its primary shareholders are the Belgian State² (50.02%) and French State³ (44.40%).

Dexia Crédit Local (“DCL”), organized under the laws of France and headquartered in Paris, is a bank wholly owned by Dexia and is licensed to operate an uninsured branch in New York State (the “DCLNY Branch”).

The Dexia Group’s business historically focused on the public finance sector in multiple global regions and on retail banking in certain European jurisdictions. In the autumn of 2008, and as a result of the disappearance of liquidity in the interbank market, the Dexia Group, with the support of the States of Belgium, France and Luxembourg (also referred to as “the States”), implemented a restructuring plan. This restructuring plan, ratified by the European Commission, refocused the Dexia Group’s activity on its historic franchises in order to reduce its risk profile and enhance its balance sheet structure. In the fall of 2011, the European sovereign debt crisis and a downgrade in the credit rating of certain Dexia Group entities created renewed pressure on the liquidity of the Dexia Group. The Dexia Group was then required to develop an orderly resolution plan based on two main pillars:

- Disposal of Dexia’s viable, stand-alone commercial franchises; and
- Management of its remaining assets in run-off, with the management in run-off being supported by a funding guarantee of EUR 85 billion (the “States Guarantee”) granted by the States on a several, not joint, basis, each to the extent of a specified percentage interest.

That resolution plan was submitted by the States to, and approved by, the European Commission on December 28, 2012 (the “Dexia 2012 Orderly Resolution Plan”).

¹ Information set forth herein is based on data provided in the Annual Report of Dexia S.A. for the year ended December 31, 2013, except for financial data relating to any subsequent period.

² Shares are held by the Belgian Federal Government through Société Fédérale de Participations et d’Investissement.

³ Shares are held by the French Government through Société de prise de participation de l’Etat.

2. Dexia 2012 Orderly Resolution Plan

The Dexia 2012 Orderly Resolution Plan provides for the liquidation of Dexia Group assets over a long-term horizon to avoid posing a systemic risk to the States of Belgium, France and Luxembourg and destabilization of the entire European banking sector. The principal elements of the Dexia 2012 Orderly Resolution Plan are the divestment of all of the Dexia Group's viable commercial businesses, the management in run-off of remaining assets, the implementation of the States Guarantee and a Dexia Group recapitalization by the Belgian and French States. At the end of December 2012, the Belgian and French States provided EUR 5.5 billion of additional capital to Dexia in exchange for preference shares of Dexia with voting rights. This contribution of additional capital resulted in the ownership of the Dexia Group by the Belgian State (50.02%) and the French State (44.40%).

3. U.S. Resolution Plan Rules

Dexia is a foreign banking organization with more than USD 50 billion in total consolidated assets. Dexia thus qualifies as a "covered company" under the final rule (the "165(d) Rule") issued by the Board of Governors of the Federal Reserve System (the "FRB") and the Federal Deposit Insurance Corporation (the "FDIC") that implemented Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). As a covered company, Dexia must file a resolution plan (the "U.S. Resolution Plan") under the 165(d) Rule.

Dexia's U.S. Resolution Plan has been developed in accordance with the requirements of Section 165(d) of the Dodd-Frank Act and the 165(d) Rule. The FRB and the FDIC have, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for the U.S. Resolution Plan and have required that certain information be included in a public section of the U.S. Resolution Plan. The public section of the U.S. Resolution Plan is provided in this Section 1.

4. Overview of the U.S. Resolution Plan

As required by the 165(d) Rule, Dexia's U.S. Resolution Plan discusses a resolution scenario based on a liquidation under the New York Banking Law (the "NYBL") of the DCLNY Branch in advance of its eventual voluntary liquidation pursuant to the Dexia 2012 Orderly Resolution Plan. In addition, the U.S. Resolution Plan also contemplates as an alternative a resolution of the DCLNY Branch under the current Dexia Group liquidation process over the longer-term horizon called for by the Dexia 2012 Orderly Resolution Plan.

