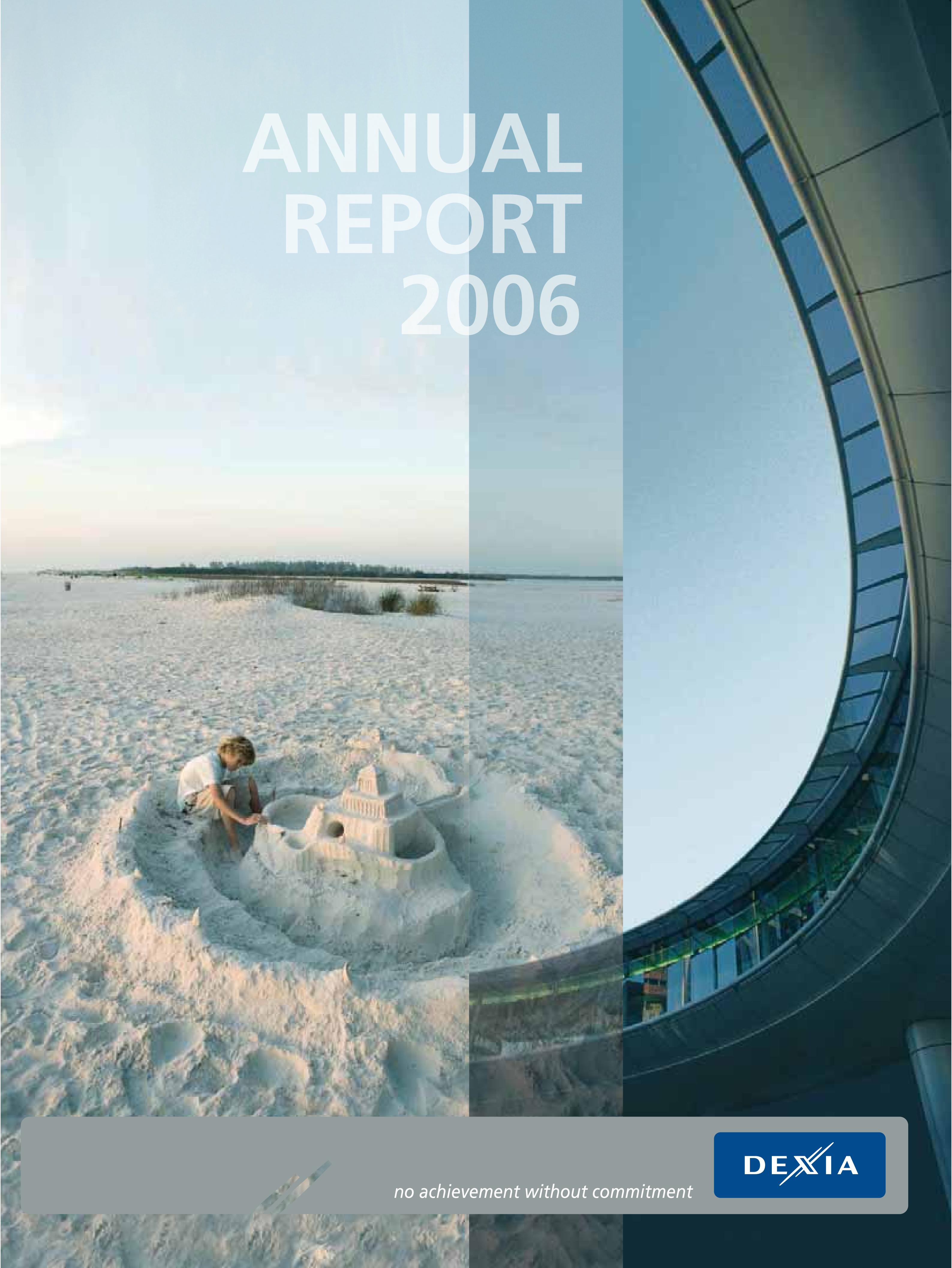
ANNUAL REPORT 2006



no achievement without commitment

DEXIA

ANNUAL REPORT 2006

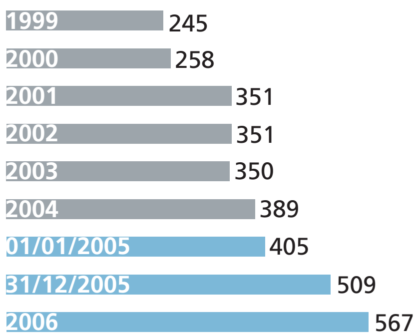
CONTENTS

MANAGEMENT REPORT

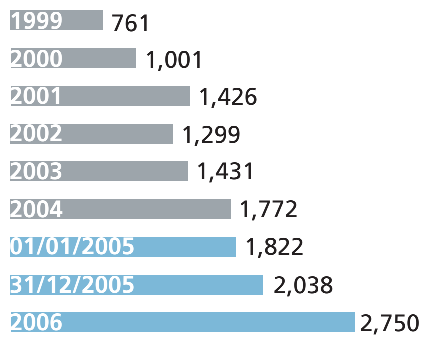
FINANCIAL HIGHLIGHTS

GROUP – CONSOLIDATED FIGURES

BALANCE SHEET TOTAL
(in billions of EUR)



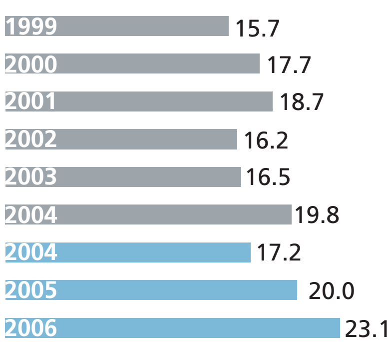
NET INCOME – GROUP SHARE
(in millions of EUR)



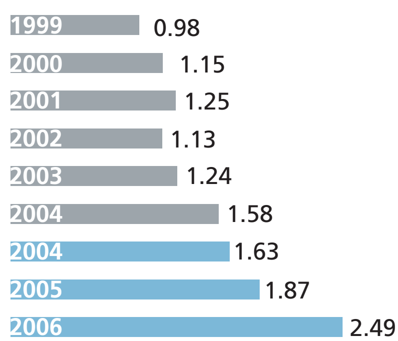
Dexia Group accounting standards adopted until the publication on December 31, 2004.

IFRS as adopted by the European Union for publications after January 1, 2005.

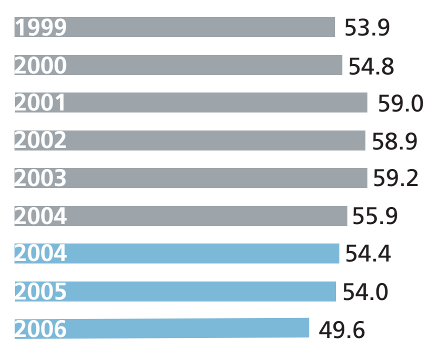
RETURN ON EQUITY (ROE)
(in %)

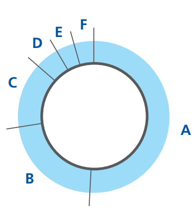


EARNINGS PER SHARE
(in EUR)



COST-INCOME RATIO
(in %)

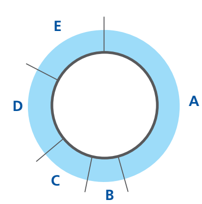




BUSINESS LINE CONTRIBUTION TO THE UNDERLYING NET INCOME – GROUP SHARE 2006*

A	PUBLIC/PROJECT FINANCE AND CREDIT ENHANCEMENT	51%
B	PERSONAL FINANCIAL SERVICES	22%
C	TREASURY AND FINANCIAL MARKETS	14%
D	ASSET MANAGEMENT	5%
E	INVESTOR SERVICES	4%
F	INSURANCE SERVICES	4%

** Excluding Central Assets and non-operating items.*



MEMBERS OF STAFF AS OF DECEMBER 31, 2006*

33,321 OF WHICH

A	BELGIUM	15,270
B	FRANCE	2,639
C	LUXEMBOURG	3,513
D	TURKEY	6,290
E	OTHER COUNTRIES	5,609

** Including the self-employed networks and RBC Dexia Investor Services.*

MANAGEMENT REPORT

RESULTS (in millions of EUR)	Dexia GAAP 1999	2000	2001	2002	2003	2004	IFRS as adopted by EU 2004 (1)	2005	2006
Income	3,143	3,740	5,631	5,157	5,160	5,392	5,623	5,976	7,012
Costs	(1,694)	(2,050)	(3,323)	(3,037)	(3,056)	(3,012)	(3,057)	(3,229)	(3,481)
Gross operating income	1,449	1,690	2,308	2,120	2,104	2,380	2,566	2,747	3,531
Net income – Group share	761	1,001	1,426	1,299	1,431	1,772	1,822	2,038	2,750

(1) The reconciliation between Dexia GAAP and IFRS as adopted by EU, is explained in the Dexia Annual Report 2005 "Accounts & reports".

BALANCE SHEET (in billions of EUR)	Dexia GAAP Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	IFRS as adopted by EU Jan. 1, (1) 2005	Dec. 31, 2005	Dec. 31, 2006
Total assets	**245.1**	**257.8**	**351.4**	**350.9**	**349.9**	**389.2**	**404.6**	**508.8**	**566.7**
Loans and advances to customers	128.5	134.4	156.4	157.8	161.9	166.2	169.5	192.4	226.5
Loans and securities	67.0	77.7	125.9	134.7	127.9	144.5	147.3	198.9	223.2
Customer borrowings and deposits	46.9	52.4	84.0	85.3	92.3	97.6	87.1	97.7	109.5
Debt securities	132.3	134.4	140.9	146.5	134.9	143.9	144.2	175.7	184.7
Core shareholders' equity (2)	6.9	8.1	10.3	10.9	11.6	12.3	10.5	11.5	14.4

(1) The reconciliation between Dexia GAAP and IFRS as adopted by EU, and the impact of the first-time application of IFRS is explained in the Dexia Annual Report 2005 "Accounts & reports".
(2) For the years 1999-2004: shareholders' equity + general banking risks reserve.

RATIOS	Dexia GAAP 1999	2000	2001	2002	2003	2004	IFRS as adopted by EU 2004	2005	2006
Profit margin (1)	25.9%	28.4%	27.1%	26.9%	29.3%	34.2%	33.6%	35.0%	40.5%
Cost-income ratio (2)	53.9%	54.8%	59.0%	58.9%	59.2%	55.9%	54.4%	54.0%	49.6% (4)
Return on equity (3)	15.7%	17.7%	18.7%	16.2%	16.5%	19.8%	17.2%	20.0%	23.1% (4)
Tier 1 ratio (5)	9.0%	9.3%	9.3%	9.3%	9.9%	10.7%	10.0%	10.3%	9.8%
Capital adequacy ratio (5)	12.8%	9.8%	11.5%	10.7%	11.2%	11.7%	11.1%	10.9%	10.3%

(1) The ratio between the net income and the income.
(2) The ratio between the costs and the income.
(3) The ratio between net income – Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).
(4) Including EUR 236 million result on Dexia's net asset contribution to the joint venture RBC Dexia Investor Services and EUR 280 million result on the sale of Banque Artesia Nederland.
(5) The profit for the financial year minus the proposed dividend is included in the shareholders' equity.

QUALITY OF RISKS	Dexia GAAP 1999	2000	2001	2002	2003	2004	IFRS as adopted by EU 2004	2005	2006
Impaired loans (in millions of EUR)	672	905	1,897	1,942	1,708	1,722	1,722	1,473	1,359
Assets quality ratio (1)	0.53%	0.68%	1.20%	1.23%	1.05%	1.04%	1.04%	0.78%	0.61%
Coverage ratio (2)	79.3%	65.0%	66.7%	68.0%	72.8%	73.2%	73.2%	69.1%	69.3%

(1) The ratio between the impaired loans and the gross outstandings loans.
(2) The ratio between the portfolio impairments and the impaired loans.

DATA PER SHARE (in EUR)	Dexia GAAP 1999	2000	2001	2002	2003	2004	IFRS as adopted by EU 2004	2005	2006
Earnings per share (1)	0.98	1.15	1.25	1.13	1.24	1.58	1.63	1.87	2.49
Gross dividend	0.39	0.43	0.48	0.48	0.53	0.62	0.62	0.71	0.81 (2)
Net assets (3)	8.54	8.02	8.39	8.79	9.25	9.95	8.87	9.86	11.60
Pay-out ratio (4)	41.4%	41.9%	39.3%	43.0%	42.1%	38.7%	37.6%	37.9%	34.3%

(1) The ratio between the net income – Group share and the average weighted number of shares (undiluted for the years under IFRS as adopted by EU).
(2) Proposed dividend.
(3) The ratio between the core shareholders' equity (estimated dividend for the period deducted) and the number of shares (after deduction of treasury shares) at the end of the period. Under Dexia GAAP : including GBRR – Group share.
(4) The ratio between the total dividend and the net income – Group share. For 2006, based on proposed dividend.

RATINGS (LONG TERM) (1)	Dexia Bank	Dexia Crédit Local	Dexia BIL	Financial Security Assurance	Dexia Municipal Agency
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's	AA	AA	AA	AAA	AAA
Fitch	AA+	AA+	AA+	AAA	AAA

(1) Ratings as of February 24, 2007.

MESSAGE FROM PIERRE RICHARD

CHAIRMAN OF
THE BOARD OF DIRECTORS

2006 was a year of contrasts. On the one hand, political crises and wars have escalated dangerously in the Middle East, on fronts wider today than ever before. Energy prices and supply, as well as global warming have become even more acute issues, not only for policy makers but for everyone in their day-to-day life. Economic imbalances have worsened rather than improved, and now require global solutions never previously conceived. On the other hand, the world economy continued to generate robust overall growth in 2006 in excess of 5% however and, along with the increasing supply of liquidities worldwide, this has fuelled intensive activity in the financial industry. The European Union has kept growing at a honorable pace of 2.9%, and on the strength today of 500 million inhabitants in 27 countries, has a greater influence on the international scene. One satisfying feature is that the "economic engine" seems to have restarted in Germany, giving positive signals for the future.

Dexia was able to share in this buoyancy, even though the market's risk appetite kept growing, thus further increasing competitive pressure.

Beyond the vibrant business origination activity, a great deal more has happened during Dexia's tenth year in existence, which the Board of Directors has dealt with actively, either directly or through its specialized committees. Among the most important decisions, the first related to the double transition at the two highest levels of governance of Dexia: the Board of Directors and the Management Board.

Having been appointed Chairman of the Board of Directors, I passed the baton to Axel Miller, who was appointed Chairman of the Management Board. The Board of Directors first of all proceeded with the appointment of new management team members and approval of the proposed organizational structures. Secondly, following the in-depth strategic review which was carried out during the first months of the year, the Board expressed its full support for proceeding with the proposed strategic plan, which was presented to the market in autumn. On this basis, Dexia will be able to stand ever more firmly on its two pillars, universal banking and public/project finance, and keep developing a solid business portfolio. The Board has also examined a number of projects, among which the acquisition of DenizBank in Turkey, and several divestiture proposals aimed at refocusing on the essential. The Board has given its full support to those initiatives announced during the course of the year.

The Board has also followed the situation of Dexia Bank Nederland with close attention. It is particularly rewarding to see that Dexia's management efforts to achieve a just and appropriate solution to this difficult problem eventually came to fruition, with the Duisenberg agreement being granted binding force by the Amsterdam Court of Appeal in January 2007.

Dexia has continued to regard corporate governance as an absolute essential, where the Group aims at being seen to conduct best practices. Transparency is at a maximum on all items such as the compensation of Management and Board members, the tasks of the specialized committees and the Board's agenda throughout the year. This year, the annual Board assessment was carried out with the aid of an external consultant, with a view to presenting useful references on how corporate governance is practiced elsewhere and to offering new future perspectives.

Turning to the subject of sustainable development, Dexia's commitment on this front did not diminish at all. This is true in the field of collective infrastructures, where Dexia is committed to finance projects which respect environmental needs. It is also true in the field of Socially Responsible Investments (SRI), a domain where Dexia Asset Management excels. Dexia was recently nominated at the international forum in Davos among the "global 100" companies awarded for their "best in class" socially responsible behavior, and is one of the ten financial institutions worldwide to be given the award.

All this good work was done with the greatest professionalism and dedication. In my role as Chairman of the Board of Directors, I convey my thanks to all Board members, to the Management and the members of staff of Dexia for their contribution. I also want to pay a particular tribute to Francis Mayer, who passed away prematurely at the end of the year after intense suffering, when he was at the peak of his bright career. He made an immense and outstanding contribution to Dexia, for which he must be thanked. We shall miss him.

This year again, the performance of Dexia was excellent, as shown by the greatly increasing volumes in most of our business lines, and by the growth of earnings per share (+33.2%), which come to EUR 2.49, a new record in Dexia's history. After this latest very good vintage in 2006, the Board will be pleased to propose a dividend of EUR 0.81 per share, a rise of 14.1% on 2005, which reflects Dexia's performance this year, and confirms our collective confidence in our ability to continue delivering value in the long term, on the strength of a robust capital base, superior ratings, and the quality of the franchise and of the teams.

Pierre Richard

MESSAGE FROM AXEL MILLER

CHAIRMAN OF THE MANAGEMENT BOARD,
CHIEF EXECUTIVE OFFICER

2006 has been a year of achievements and progress on three essential fronts.

The strategic review carried out during the first half by all the entities has led us to the elaboration of a very promising development plan, including a detailed 3-year plan 2006-2009 and a 10-year outlook. This exercise has reinforced our confidence in being able to deliver very healthy growth over the next decade. This ability of Dexia to set our ambitions over such a time span demonstrates that our commitment is long lasting. It rests not only on the excellence and motivation of our people, but also on very good visibility stemming from the very nature of our franchises. This gives us a strategic advantage which has proved its worth year after year. Each member of the staff now "owns" the plan, shares its ambitions and is set to move forward with Dexia into the next ten years. This means that all the talents in the Group are being deployed with energy and passion towards the achievement of our goals. Dexia is more than ever ready to progress and enrich its development on its two pillars: as a European banking group, world leader in Public/Project Finance.

Another reason for great pride and excitement is that we have been able to shape a new organizational model which has already proved its power and efficiency. Dexia functions as one company, and our operation today in thirty different countries under business models that are not always similar, is entirely seamless. The common values are clear to all, and senior management has a perfect understanding that the priority is to work on Dexia's success as a whole. Our key projects are led by the heads of the business lines and those of the strategic functions across the Board, all of whom are totally empowered. Similarly, the operating entities are clearly organized and focused towards the generation of business and the delivery of earnings on their local markets. Each executive is on a yearly management contract defining the objectives and means, and containing all the necessary provisions to reward achievements and sanction shortcomings.