B. MATERIAL ENTITY

The 165(d) Rule defines a “material entity” (“ME”) as “a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation⁴ or core business line.” For non-U.S. covered companies, the 165(d) Rule is focused on “those subsidiaries, branches and agencies, and core business lines and critical operations, as applicable, that are domiciled in the United States or conducted in whole or material part in the United States.”

Dexia has identified the DCLNY Branch as its only ME because of its significance to the core business line (“CBL”) described below.

As part of the Dexia Group, the DCLNY Branch has been managed in run-off since 2011. Operations of the DCLNY Branch consist primarily of managing a portfolio of bonds, loans and other assets in run-off mode, together with funding and hedging transactions relating thereto, all in accordance with the Dexia 2012 Orderly Resolution Plan.

C. CORE BUSINESS LINE

The 165(d) Rule defines CBLs as “those business lines of the covered company, included associated operations, services, functions and support that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.” For non-U.S. covered companies such as Dexia, the U.S. Resolution Plan is limited to those CBLs domiciled or conducted in whole or in material part in the United States.

Dexia has identified the U.S. operations of the Management of Activities in Run-off Division (the “Run-off Division”) as its only CBL (the “Run-off Division CBL”). The Run-off Division includes all assets of the Dexia Group.⁵

⁴ The 165(d) Rule defines critical operations as “operations of the covered company, including associated services, functions and support, the failure or discontinuance of which in the view of the covered company, or as jointly directed by the [FRB] and the [FDIC], would pose a threat to the financial stability of the United States.” The FRB and the FDIC did not notify Dexia that it has any critical operations as defined under the 165(d) Rule, and Dexia did not identify any critical operations.

⁵ As reported in its 2013 Annual Report, the Dexia Group had only a single division: the Run-off Division. The analytical presentation of a single division is consistent with the fact that Dexia’s structure is no longer composed of homogenous operating units that have their own decision-making powers and allocation of resources (funding and operating expenditures). All assets of the Dexia Group are now managed in run-off and are part of the Run-off Division.

D. SUMMARY FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES

The summary financial information set forth below for Dexia and the DCLNY Branch is as of and for the year ended December 31, 2013.

1. Balance Sheet

The following table sets forth the consolidated balance sheet of Dexia as of December 31, 2013. This information is based on the audited consolidated financial statements included in Dexia's Annual Report for the year ended December 31, 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union. The balance sheet is presented in accordance with the IFRS-5 protocol that was applied for 2013 to all Dexia Group companies that were highly likely to be sold within 12 months.

ASSETS		12/31/2013
(in millions of EUR)		
I.	Cash and balances with central banks	1,745
II.	Loans and advances due from banks	8,807
III.	Loans and advances to customers	129,039
IV.	Financial assets measured at fair value through profit or loss	18,348
V.	Financial assets available for sale	29,224
VI.	Financial assets held to maturity	437
VII.	Hedging derivatives	5,945
VIII.	Fair value revaluation of portfolio hedge	1,035
IX.	Deferred tax assets	42
X.	Tangible fixed assets	339
XI.	Intangible assets	28
XII.	Current tax assets	193
XIII.	Accruals and other assets	27,270
XIV.	Non-current assets held for sale	484
XV.	Goodwill	0
TOTAL ASSETS		222,936

LIABILITIES		12/31/2013
(in millions of EUR)		
I.	Central banks	34,274
II.	Customer borrowings and deposits	8,590
III.	Interbank borrowings and deposits	31,201
IV.	Financial liabilities measured at fair value through profit or loss	18,840
V.	Hedging derivatives	22,265
VI.	Fair value revaluation of portfolio hedge	231
VII.	Debt securities	96,368
VIII.	Subordinated debt	644
IX.	Provisions	313
X.	Current tax liabilities	6
XI.	Deferred tax liabilities	135
XII.	Accruals and other liabilities	5,987
XIII.	Liabilities included in disposal groups held for sale	123
TOTAL LIABILITIES		218,977