A final reason for pride is that all these profound changes have not precluded us from developing our day-to-day business, from fighting efficiently against fierce competition, and from continuing to deliver value and growth. Once again this year, activity has been excellent. Dexia succeeded in increasing its originations, income and earnings per share. Costs remained under good control overall, despite the fact that many developments, reorganizations and relocations were undertaken during the year, and that new closures and/or divestitures took place. In particular, activity in Public/Project Finance continued to be buoyant in 2006, with long-term commitments jumping 14.5%, and net par outstanding insured by FSA rising 7.1% in one year. Net underlying income rose 14.1%, and with a return on economic equity of 22.9% the business line continued to deliver very high profitability. Similarly, Personal Financial Services achieved a very good commercial performance again this year, with customer assets growing by 5.3%, and loans by 11.8%. Net underlying income rose 13.1% in the business line, as a result of robust revenue growth and well-contained cost progression. In the other business segments, results have been equally good: net underlying income was up 31.7% in Asset Management, 12.1% in Insurance Services, 51.4% in Investor Services and 11.2% in Treasury and Financial Markets. All these good underlying performances combined with a number of one-offs during the year to create a very healthy bottom line income amounting to EUR 2,750 million, 34.9% above the very good performance of the previous year.

Of course, the major change which occurred during the year was the acquisition of DenizBank which is now 99.8% owned by Dexia. As discussed on many occasions during the year, this is a move which almost perfectly reflects the strategic path Dexia is taking, and one opportunity which we expect will bring a great deal to Dexia in terms of growth and strategic penetration in a very important new market. From the fourth quarter of 2006, DenizBank is fully consolidated into Dexia, and the integration process is already well on its way. The acquisition was financed partly with the proceeds from divestitures, partly with excess capital available, and finally through the issuance of ordinary shares and hybrid Tier 1 instruments. This brings Dexia's earnings per share in 2006 to EUR 2.49, up 33.2% on 2005.

The Dexia share performance continued to make progress in 2006, with a rise of 6.5% over the year, but lower than the Eurostoxx Banks index (which rose +22.5%), the CAC 40 (+17.5%), or the BEL20 (+23.6%). The relative underperformance among industry peers results in part from intensive general M&A activity during the year, notably in Italy. As for Dexia, the share price was influenced by the announcement of the acquisition/financing scheme of DenizBank, which has clearly triggered changes of portfolio allocations among certain types of shareholders. Dexia's management is conscious of market attitudes in such circumstances, and, in this environment, assesses share performance in a long-term perspective.

Turning to capital management, in 2006 Dexia has done what was announced on several occasions in previous years: at times when capital is in excess, shares are bought back, and when capital is needed for a project, we must turn to the market. After three years and a first quarter 2006 marked by share buy-backs, Dexia raised share capital in the market in September 2006, under good timing and cost conditions. We intend to continue with such discipline, constantly bearing in mind our policy of maintaining a high level of solvency and superior credit ratings.

I would like to close by conveying my warmest thanks to my 33,000 colleagues, women and men, who worked very hard, often making sacrifices in their personal and family lives, contributing to all Dexia's achievements in 2006. I know that 2007 will be another year of excitement and pride for all of us.

Axel Miller

GROUP PRESENTATION

CORPORATE PROFILE

A EUROPEAN BANK, WORLD LEADER IN PUBLIC FINANCE

Dexia was born of the alliance in 1996, of two major institutions in local public finance in Europe: Crédit local de France and Crédit Communal de Belgique. Both institutions, together with Banque Internationale à Luxembourg (BIL) were united in 1999 into one publicly-quoted company named Dexia. This was one of the very first cross-border mergers in the European banking sector. Today, Dexia ranks among the top 20 largest banks in Euroland, and builds its strategy on two pillars: Universal Banking in Europe (Belgium, Luxembourg, Slovakia, Turkey) and a worldwide leadership in Public/Project Finance.

Two pillars: Universal Banking in Europe and Public/Project Finance worldwide

—

Dexia is a leading retail bank, and serves 5.5 million customers in Belgium, Luxembourg, Slovakia and Turkey.
Over the years, Dexia has developed an entire range of banking services catering for individual customers, small and medium-sized enterprises and institutional clients and it is an active player in asset management, insurance, investor services and capital markets.
Since its merger in 1999 and the acquisition in 2000 of Financial Security Assurance (FSA) in the United States, Dexia has become the world's largest player in local public finance. Dexia's high level of expertise, its long-term horizon and the very high solvency of its customers, grant a superior quality of franchise. Dexia develops its strategy in this area on a global scale.

BUSINESS LINES

Public/Project Finance and Credit Enhancement

—

Dexia has a well-deserved reputation for global leadership in public finance. This business line is especially exercised by Dexia Crédit local and its branch offices, and by subsidiaries established in thirty countries worldwide. The main subsidiaries are located in France, Belgium, Italy, North America and Mexico, Germany, Spain, the UK, Scandinavia, Switzerland Austria, Slovakia, Poland, Romania, the Czech Republic, Australia, Israel, Bulgaria, Hungary and Japan. In this enormous market, characterized by high-quality borrowers seeking to finance vast and growing public infrastructure needs, Dexia has a wealth of profitable business opportunities and strong prospects for international growth. Scale, innovation, expertise and a long-term view are the key ingredients of Dexia's success in this business line, which generates more than half of Dexia's earnings. Dexia participates in this market through a variety of activities which include basic lending, bond execution, highly-structured projects and credit enhancement. In addition, Dexia offers insurance, payment, asset management and other services to its clients.

Personal Financial Services

—

In Belgium, Dexia Bank is one of the country's top players in retail banking. It offers a complete range of banking and insurance services to a clientele of households and small and medium-sized enterprises. Similarly, Dexia BIL is a major retail bank in Luxembourg. Dexia banka Slovensko is a retail bank in Slovakia. In 2006, Dexia acquired DenizBank, the sixth largest privately-owned bank in Turkey.
An important private banking business has been developed over the years. Dexia has also acquired or developed units and joint ventures in a number of European countries including Belgium, Luxembourg, France, Spain and Switzerland.

Treasury and Financial Markets

—

Dexia's principal businesses give the Group an intensive presence in the capital markets, both for funding and managing the Group's balance sheet and for structuring sophisticated products and solutions for clients of the various business lines. This business segment not only provides key support to the entire Group, it also functions as an important profit center generating substantial earnings.

Asset Management, Insurance and Investor Services

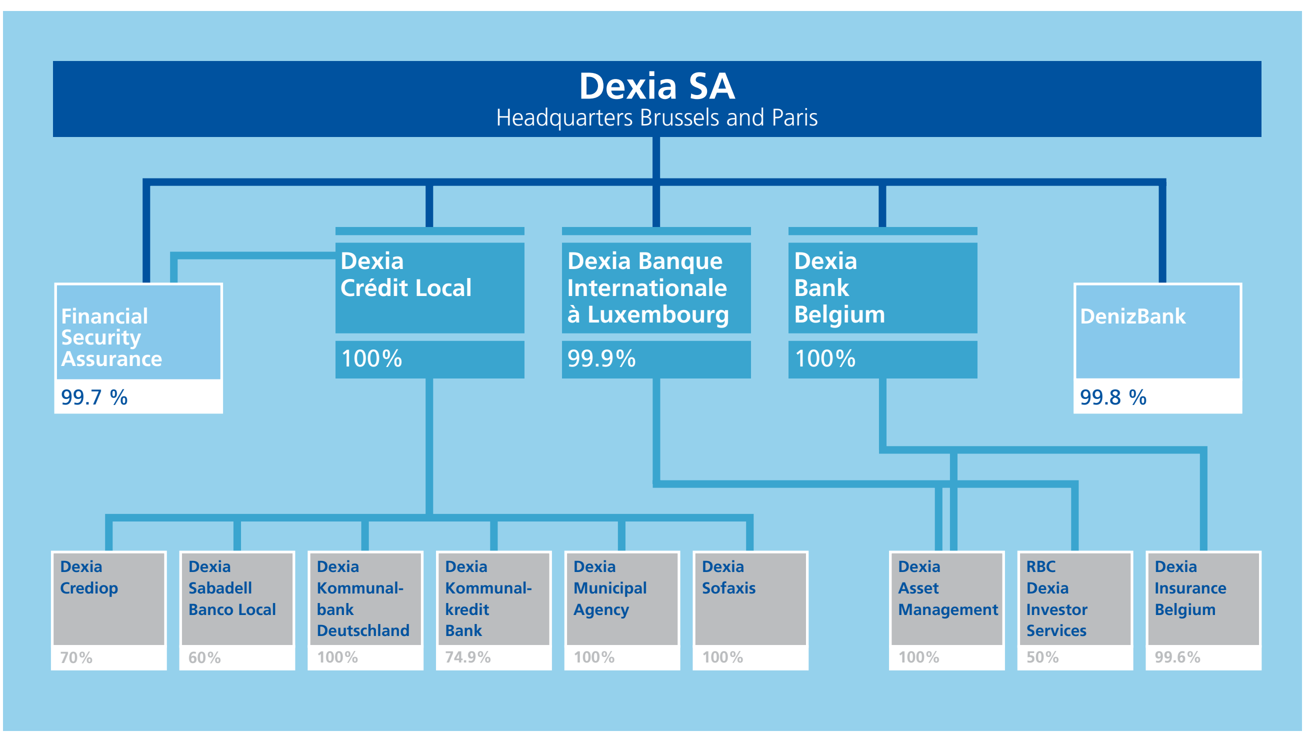
—

Dexia Asset Management has built a strong reputation in Europe and today distributes more than a third of its products to institutions and through third-party channels. Dexia Insurance Services supplies all the life and nonlife insurance products sold in the retail networks of the Group in Belgium and Luxembourg and in France. In Investor Services, RBC Dexia Investor Services was set up as a joint venture with Royal Bank of Canada in 2006. Today it ranks among the ten largest custodian banks worldwide.