EQUITY		12/31/2013
(in millions of EUR)		
XIV.	Equity	3,959
XV.	Equity, Group share	3,488
XVI.	-- Capital stock and related reserves	2,436
XVII.	-- Unrealized or deferred gains and losses	(6,471)
XVIII.	-- Consolidated reserves	8,606
XIX.	-- Net result for the period	(1,083)
XX.	Minority interests	471
TOTAL LIABILITIES AND EQUITY		222,936

The following provides further information about the DCLNY Branch, the sole ME in the U.S. Resolution Plan.

Based on information contained in the DCLNY Branch's December 31, 2013 Call Report,⁶ the DCLNY Branch's total assets were USD 35.7 billion, of which (i) USD 20.9 billion were securities and (ii) USD 5.0 billion were trading assets. The remaining assets consisted primarily of gross amounts due

⁶ Regulatory reporting requirements applicable to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (the "Call Report") conform to generally accepted accounting principles in the United States ("U.S. GAAP").

from related depository institutions, loans, cash and balances due from depository institutions, federal funds and securities purchased under agreements to resell.

Based on information contained in the DCLNY Branch's December 31, 2013 Call Report, the DCLNY Branch's total liabilities were USD 36.0 billion, of which (i) USD 7.0 billion were trading liabilities, (ii) USD 15.9 billion were other borrowed funds, (iii) USD 6.5 billion were federal funds purchased and securities sold under agreements to repurchase, and (iv) USD 0.2 billion were deposits from non-related parties. The remaining liabilities consisted primarily of gross amounts due to related depository institutions.

As a branch of DCL, the DCLNY Branch does not hold stand-alone capital and is not subject to stand-alone regulatory capital minimums.

2. Major Funding Sources

Consistent with the parameters of the Dexia 2012 Orderly Resolution Plan, Dexia's major funding sources are the following:

- Secured funding, such as public "Pfandbriefe" cover-pool transactions (German covered bonds) and repurchase transactions;
- Funding issued by DCL or the DCLNY Branch and guaranteed by the States pursuant to the States Guarantee; and
- Central bank funding received within the context of the central bank monetary policy operations of the European Central Bank (i.e., the National Bank of Belgium (the "NBB"), the Banque de France, the Deutsche Bundesbank, and the central banks of Italy and Spain).

3. Capital

As of December 31, 2013, Dexia had a Capital Adequacy Ratio of 22.4%, a Tier 1 Capital Ratio of 21.4%, and a Core Tier 1 Ratio of 21.2%. The sale of Dexia entities and in particular Société de Financement Local, the parent company of Caisse Française de Financement Local⁷, and the reduction in weighted risks contributed to an increase in the Core Tier 1 ratio by +0.24% and +3.4% respectively over the period concerned. Conversely, the EUR -1.083 billion annual loss recorded in 2013 impacted the Core Tier 1 ratio by -2.2% and the buyback of Lower Tier 2 securities by -0.02%.

⁷

The finalization of the sale of Société de Financement Local in January 2013 had a positive impact of EUR 133 million on Dexia's capital.

E. DERIVATIVE AND HEDGING ACTIVITIES

The trading and derivatives activities of the Dexia Group entities have been limited since the implementation of the Dexia 2012 Orderly Resolution Plan. With few exceptions, such activities are restricted to previously booked transactions and to hedges relating to the portfolio in run-off.

Pursuant to Dexia Group guidelines, the DCLNY Branch enters into derivative transactions for two main purposes: (i) to hedge balance sheet items (mostly fixed rate assets) and (ii) to hedge swaps relating to project and public finance transactions. A substantial portion of these hedging transactions consists of interest rate swaps denominated in U.S. dollars. In general, the hedging transactions consist of either back-to-back hedges or macro hedging. A back-to-back hedge replicates the key financial characteristics and/or cash flows of the hedged item. Macro-hedging focuses on covering the underlying interest rate risk component of the hedged item. The DCLNY Branch uses derivatives only for hedging purposes.