EXPERTISE, PERFORMANCE AND RATING

Dexia's success lies not only in its well-established franchise and strong distribution skills, but also in its ability to conceive efficient products and develop innovative solutions to meet its clients' financial needs. In all business lines, Dexia has been able to attract and deploy the best professional skills. It exercises the highest standards in terms of underwriting, risk monitoring, operational disciplines and product performance. Dexia has one of the highest credit ratings in the banking industry: its three main entities – Dexia Crédit Local, Dexia Bank and Dexia BIL – are AA/Aaa/AA+ rated; two of its subsidiaries in Europe issue AAA rated secured bonds; finally FSA, one of the four largest bond insurers in the US is a triple A rated company.

SIMPLIFIED GROUP STRUCTURE



Percentages refer to direct and indirect holdings.

HISTORY OF THE GROUP

1860 Creation of Crédit Communal de Belgique.

1987 Creation of Crédit local de France.

1991 First listing of Crédit local de France on the Paris Stock Exchange.
Crédit Communal de Belgique becomes majority shareholder of Banque Internationale à Luxembourg (BIL), the oldest established bank in Luxembourg (1856).

1996 Creation of Dexia, through a business alliance between Crédit Communal de Belgique and Crédit local de France. The two partners begin operating as a Group under a structure organized around two holding companies; Dexia Belgium, listed on the Brussels Stock Exchange (BEL20-index), and Dexia France listed on the Paris Stock Exchange (CAC 40-index).

1997 Acquisition of a 40% stake in Crediop, a leading player in the Italian local public finance market.

1999 **April:** buyout of BIL's minority shareholders.
June: Dexia becomes majority shareholder of Crediop (60%).
June: acquisition in Belgium of Elvia Assurances, renamed Dexia Insurance.
November: Dexia becomes shareholder of Otzar Hashilton Hamekomi (Israel).
December: creation of a single holding company, Dexia SA, by means of a public offer by Dexia Belgium on Dexia France shares. Dexia is quoted in Brussels, Paris and Luxembourg. A unified management structure is established for the entire Group.

2000 Dexia acquires FSA, a leading company in credit enhancement for municipal bond issuers in the US, and Bank Labouchere in the Netherlands.

2001 **July:** Dexia acquires Artesia Banking Corporation in Belgium through a capital increase reserved to Arcofin, Artesia BC's shareholder.
July: Dexia acquires Kempen & Co through a public tender bid.
December: increase of the equity interest in Dexia Crediop from 60% to 70%.

2002 **January:** Dexiam and Cordius Asset Management, Artesia BC's subsidiary, merge to form Dexia Asset Management.
April: Dexia Bank, Artesia Banking Corporation, BACOB and Artesia Services merge under the name Dexia Bank Belgium.
May: increase of the equity interest in DVV Insurance, from 82% to 99%.

2003 **July:** Dexia sells its monitory stake in Landbouwkrediet NV (Crédit agricole de Belgique).
September: Dexia takes over the stake of the minority shareholders in its German subsidiary Dexia HypothekenBank Berlin (now Dexia Kommunalbank Deutschland), active in local public finance.

2004 **November:** Dexia sells its shares in Kempen & Co.
November: acquisition of FMS Hoche, a specialist fund-administration company based in France.

2005 **June:** Dexia and Royal Bank of Canada announce the combination of their institutional investor services business in an equally-owned joint venture named RBC Dexia Investor Services (effective since January 1, 2006).
June: DVV Insurance and Dexia Insurance merge to form a new insurance company named Dexia Insurance Belgium.
October: Dexia sells its subsidiary Eural SA.
December: Dexia has been granted a banking license in Canada and in Mexico.

2006 **May:** Dexia acquires a controlling interest (75%) in DenizBank, the sixth largest privately-owned bank in Turkey.
September: Dexia announces the successful completion of a EUR 1.2 billion capital increase through an accelerated book build offering, with a view to financing part of the acquisition of DenizBank.
October: Dexia opens Dexia Public Finance (Switzerland), a "foreign bank representation in Switzerland" specializing in public finance.
November: Dexia has been granted a banking license in Japan.
December: Dexia sells its subsidiary Banque Artesia Nederland.
December: Following a successful mandatory tender offer, the shareholding of Dexia in DenizBank stands at 99.74%.

STRATEGY

A development strategy aligned to the Group's two pillars: Universal Banking in Europe and Public/Project Finance worldwide.

BUILDING ON TWO PILLARS

Since 1996, Dexia has developed a Universal Banking activity deeply anchored in Belgium, Luxembourg, Slovakia and Turkey, combined with a world leadership in Public/Project Finance.
A pioneer in European cross-border consolidation and working to the maxim "no achievement without commitment", during the first half year 2006 Dexia carried out a strategic review which allowed to elaborate a development plan for the next ten years. That plan was approved by the Board of Directors on September 5, 2006, and the main themes of this strategy were published on September 26, 2006.
Dexia's future will be built on the two pillars of its current activity:

- the development of its Universal Banking activity beyond its traditional markets, so that it becomes a leading European operator. This strategic direction will not only enable the most to be made of the significant growth potential specific to this activity, but also greater advantage to be taken of the opportunities which exist in the field of Public/Project Finance;
- the anchoring and constant strengthening of its world leadership in public/project finance, through continuing geographic expansion, based on an innovative and varied range of products.

The Group's ambition is therefore to give even greater power to its two principal growth drivers. The simultaneous strengthening of these two pillars gives the Group a balanced portfolio of activities, enlarges its sources of finance, enables optimum use to be made of capital, increases the client base and opens up even better development prospects.
Dexia will continue to develop its business lines in an energetic but balanced manner, maintaining its founding values with regard to risk and financial soundness, and acting with the long term in view.
Dexia's strength will continue to rest in its ability to combine long-term commitment to its clients, financial stature, know-how, reputation and historical local presence.

A WIDE AND PROMISING HORIZON

Dexia's business lines give extremely good visibility of market growth and client needs. The strategic review carried out by Dexia demonstrates that its environment abounds with opportunities.

Extending Universal Banking activities in Europe

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In the field of Universal Banking, the growth of European markets will be robust, as a result of the convergence of equipment rates, banking penetration rates, the effects of scale and synergies in the consolidation of the banking sector, hailed both by the European Commission and by consumers.

That growth will be well sustained by demographic evolutions which will deeply influence the volumes and the nature of banking services to be provided to individual clients, both as a Retail Bank and as a Private Bank. Benefiting from its position as leader on these rich markets, in Belgium and in Luxembourg, and from a key position in Turkey, Dexia is uniquely positioned to continue its development by exploiting its know-how and its skills in this growing market.

Continuing to develop services in Public/Project Finance

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The world market for local public debt is estimated at USD 5,000 billion at present, and this should grow by USD 1,500 billion (in constant currency) over the next ten years, a new business volume equal to or more than three times the current Dexia Group commitments in this field.
In the developed regions of the world, demographic evolutions will result in the need for major infrastructure projects (hospitals, education, energy etc.). In the developing regions there will be requirements to construct or to update essential infrastructures (water, waste treatment, transport, energy etc.).
The volumes involved will be considerable, and the sophistication of financial solutions will increase constantly. A world leader in this market, Dexia is already strongly positioned and, by virtue of its size and its innovation skills, it will be able to grasp the many opportunities which are sure to arise.
Furthermore, Dexia has a particularly good knowledge of its clients, especially of their solvency and their future needs. As a consequence it has an unmatched ability on this market to design and to distribute savings and long-term investment products, relying on underlying assets of extremely high quality, in relation to the local public sector and essential infrastructures.

Expertise in the service of growth

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As for Treasury and Financial Markets, a huge opportunity for Dexia in coming years will be grasped by combining its financial market expertise with its know-how in providing financial services to the public sector. This new field of opportunities, as well as the development of the sales force and institutional client base, will enable the Group even further to improve on its current strengths and to sustain its growth.
New growth opportunities in Asset Management will be aligned principally to new institutional client segments, new pension products for the private and institutional markets and widening distribution via third parties outside Dexia's own distribution networks.
For Investor Services, the acceleration of growth on existing and recently-penetrated markets, and the enlargement of its range of products are all part of the strategy Dexia will follow in order to strengthen this flourishing sector of activity.

THE AIM OF SOLID FINANCIAL PERFORMANCE ON A THREE-YEAR HORIZON

The objectives defined within the context of the strategic review on a 2009-horizon and communicated to the market on September 26, 2006 illustrate the Group's confidence in its ability to deliver autonomously extremely good operational and financial performances, principally:

• target underlying cost-income ratio of less than 52% in 2009;
• target return on equity (Core ROE) of a minimum 15% at an underlying level and 16% at an overall level;
• deliver an average 10% annual gowth, both of underlying net income and earnings per share;
• target earnings per share of EUR 2.47 in 2009 (EUR 2.35 underlying);
• a dividend per share increasing by at least 10% per annum.

AMBITIONS FOR THE NEXT FIVE YEARS

The strategic review carried out in 2006 also included an examination of the competitive environment on a longer horizon and led to the definition of Group ambitions at three levels.

Geographic

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• Significantly improve Dexia's position as a Universal Bank in Europe.
• Acquire a very much larger international presence than at present in Public/Project Finance. The historical markets (France and Belgium), which these days represent about one half of the business line's earnings, should forthwith only represent a third.

Positions

—

• Capitalize on a multi-channel distribution banking model, relying on high-performance production units, for the extension and deepening of goodwill in Retail and Private Banking.
• Confirm Dexia's world leadership in the field of Public Finance.
• Maintain a place among the top ten world institutions for project infrastructure finance.
• Become a benchmark operator for Asset Management in Europe, including a strategic presence at an international level (products and distribution).
• Maintain a place among the top ten world institutions in the field of fund administration.

Financial soundness

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• Maintain, or improve, the Group's financial rating.

PROSPECTS ON A TEN-YEAR HORIZON

The strategic review carried out in 2006 also related to prospects on a ten-year horizon. Supported by its extremely good vision of future markets, Dexia is confident of its ability autonomously to deliver an average annual income growth in the order of 10%, whilst by virtue in particular of the expected effect of the new Basel II regulations generating significant amounts of surplus capital compared to its own self-financing requirements.

A FUTURE DEVELOPMENT ON TWO FRONTS

The development project will be implemented on two fronts.

It will continue to be organic

—

• In **Universal Banking**, Dexia will continue to develop on those markets, extending the range of its retail and private banking services to individual clients and further improving the efficiency of its multi-channel approach to distribution, whilst investing in order to accentuate its privileged position on those growth markets.
• In **Public/Project Finance**, Dexia can efficiently deploy its various intervention models, in the most appropriate manner, depending upon the markets concerned: representative offices, own branches, subsidiaries or joint ventures with local partners.

It can also take other forms

—

• In **Universal Banking**, Dexia will also take opportunities which will enable it, by capitalizing on its know-how and its current positions, to continue its development on a European scale, whether by concluding partnerships or by carrying out external growth transactions.
• In **Public/Project Finance**, although acquisition opportunities are rare, developments are nonetheless bound to occur in the medium to long term. In fact, public or private actors on this market will have to deal with the effects of "standard" products becoming commonplace, if they cannot, as Dexia has already been doing for a long time, develop the tools enabling them to offer clients specific and complete solutions giving good added value. Major and long-term trends, observed at a world level, of disengaging public powers from the field of local authority finance will also offer significant opportunities.
• In its **capital market activities**, Dexia will resolutely support Public/Project Finance and Universal Banking by developing its franchises on the capital markets, in particular with regard to origination, structuring and investment. By developing the access of institutional and individual clients to public and long-term infrastructure asset classes, Dexia will further strengthen its unique position as specialist intermediary in the field of public finance.
• In the activities of **Asset Management, Insurance and Investor Services**, Dexia will continue its strong growth observed over recent years, and continue to position those activities in relation to market evolution, specific developments in each of those industries, and their specific investment requirements.

All these projects will be examined in observance of strict internal rules taking account of the careful examination of risks, return of investment for projects, and the creation of strategic value for Dexia, its members of staff, its clients and its shareholders.

ACTIVITIES OF THE BUSINESS LINES CORPORATE MODEL

The alliance between Crédit local de France and Crédit Communal de Belgique in 1996 aimed at creating a universal bank on a European scale with, inter alia, the ambition to become the world leader in public finance. By pooling the respective domestic leaderships of the two founding institutions, Dexia was able to develop such a strategy most successfully.

Following the effective merger in 1999, Dexia has thus become one of the twenty largest banks in the euro zone (by market capitalization), and today it addresses two main markets:

- on a European scale, individuals, small and medium-sized enterprises and institutional clients;
- on a global scale, local public authorities, borrowers with a similar profile (hospitals, schools, social housing institutions and other institutions of the non-profit sector) and essential infrastructure project finance sponsors.

The alliance has fulfilled and even exceeded its initial ambitions. Dexia was able to expand all its activities in several directions: the product offer is now wide-ranging in the two markets it serves; the client base has been strongly developed both in number and type; lastly, the geographic scope of the Group is now much broader, with a presence in 33 countries.

Today, Dexia counts among the very few banking institutions which hold a global leadership position in one specific business (Public/Project Finance) whilst being a strong local retail player in some European countries: Belgium, Luxembourg, Slovakia and, since 2006, Turkey.

This presence gives Dexia a unique spread in terms of portfolio mix and geographic contributions to earnings. After a decade of existence, Dexia has not only increased its size – net income and market capitalization have quadrupled since inception – but it has also built a renowned worldwide franchise in the area of Public/Project Finance, a very strong regional presence in Personal Financial Services, and established its name very soundly on the financial markets.

- In the Public/Project Finance arena, Dexia can today engineer and execute all forms of transactions: long and short-term credit facilities, ranging from traditional to more sophisticated schemes; debt management services; credit enhancement of municipal bonds and asset-backed securities; arrangement and underwriting of infrastructure projects. As an illustration of the latter capability, Dexia is regularly listed among the "Top Ten" worldwide league of project finance players.
- In terms of international development, Dexia's presence has been dramatically enlarged, to a large extent in the United States following the acquisition of FSA in 2000, and also through several moves in European countries, and more recently in Canada, Mexico and Japan. The Group has constructed its presence in various ways, either through branches, wholly-owned subsidiaries or joint ventures.
- In Personal Financial Services, Dexia is today one of the three largest universal banks in Belgium and Luxembourg, and, through DenizBank, one of the six largest privately-owned banks in Turkey. In all the above markets, Dexia's position is significant in asset-gathering and lending.
- In the financial markets, the marriage of the two institutions has given Dexia a considerably greater visibility: the Group is one of the largest private issuers of long-term bonds and one of the very large counterparts in interest rate derivatives. The growing sophistication of the products offered to clients has developed a substantial business flow and revenue base for the Group.
- Initially established to support the commercial efforts of Dexia in its two main markets, some specialist subsidiaries have been successfully developed in the areas of Asset Management and Insurance Services. Their products show good performances and are sold both in the proprietary distribution networks of the Group and now more importantly through third party channels. In the area of Investor Services, Dexia has constructed a strong franchise in Europe which was brought into a joint venture with the Royal Bank of Canada a year and a half ago, to form RBC Dexia Investor Services. This young company already boasts a very high profile and global ranking among global institutions offering custodian and fund administration services.

The Dexia business model is today comparable to that of its European peers, with a spread of contributions from retail networks, institutional clientele, and capital market and specialist activities. Like any other bank, Dexia generates value on the strengths of its multi-million client base in Belgium, Luxembourg, Slovakia and Turkey, where it enjoys good market shares and offers "state of the art" products and services. But Dexia is also a unique player in the financial services industry, as the world leader in Public/Project Finance. In this area, its business model is in fact a combination of several business models: it can be a "retail" approach – as in Belgium and now Turkey – where the complete range of services is offered to local authorities and/or project finance sponsors; it can also be a "wholesale/investment banking" approach – as adopted in France, Italy or the United States – where only some products or services, with high added value, are offered to selected segments of the market.

This capacity to carry on the business in different ways gives Dexia a major competitive advantage in the deployment of its international strategy. For instance, Dexia has established successfully in Spain and Austria by establishing a joint, highly specialized, public finance subsidiary with a local retail bank which operates on the local market. In other cases, following an acquisition, Dexia wholly or partly owns a company conducting specialist activities (e.g. Dexia Crediop in Italy; FSA, a US major in the credit enhancement of municipal bonds; or Dexia Kommunalbank Deutschland – formerly Dexia HypothekenBank Berlin –, a holder and manager of German public authority funding instruments). Lastly, Dexia may own and directly operate a fully-fledged "bank of the municipalities", such as Dexia Banka in Slovakia, which operates a similar business model to that of Dexia Bank in Belgium.

Not only has Dexia all the means to deploy its strategy by applying the right business model in the right place, but its established experience in public finance has also allowed it, in many countries, to transform a "demand-side" market – where the products are quasi-commodities and where winning a transaction is only a matter of price – into a "supply-side" market where public finance customers are willing to discuss all possible solutions to their overall financial and risk management needs.

Dexia is organized in **business lines**, managed as profit centers for strategy, marketing, budgeting and reporting purposes.

• **Public/Project Finance and Credit Enhancement** covers the activities of Municipal Finance, Project Finance, Credit Enhancement and Corporate Lending. Municipal Finance consists of financing the needs of local public authorities or other public service organizations, in the form of direct loans, signed commitments, liquidity guarantees or the purchase of securities issued by customers. Dexia offers its clients an entire range of products – including structured loans as well as debt management – to optimize their debt portfolio profile and efficiency. As indicated above, Dexia is also one of the major players worldwide in Project Finance. Its approach is selective, in line with the Group's risk policy: priority is given to essential infrastructures (transportation, environment etc.) and the renewable energy sector. As one of the largest banks in Belgium, Dexia also supplies finance to corporate borrowers. Through its New York based AAA-rated subsidiary, Financial Security Assurance (FSA), Dexia insures municipal bonds and infrastructure deals, as well as asset-backed securities (ABS) essentially in pooled corporate, consumer loans and mortgage sectors.

• **Personal Financial Services.** The strategic focus of this segment is the distribution of its own products and services as well as those created in other business lines of the Group (primarily Dexia Asset Management, Dexia Insurance Services and Treasury and Financial Markets – TFM), to a clientele predominantly composed of individuals (including affluent and high net worth individuals, professionals and self-employed), as well as small and medium-sized companies. The largest part of this activity is conducted in Belgium and Luxembourg, and since 2006, in Turkey, all countries where a broad and comprehensive distribution apparatus exists. The networks, as they now stand in Belgium, stem from the integration of the Dexia Bank network and the BACOB/Artesia network acquired in 2001. The scaling-down objective set at that time for 2005 has been exceeded. The network now has 802 branches operated by independent agents, and 217 branches run by bank employees. The integration of Artesia Banking Corporation was aimed at releasing substantial cost synergies, and that target has been achieved and even exceeded. The business line also operates units outside Belgium and Luxembourg. These involve various types of approach and/or product focus.

The main areas are:

– **Turkey** where the Group owns a 99.8% participation in DenizBank, the sixth largest privately-owned bank in the country;

– **France** where the Group holds a 20% participation in Crédit du Nord, and Dexia Epargne Pension, a specialist life insurance business;

– **Switzerland** through Dexia Private Bank Switzerland;

– **Slovakia** through Dexia banka Slovensko a bank with 52 branches, which caters both for local public clients and the personal sector;

– **Spain** where Dexia holds a 40% participation in Popular Banca Privada, a private banking joint venture with Banco Popular.