The DCLNY Branch primarily uses interest rate swaps to hedge the interest rate risk in its fixed rate bond and loan portfolios, and such swaps are accounted for as fair value hedges in accordance with IAS 39. Interest rate swaps are also used as a hedge of the exposure of the cash flow variability associated with certain floating rate liabilities and accounted for as cash flow hedges in accordance with IAS 39. For U.S. regulatory purposes, however, all derivatives are categorized as trading in accordance with U.S. GAAP.

F. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

The DCLNY Branch participates in two payment, clearing and settlement systems to facilitate the clearing and settlement of securities and cash transactions. “Membership”, for this purpose, means that the DCLNY Branch has direct access to the relevant payment, clearing and settlement system. The material payment, clearing and settlement systems of which the DCLNY Branch is a member are:

- Fedwire (for payments); and
- SWIFT (for payment instructions).

G. DESCRIPTION OF FOREIGN OPERATIONS

Historically, the Dexia Group had been involved in universal banking businesses in Belgium, Luxembourg, Slovakia and Turkey and public finance and project finance in more than 30 countries in Europe, North America and Australia, as well as Japan. Following the 2009 restructuring plan and the European sovereign debt crisis in 2011, Dexia has been engaged in the reduction of its balance sheet and the divestment of a number of foreign activities. As of the submission date of the U.S. Resolution Plan, the Dexia Group has the following major non-U.S.

entities, all of which have been affected by the Dexia 2012 Orderly Resolution Plan.

1. DCL in France. DCL, established in France in 1987 (as “Crédit Local de France”), historically played a major role in the financing of public local authorities and public facilities, services and infrastructure. Following the European sovereign debt crisis in 2011, DCL has been managed under orderly resolution with focus on asset-value optimization and reduction of systemic risk. After Belgium and France provided a capital increase of Dexia in December 2012, DCL’s capital was increased, strengthening the company’s capital base to allow DCL to carry long-term residual assets. Dexia expects that DCL will be able to fund its balance sheet through the resolution process under the Dexia 2012 Orderly Resolution Plan primarily with secured funding transactions and debt backed by the States Guarantee.
2. DCL Dublin Branch (“DCL Dublin”) in Ireland. Management of the Dexia Group’s bond portfolio is centralized at the Portfolio Management Group team in DCL Dublin.
3. Dexia Kommunalbank Deutschland in Germany. Dexia Kommunalbank Deutschland is a German subsidiary of DCL that, since 2010, has focused its activities on the international cover pool-eligible government financing business that originated in other Dexia entities. Dexia Kommunalbank Deutschland plays a core role in providing long-term funds to the Dexia Group as a specialized issuer of public Pfandbriefe.
4. Dexia Management Services Ltd. in the United Kingdom. Dexia Management Services Ltd., which holds no financial assets, provides asset management services for U.K. and Australian project finance transactions and loans made to the U.K. public sector.
5. Dexia Crediop SpA (“Crediop”) in Italy. Crediop, established in 1919 as a Credit Consortium for Public Works, provides financial services to local authorities, large public administrations and key public service institutions in Italy, such as the financing of major works and infrastructure, the issuance of national and international bonds, securitization, project financing, debt management operations, advice and assistance connected to privatization and restructuring processes and cash management.
6. Dexia Sabadell S.A. Dexia Sabadell S.A. is a bank that specialized in financing municipalities as well as large infrastructure and public equipment transactions in Spain and Portugal. At present, Dexia Sabadell S.A. focuses on monitoring its loan book and optimizing its funding.
7. Dexia Israel Bank Ltd. Dexia Israel Bank Ltd., a bank organized under the laws of Israel, has primarily granted loans to local authorities and state-owned

and municipal companies in Israel. It also raises deposits from local Israeli authorities and issues publicly traded bonds in the Israeli markets.