• **Treasury and Financial Markets (TFM)** is a segment where the aim is in part to give support to the other business lines of the Group, and which is also partly run as a profit center in its own right. TFM provides short-term money market products and long-term funding for the Group, supporting the growth of the Group's balance sheet. Through permanent innovation, TFM teams also develop the offer of a large range of capital market products (fixed income, structured products based on interest rates and equity derivatives, foreign exchange, securitization) to customers of the commercial business lines (local authorities, corporate customers, retail and private clients, institutional investors, central banks, fund managers etc.).TFM also runs a securitization business, both on the American and the European markets. Lastly, TFM manages a bond portfolio (Credit Spread Portfolio), which contributes to ensuring a high level of liquidity for the Group and brings in a sizeable proportion of the business line's earnings.

• **Asset Management.** In this area, Dexia has successfully developed its own production capacity. In the first place this has related to mutual funds, considering the retail networks' growing demand for this kind of product, with increasing levels of sophistication. This expertise has then been extended to institutional investors, among Dexia's traditional clients – for instance public sector institutions – but also to other institutions such as pension funds, endowments and foundations, via a professional distribution sales force. Today, Dexia Asset Management is the organization where asset management skills are concentrated. It is a significant European player, with four production centers in Belgium, Luxembourg, France and Australia, and client coverage in these four countries plus Italy, Spain, Switzerland, Germany, Austria, the United Kingdom, the Scandinavian countries. Dexia Asset Management manages a complete range of products including equity, fixed income, money market and diversified funds. The company holds strong positions in specific areas such as alternative investment management and socially responsible investment funds. Products or mandates are distributed either through the various distribution channels (Retail and Private Banking networks, Public Finance customer base), through third party networks, or via its own pan-European sales force. More than half of the business comes from institutional mandates. Dexia Asset Management's main objective is to keep delivering outstanding performances in its product range (60% of Dexia Asset Management's products have been in the first two quartiles of sector peer group classification by Standard & Poor's over the last three years), whilst achieving superior productivity (one of the best in Europe), through a strict control of operating costs. Dexia Asset Management will continue to leverage on the Group's distribution networks, retail and private clients, public finance institutions, and will continue successfully to develop its activity towards institutional clients.

• **Insurance activities** occupy an important place in Dexia's business portfolio, with approximately 7.3% contribution to total revenues (excluding the business of FSA and Dexia Sofaxis, which are reported separately, within the Public/Project Finance business line, due to their specific nature). Insurance business is originated throughout the entire commercial organization, but mostly in Personal Financial Services (64% of the total premium amount collected), and the balance of premiums is collected among the institutional clients of the Public/Project Finance business line (16%), and from third party networks which distribute Dexia products among their own clients (20%); this latter part of the commercial production is reported in the Asset Management, Insurance and Investor Services segment; this is also the segment where the operational (administration, back office, IT), financial and statutory management of the insurance company units is conducted. Within Dexia, insurance activity is largely a life business (89% of the total premiums collected in 2006). Geographically, the majority of premiums are collected in Belgium (66%), and the balance comes essentially from France (mainly under the brand of "Dexia Epargne Pension"), and Luxembourg (mainly via "Dexia Life & Pensions").

• **Investor Services.** This business encompasses the custody and other administrative tasks relating to securities and funds. Through its joint venture with Royal Bank of Canada, RBC Dexia Investor Services, Dexia offers three types of services: custody and related services, central administration (fund bookkeeping, legal work, providing periodic valuations etc.), and transfer agent services (keeping registers and managing subscriptions and redemptions of fund shares). Dexia has long been a leading player in this industry in Europe owing to its premier position in the Luxembourg market, which is the second largest in Europe. Over the years, Dexia has developed a renowned expertise in the central administration and transfer agent businesses and is now a European leader in these two activities. Dexia has developed outside Luxembourg and now operates in many other European countries. In 2005, the joint venture with Royal Bank of Canada established one of the first global players in this area with over USD 2 trillion of funds under custody.

GROUP ORGANIZATION

BOARD OF DIRECTORS [1]

The Board of Directors of Dexia SA, chaired by Pierre Richard, defines, on behalf of all the shareholders and on the recommendation from or on the advice of the Management Board, the strategy and the general policy of the Dexia Group. It controls and orients the management of the Group and monitors risks. The Board also ensures that its obligations to its shareholders are properly met and accounts to the shareholders for the exercise of its responsibilities.

(1) The composition, competences, responsibilities, operation and compensation of the Board of Directors and its specialized committees as well as of the Management Board are described in detail in the chapter dealing with corporate governance in this Annual Report.

MANAGEMENT BOARD [1] – ORGANIZATIONAL STRUCTURE

At the beginning of 2006, Dexia put a new organizational structure in place with the aim, ten years after its creation, of strengthening the integration of the Group. This had a two-fold objective: to define the Group's strategy for the next ten years and to adapt its modes of operation in order to rally all staff members to the Group's mission, values and development plan.

At the end of the year, those objectives having been broadly achieved and Dexia being set to move to the next stages, the organizational structure was adapted, on three axes:

- a strong decision center at Group level, which ensures unity of command and speed in decision-taking without unnecessary intermediate management levels;
- robust local entities, close to their clients, active in the field, and with a clear mandate to implement Group strategy on the territory assigned to them;
- a framework which enables Dexia to make the best use of all the skills in the Group, wherever they are, without duplications.

Group Management Board

1 / Alain Delouis
2 / Bruno Deletré
3 / Hugo Lasat
4 / Claude Piret
5 / Marc Huybrechts
6 / Jacques Guerber
7 / Axel Miller
8 / Xavier de Walque
9 / Dirk Bruneel
10 / Rembert von Lowis

This evolution led, as from January 1, 2007, to the following organization.

Group Management Board

—

- **Axel Miller**
Chairman of the Management Board
Chief Executive Officer

- **Jacques Guerber**
Vice Chairman
General coordination, ALM Committee, Credit Committee and Sustainable Development

- **Xavier de Walque**
Chief Financial Officer
Supervision of Dexia Insurance Services

- **Rembert von Lowis**
Strategy and Development
Investor and Rating Agencies Relations

- **Dirk Bruneel**
Supervision of DenizBank, RBC Dexia Investor Services and Dexia Bank Nederland

- **Bruno Deletré**
Public/Project Finance and Credit Enhancement

- **Hugo Lasat**
Personal Financial Services (Retail and Private Banking)
Asset Management

- **Alain Delouis**
Treasury and Financial Markets

- **Claude Piret**
Risk Management

- **Marc Huybrechts**
Operations & IT

Group Executive Committee

—

The Management Board regularly meets in an enlarged formation, referred to as the Group Executive Committee, with the following executives.

- **Stefaan Decraene**
Chairman of the Management Board – Dexia Bank Belgium

- **Gérard Bayol**
Chairman of the Management Board – Dexia Crédit Local

- **Frank Wagener**
Chairman of the Management Board – Dexia Banque Internationale à Luxembourg

- **Guy Roelandt**
Chairman of the Management Board – Dexia Insurance Services

- **Naïm Abou-Jaoudé**
Chairman of the Executive Committee – Dexia Asset Management

- **Luc Auberger**
Head of the Finance Department, in charge of Accounting, Management Control and Mergers & Acquisitions

Lastly, the executives in charge of the five following functions at Group level report directly to the Chairman of the Management Board:

- **Nicolas Meire**
Head of Human Resources

- **Robert Boublil**
Head of Corporate Communication

- **Véronique Thirion**
General Auditor

- **Marie Bourlond**
Chief Compliance Officer

- **Olivier van Herstraeten**
Secretary General, in charge of Legal & Tax functions

Group Executive Committee

1 / Guy Roelandt
2 / Luc Auberger
3 / Frank Wagener
4 / Naïm Abou-Jaoudé
5 / Stefaan Decraene
6 / Gérard Bayol
7 / Alain Delouis
8 / Bruno Deletré
9 / Hugo Lasat
10 / Jacques Guerber
11 / Axel Miller
12 / Dirk Bruneel
13 / Xavier de Walque
14 / Rembert von Lowis
15 / Marc Huybrechts
16 / Claude Piret

MAIN ACTIVITIES AND EVOLUTION OF DEXIA IN 2006 AND THE BEGINNING OF 2007

2006

January

—

Finalization of the joint venture RBC Dexia Investor Services

Dexia and Royal Bank of Canada announce the finalization of the joint venture aimed at combining institutional investor services. RBC Dexia Investor Services offers an integrated range of products, including global custody, fund and pension administration, securities lending, transfer agent, analytics and other related services, to institutional investors worldwide.

RBC Dexia Investor Services appears in the Top Ten of world custodian banks, and employs 4,400 people in 15 countries on 4 continents.

Based in London, RBC Dexia Investor Services is the holding company which defines the strategic orientations and which supervises the two operating entities, RBC Dexia Investor Services Bank in Luxembourg and RBC Dexia Investor Services Trust in Canada.

Sale of private banking activities in the United Kingdom

As a part of its policy of concentrating its private banking activities in certain on-shore and off-shore markets where the Group already has a sound footing, Dexia transfers its UK private banking activities and signs an agreement with Rathbone Investment Management Limited (a fully-owned subsidiary of Rathbone Brothers Plc). The transaction was finalized in April 2006.

March

—

Structuring of the finance for the main hospital in the Madrid region

For the first time in Spain, finance of EUR 222.6 million for the Puerta de Hierro hospital has been structured in the form of a Private Finance Initiative (PFI). Dexia Sabadell is one of the co-arrangers of this finance.

After structuring the biggest PPP in the history of the Spanish banking system in 2005 (financing the Madrid Ring Road), Dexia Sabadell again plays a leading role in structuring the first PFI in Spain. Dexia Sabadell thus confirms its position as market leader in Public/Private Finance models.

Financing the Golden Ears Bridge in Canada

Three months after the opening of its branch in Canada, Dexia Crédit Local signs to finance the Golden Ears Bridge in British Columbia. This finance consists of an enhanced principal debt of CAD 963 million (EUR 687 million), as well as a bridging loan on the capital in an amount of CAD 52 million (EUR 37 million).

Dexia is one of the two banks selected to arrange this finance and also acts as credit agent. This operation is one of the biggest PPP financing deals so far in Canada for a "green field" project.

Sale of the holding in Créatis

Dexia announces the sale of its 25% holding in Créatis to Cofidis, subsidiary of 3 Suisses International Group. The activities of Créatis, a French specialist in structured loans to individuals operating through a network of business providers, no longer fall within the strategy followed by Dexia.

Arrangement of a bond issue to refinance a PPP project in Hungary

Dexia Capital Markets acts as lead arranger for a bond issue of EUR 212 million to refinance a PPP road project in Hungary, for the project company M6 Duna. The refinance has an unconditional and irrevocable payment guarantee granted by Financial Security Assurance (FSA), giving it a rating of Triple-A. It is the first enhanced bond issued ever put in place to finance a project in Central Europe.

May

—

Acquisition of DenizBank in Turkey

Dexia acquires a majority holding in the Turkish bank DenizBank by signing a purchase agreement with Zorlu Holding in relation to 75% of the capital of DenizBank, for a total amount of USD 2.4 billion.

This acquisition is a remarkable opportunity for Dexia in a major banking market which is developing rapidly, given that DenizBank has both the size (tenth bank in Turkey, and sixth privately-owned bank) and the positioning (sustained universal and commercial activities, existing activities in project finance) sought by Dexia. With approximately 1.9 million retail clients, important niches in the SME and large company segments (sectors of health, agriculture, tourism, energy and so on), the bank constitutes the best possible platform from which to develop Dexia's strategy in Turkey.

June

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Transfer of the activity of Flexia

Dexia transfers the activity of Flexia to Winterthur Group Belgium.

The Dexia strategy for development of its insurance activity on the Belgian market relies on the distribution of insurance products via the banking network of Dexia Bank Belgium, the network of exclusive DVV Insurance advisors and the direct insurer Corona Direct. Flexia, which markets its insurance products through brokers, does not fall within that strategy anymore.

July

—

Dexia positioning in Romania

Dexia decides not to lodge a bid for a holding in the capital of the Romanian bank CEC and informs the Romanian authorities of this.

This market, which Dexia considers extremely promising in view of its growth prospects and its entry into the European Union (particularly in the field of financial services to the local public sector and project finance), will be developed directly from the Dexia establishment in Bucharest.

September

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Dexia Crédit Local obtains ISO 9001 certification

Dexia Crédit Local obtains an ISO 9001 certificate, and thus becomes the first bank on French territory to be certified for all its activities in that country. This certification fits perfectly into the dynamics of Dexia, which considers client satisfaction and operational risk management to be the drivers of its strategy.

Capital increase successfully concluded

On September 6, Dexia launches a capital increase as part of its plan to finance the acquisition of DenizBank (see above), by the issue of new ordinary shares placed with institutional investors via an accelerated book build offering.

This transaction is successfully closed the same day, as a consequence of significant demand from institutional investors. Dexia thus places 62,176,166 new shares with institutional investors at a price of EUR 19.30 per share; the offer enables Dexia to gather an amount of EUR 1.2 billion.

Strategic review – Moving forward into the next 10 years

On September 26, Dexia presents its strategy and ambitions for the next ten years. Its future will be built on two pillars:

Dexia intends, on a ten-year horizon and on an autonomous basis, to post an income growth in the order of 10% per annum.

• the development of its universal banking activity beyond its traditional markets, in order to become a top-level European operator; and

• further anchoring Dexia's position as world leader in Public/Project Finance, through the continuation of its geographic expansion, based on a range of innovative and varied products.

For more information on this strategic review, see the section of this annual report entitled "Strategy".

October

—

Transfer of Banque Artesia Nederland

Dexia signs an agreement with GE Commercial Finance with a view to transferring 100% of its subsidiary Banque Artesia Nederland. This institution has an international reputation, in particular in the field of loans to large and medium-sized companies.

The transfer of Banque Artesia Nederland, which is finalized in December 2006, falls within the context of assessing the Dexia portfolio of activities and strategy.

Opening of a new branch in Germany

Dexia Asset Management opens a branch in Frankfurt. In Germany, fund manager attention is focused on sustainable portfolios, pension funds and funds managed according to quantitative models for institutional and individual investors. The opening of this branch also provides a platform for a new dynamic of growth towards Central and Eastern Europe.

Creation of Dexia Public Finance (Switzerland)

Through its subsidiary Dexia Crédit Local, Dexia creates Dexia Public Finance (Switzerland), a foreign bank representation in Switzerland specializing in local public sector finance.

Dexia Public Finance (Switzerland) offers finance products from the Dexia Group to Swiss public corporations (communes and cantons) as well as institutions of which they are shareholders or guarantors (municipal and cantonal enterprises, cantonal banks), or even companies under Private Law involved in local public sector projects.

EUR 500 million issue of Tier 1 hybrid capital

Dexia successfully launches the issue of indefinite-term subordinate securities responding to the conditions for qualification as Tier 1 equity funding for an amount of EUR 500 million. The issue product is directly re-loaned in the form of Tier 1 capital to the Group's banking subsidiaries.

This issue forms part of the Dexia finance plan for acquisition of DenizBank.

November

—

Financing the acquisition of the first British harbor company

Dexia acts as one of the four lead arrangers for the financing to acquire the company Associated British Ports, a leading harbor company in the United Kingdom, by a consortium of financial investors.

A senior debt of GBP 2.37 billion (approximately EUR 3.6 billion) was arranged on this occasion and subscribed by the four lead arrangers including Dexia Crédit Local. The transaction was successfully syndicated with a total of 31 banks.

Obtaining a banking license in Japan

The Japanese banking regulator FSA (Financial Services Agency) grants a banking license to the branch of Dexia Crédit Local located in Tokyo. The decentralization currently taking place in Japan will give greater power and responsibility to Japanese local authorities in the management of their finances. Dexia intends constantly to develop its activity providing financial services and project finance to the public sector in Japan through its banking subsidiary.

Structuring the biggest underground railway finance ever realized in Spain

Jointly with three other banks, Dexia Sabadell structures the finance of 142 trains (for a total amount of EUR 1.2 billion) to serve the network in Madrid and its surrounding region.

December

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Opening of an information office in Bahrain

Dexia Asset Management confirms its strategy of growth towards the Middle East by officially opening its information office in the Kingdom of Bahrain. This new office in the Middle East covers nine countries: Lebanon, Jordan, Egypt and the Gulf Cooperation Council consisting of Saudi Arabia, Bahrain, the United Arab Emirates, Kuwait, Oman and Qatar.

Evolution of the Dexia Group organizational structure

In 2006, Dexia put a new organizational structure in place, aimed ten years after its creation at strengthening the integration of the Group. One year later, Dexia is in a position to move on to the next phase in the evolution of its organizational structure (which will be implemented from January 1, 2007), based on three axes:

- a strong decision center at Group level;
- sound local entities close to clients on the ground; and
- a framework which enables it best to capitalize on all the skills present within the Group.

For more information on the evolution of the organizational structure, see the section of this annual report entitled "Group organization".

Entry into exclusive discussions concerning Dexia Banque Privée France

Dexia and BNP Paribas enter into exclusive discussions concerning a plan to transfer Dexia Banque Privée France, which is a 100% subsidiary of Dexia BIL, offering private banking services to private and associative clients.

These discussions take place after the announcement by Dexia of a study into the various strategic options open with regard to the future of Dexia Banque Privée France as a part of the ongoing assessment of its portfolio of activities and its policy of focusing on some of them.

Success of the compulsory bid for the shares of DenizBank

Following the purchase of 75% of the shares of DenizBank from Zorlu Holding (see above), a compulsory bid is launched for the remaining shares of DenizBank listed on the Istanbul Stock Market. The majority of shareholders having responded in favor of the bid, the Dexia holding rose to 99.74% when the bid closed.

First public securitization transaction of enhanced infrastructure bonds

Dexia successfully completes a synthetic securitization transaction of enhanced bonds. This is the first ever public securitization of enhanced infrastructure bonds. The securitized portfolio comprises 7 bonds issued in relation with PFI projects and 21 bonds issued by regulated utilities in the water, electricity or gas sectors. The total amount of the securitized portfolio is GBP 1.47 billion (approximately EUR 2.19 billion).

CORPORATE GOVERNANCE

INTRODUCTION
THE CORPORATE GOVERNANCE CHARTER OF DEXIA SA

The Belgian code on corporate governance (hereinafter the "Lippens Code"), which replaces the recommendations of the Banking, Finance and Insurance Commission, the Federation of Enterprises of Belgium and Euronext Brussels, became effective on January 1, 2005. The Lippens Code includes nine mandatory principles for listed companies. Dexia, which has always placed an emphasis on corporate governance, intends to comply with these nine principles.

During its meeting on February 3, 2005, the Board of Directors of Dexia SA established a "corporate governance sub-committee", composed of directors of Dexia SA, who are responsible for assessing and formulating proposals pertaining to the various corporate governance topics addressed by the Lippens Code, and for considering appropriate modifications to the existing situation at Dexia SA.