H. MATERIAL SUPERVISORY AUTHORITIES

Because Dexia is a foreign banking organization, the FRB has general regulatory oversight over the U.S. operations of Dexia and all of the Dexia Group entities conducting operations in the United States. The primary supervisory authorities with specific regulatory oversight over Dexia, DCL and the DCLNY Branch are:

Dexia: NBB

DCL: Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”)

DCLNY Branch: New York State Department of Financial Services (the “NYDFS”)

I. PRINCIPAL OFFICERS

Listed below are the members of the Board of Directors of Dexia and the executive officers of Dexia as of December 31, 2013:

Directors

Robert de Metz (Chairman)
Karel De Boeck
Thierry Francq
Philippe Rucheton⁸
Alexandre De Geest
Paul Bodart
Bart Bronselaer
Delphine d’Amarzit
Koen Van Loo

Executive Officers

Karel De Boeck, Chief Executive Officer and Chairman
of the Management Board
Claude Piret, Member of the Management Board
Philippe Rucheton, Member of the Management Board

⁸ On January 1, 2014, Mr. Rucheton resigned from the Board of Directors and Pierre Vergnes was appointed to the Board of Directors.

J. RESOLUTION PLANNING CORPORATE GOVERNANCE STRUCTURE AND PROCESSES

To prepare its U.S. Resolution Plan, the Dexia Group formed a resolution planning working group (the “RP Working Group”), which consists of Dexia Group employees at a head office location in France and DCLNY Branch employees located in the United States. The RP Working Group is responsible for resolution plan analysis, soliciting and obtaining input from business units, presenting issues to senior management for consideration, and preparing drafts of the U.S. Resolution Plan. The RP Working Group consulted with external legal counsel as needed on legal and regulatory issues relating to the U.S. Resolution Plan.

A U.S. Resolution Planning Steering Committee (the “U.S. RP Steering Committee”) was established to oversee the development of the U.S. Resolution Plan. The U.S. RP Steering Committee considered and approved certain strategic decisions of the RP Working Group, such as the methodology used to determine Dexia’s CBL and ME under the 165(d) Rule. The U.S. RP Steering Committee, chaired by Guy Cools, General Manager of the DCLNY Branch, consists of all of the members of the DCLNY Branch Executive Committee, including representatives from the Risk, Finance, Treasury and Financial Markets, Operations and Legal Departments at the DCLNY Branch.

Corporate governance with respect to the U.S. Resolution Plan is closely aligned with the Dexia 2012 Orderly Resolution Plan. At Dexia, Karel De Boeck, Chief Executive Officer of Dexia and Chairman of the Dexia Management Board, and one of its three most senior executives, is responsible for oversight of the development of the U.S. Resolution Plan. Mr. De Boeck is also the member of the Dexia Management Board responsible for and familiar with Dexia’s U.S. operations, including the operations of the DCLNY Branch. Members of the RP Working Group located in France report to the General Secretary of Dexia on the status of the U.S. Resolution Plan, who in turn reports to the Dexia Management Board.

The Board of Directors of Dexia addressed the U.S. Resolution Plan during a meeting held on November 13, 2014. At that meeting, the Dexia Board of Directors delegated authority to approve the U.S. Resolution Plan to the Chief Executive Officer of Dexia. The Chief Executive Officer of Dexia was empowered to review and approve the U.S. Resolution Plan ahead of the December 31, 2014 filing deadline.

Drafts of the U.S. Resolution Plan were reviewed by the U.S. RP Steering Committee and the Dexia Management Board. The U.S. RP Steering Committee reviewed and approved the proposed final U.S. Resolution Plan that was submitted to Mr. De Boeck. Pursuant to the delegation of authority from the

Dexia Board of Directors, Mr. De Boeck granted final approval of the U.S. Resolution Plan on December 3, 2014.

K. MATERIAL MANAGEMENT INFORMATION SYSTEMS

The Dexia Group relies on a number of management information systems (“MIS”) and applications that directly support risk management, operations, funding, liquidity, accounting, financial control and regulatory reporting for its ME, the DCLNY Branch, and its CBL, the Run-off Division CBL. The Dexia Group uses these systems and applications to collect, aggregate, format and detail material information and to assist the business and senior management in key decision-making processes. In general, the key MIS and applications fall within the following categories: (i) internally-developed applications; (ii) standard third-party applications; and (iii) customized third-party applications.

The MIS platforms used by the DCLNY Branch to process transactions and payments, to manage books and records, and for key purposes such as reporting and monitoring are either owned or licensed directly from a third party by the DCLNY Branch. The DCLNY Branch uses other applications for other processes, such as internal reporting, which are part of a global framework of coordinated systems that are aligned with the Dexia Group’s information technology architecture. This global, coordinated framework promotes standardized processes and procedures across the Dexia Group.

The MIS and applications provide management and regulators with risk management, liquidity, accounting, operations and financial reports that detail a broad range of information. These reports are delivered on a regular basis ranging from daily to monthly or quarterly depending on the report. Internal reports allow management to assess the financial health, risk positions and operations of Dexia Group entities, including the DCLNY Branch, and the Run-off Division CBL. External reports allow regulators to supervise and examine the Dexia Group entities.

Key MIS and applications are also part of the Business Continuity Program (“BCP”) at Dexia, DCL and the DCLNY Branch. The BCP programs are designed to allow for the recovery of data and information in a planned and controlled manner upon the occurrence of a major disruptive event in order to facilitate the resumption of normal business operations. As such, the availability and sustainability of key MIS and applications are regularly tested as part of overall operations testing of the efficiency of disaster recovery plans at those Dexia Group entities.

L. HIGH-LEVEL DESCRIPTION OF RESOLUTION PLAN STRATEGY

As required by the 165(d) Rule, Dexia’s resolution strategy for the DCLNY Branch assumes that the Dexia Group, including Dexia, DCL and the

DCLNY Branch, as the sole ME, have failed globally. Assuming such a failure, the strategy contemplates an orderly wind-down and liquidation of the DCLNY Branch conducted by the Superintendent of the NYDFS (the “Superintendent”). Upon seizure by the Superintendent of the DCLNY Branch, the Superintendent would seek to (i) wind down the DCLNY Branch’s operations to maximize the recovery for its non-affiliate creditors, using proceeds realized from the sales of all property on the books of the DCLNY Branch, wherever located, and all property of DCL located in New York, and (ii) settle claims against the DCLNY Branch in an orderly and transparent process.

The Run-off Division CBL would be resolved through the (i) resolution of the DCLNY Branch with respect to assets booked at the DCLNY Branch, and (ii) bankruptcy proceedings of certain other U.S. Dexia entities that hold the CBL’s other assets.

The U.S. Resolution Plan also includes an alternative strategy that describes how the DCLNY Branch would be resolved pursuant to the ongoing resolution of the Dexia Group under the Dexia 2012 Orderly Resolution Plan. Under the Dexia 2012 Orderly Resolution Plan, the DCLNY Branch would continue to operate as it has since the commencement of the resolution of the Dexia Group. In this alternative resolution strategy, the Superintendent would not seize the DCLNY Branch and liquidate the DCLNY Branch’s assets to satisfy non-affiliate creditor claims. Rather, the Superintendent would continue to cooperate with the NBB and the ACPR as it has thus far in connection with the resolution of the DCLNY Branch under the Dexia 2012 Orderly Resolution Plan.

Under either resolution strategy, the failure and resolution of the Dexia Group’s U.S. operations would pose no risk to U.S. financial stability.