The work of this committee resulted in the development of a corporate governance charter, internal rules for the audit committee and a revision of the internal rules of the Board of Directors and the Management Board.

During its meeting on March 1, 2007, the Board of Directors of Dexia SA altered its internal rules primarily in order to reflect the actual assessments and specific proposals arising from the Board's self-assessment process in 2006, which was conducted with the assistance of an external consultant. This part of the charter also describes the competencies of the departments which were created on January 1, 2006 at Group level and are exercised by Management Board members since January 1, 2007, and of central functions within Dexia SA.

The Corporate Governance Charter of Dexia SA (hereinafter, the "Charter") provides a detailed review of the principal aspects of the company's governance. This document, which the Board of Directors wanted to be complete and transparent, contains 5 sections. The first section deals with the structure and organizational chart for the Dexia Group. It also provides a brief review of the Group's history since it was established in 1996. The second section describes Dexia's corporate governance structure, and includes all necessary information concerning the composition, characteristics and operating modes of the decision-making entities, which consist of the Ordinary Shareholders' Meeting, the Board of Directors and the Management Board. The internal rules of the Board of Directors and the Management Board are also provided in their entirety. The third section discusses the shareholders and the Dexia share. It describes Dexia's relations with its shareholders and summarizes the features of Dexia capital and shares. The fourth section summarizes the control exercised over and within the Dexia Group. The "internal control" portion of this section contains information on the internal audit, ethics and compliance, and the report of the Chairman of the Board of Directors concerning the operations of the Board of Directors and the internal control procedures implemented by the company. The "external control" section deals with the Board of the Statutory Auditors and the protocol concerning prudential management of the Dexia Group signed with the Banking, Finance and Insurance Commission. The final section of the Charter describes

Dexia's compensation policy for directors of the company and members of the Management Board. Several elements of the Corporate Governance Charter are restated, as recommended by the Lippens Code, in this chapter of the annual report of Dexia SA.
In accordance with the Lippens Code, the Charter has been posted on the company's website (*www.dexia.com*) since December 31, 2005 and is updated on a regular basis.

SHAREHOLDERS RELATIONS

SHAREHOLDERS' BASE

The major shareholders of Dexia SA as of December 31, 2006 are as follows:

Name of shareholder	Percentage of existing shares of Dexia SA held as of December 31, 2006
Arcofin	17.52%
Holding Communal	16.44%
Caisse des dépôts et consignations	11.82%
Ethias Group	6.36%
CNP Assurances	1.98%

As of December 31, 2006, Dexia SA held, directly and indirectly, 0.04% of treasury shares. Employees of Dexia SA owned 4.27% of the company's equity.
As of the same date, and to the company's knowledge, no individual shareholder, with the exception of Arcofin, Holding Communal, Caisse des dépôts et consignations and Ethias Group held more than 3% of Dexia SA.
As of December 31, 2006, the directors of Dexia SA held 116,755 shares of the company.

RELATIONS AMONG SHAREHOLDERS

Dexia is not aware of any agreements linking its shareholders or of any concerted activities among them.

RELATIONS WITH SHAREHOLDERS

Dexia is attentive to the quality of its relations with both individual and institutional shareholders. These relations are a priority for the Group, which wants to strengthen dialogue and transparency in relations with shareholders.

Relations with individual shareholders

Over the years, Dexia has developed a rigorous, regular and interactive system for providing information to individual shareholders. This system is based on the European club for individual shareholders and the European advisory committee for individual shareholders, who can also take advantage of a call center and the dedicated tabs on the website, which are updated on a real time basis.

The European club for individual shareholders

The European club for individual shareholders today has nearly 16,000 members, primarily Belgian and French shareholders. The club is a center for the distribution of the financial information to shareholders who want to follow the evolutions in the Group through the publications and documents designed specifically for them. Registration for the European Club of Dexia shareholders can be made by telephone, e-mail or through the website *www.dexia.com.*

Meetings with individual shareholders

Dexia regularly meets with its shareholders to discuss the businesses, the Group's strategy, its results and financial outlook. In 2006, Pierre Richard and Axel Miller presided over a shareholders' meeting on May 11 in Paris. Axel Miller also met with shareholders in the Lille area, during a panel forum organized in partnership with a major investment publication.
Together with other companies, Dexia also participated in meetings organized by the Fédération française des clubs d'investissement and the Cercle de liaison des informateurs financiers en France, which allowed it to meet numerous shareholders in Lille, Clermont-Ferrand, La Rochelle and Nice.
Together with other partners, primarily investment publications, and following the same approach, Dexia met with many shareholders in Rouen, Toulouse, Nantes, Bordeaux, Marseilles, Tours and Lyon. Dexia is also present at Actionaria in Paris every year. This important exposition, which is designed for savers and held in Paris, attracts over 35,000 visitors over a 2-day period and gives Dexia the opportuinty to engage in direct dialogue with its shareholders.

Information media

Three times a year, Dexia publishes a letter to shareholders in French and Dutch. Individual shareholders are thus regularly updated on developments within the Group and its current situation, and receive information on financial results in addition to the reports made to the Shareholders' Meetings of Dexia SA.
The letters to shareholders are sent to club members and to shareholders who request it. They are also available on the website.
Dexia's annual report is available in three languages: French, English and Dutch. Dexia also publishes a financial notice on its quarterly, half-year and annual results on its website *(www.dexia.com)*.

Dexia SA Shareholders' Meeting

The Ordinary Shareholders' Meeting, a high point of the company year, benefits from a special information system: in official notices published in the *Belgian Gazette* in Belgium, and in the legal announcement bulletin, the *BALO*, in France; in notices published in the national press media in Belgium and France; with information provided by the toll-free number; in a notice of meeting available in English, French and Dutch that can also be downloaded from the internet.
Shareholders' meetings are broadcast live on the internet, allowing shareholders who cannot attend to follow the debates and resolutions at the meetings.
As requested by the Belgian Company Code, the level of shareholding for the submission of proposals during a shareholders' meeting by a shareholder is 20%.

The internet site (*www.dexia.com*)

With 64,500 visitors per month, a 33% increase from 2005 levels, *www.dexia.com* strengthened its role as a major source of information on the Dexia Group for individual shareholders, journalists and institutional investors. The site is practical in structure, giving quick access to all information on the life of the Group, its activities, its latest news, a list with prices and values of all the Group's investment funds and ethical funds, and the Dexia share price.
During 2006, there were more than 46,000 visitors to the "You are a shareholder" section, with visits up approximately 33% compared to 2005.
The site provides access to the Group's main publications such as annual and quarterly reports, as well as press releases, information letters to shareholders, and daily and monthly reports on the Dexia share.
In French, Dutch and English, the trilingual Dexia site is consulted for the most part by European surfers, principally Belgian and French.

The European Advisory Committee of Individual Shareholders

Created in June 2001, Dexia's European Advisory Board of Individual Shareholders took over from the shareholders' advisory board of Dexia France, formed in 1997. Its composition reflects the Group's European identity: the committee is composed of four shareholders from Belgium, five shareholders from France and three shareholders from Luxembourg.
Its role is to advise the Group in its communication policy with regard to individual shareholders.
The Advisory Committee met two times in 2006 to review the Group's results. The Committee was strongly urged to comment on the new edition of the *Individual Shareholder Guide* that was issued during that year. Each year, one of the Committee's members participates in the Ordinary Shareholders' Meeting and reports on the Committee's activities over the past year.

Telephone information service for shareholders

The service is available in France free of charge at 0800 35 50 00, Monday through Friday from 9:00 AM until 7:00 PM. Shareholders regularly make use of it for questions relating to the share price, the tax status of Dexia shares, dividend amounts and method of taxation, VVPR strips and the Ordinary Shareholders' Meeting of Dexia SA.
As from 2007, a bilingual (French-Dutch) toll-free number for shareholders in Belgium and Luxembourg is available at 00 800 33 942 942 (only from a fixed telephone line).

Relations with institutional shareholders

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Relations with institutional shareholders, who hold about 30% of the capital, are extremely important to Dexia. For this purpose, the Investor Relations department deploys a team based partly in Brussels and partly in Paris, which is specifically responsible for relations with investors and analysts.

Regular information channels

In 2006, Dexia organized an important meeting in Paris for analysts and investors of all nationalities; the goal of this meeting, 10 years after the creation of Dexia, was not only to provide information on the last decade's activities, but also to outline the Group's outlook over 3, 5, and 10 year time horizons.
During the year, Dexia regularly publishes information through quarterly and annual activity reports, theme presentations and press releases on the business, financial results and Group news. All this information is available as from publication on the website *www.dexia.com* on the page "You are an Investor". It can also be obtained by e-mail.
In 2006, there was a wealth of financial news from Dexia, which resulted in the preparation of 69 publications, including 4 activity reports, 34 ad hoc presentations and 31 press releases.

Contact with institutional shareholders

After each presentation of results or in other circumstances, information meetings are organized throughout the world with the major institutional investors, who can then ask questions about the Group's results or strategy directly to the members of the Management Board or Dexia's management.
In 2006, the Management of the Group, assisted by the Investor Relations team, met several hundred investors in 17 countries and 20 cities.

CIRCULAR FMI/2003-02 FROM THE BANKING, FINANCE AND INSURANCE COMMISSION

A Royal Decree of March 31, 2003 "concerning the obligations of issuers of financial instruments listed for trading on a Belgian regulated market" stipulates the obligations of issuers with regard to the information to be provided to the public and their obligations to holders of financial instruments. In July 2003, the Banking, Finance and Insurance Commission published a circular explaining and interpreting this Royal Decree.

The decree and the circular had a certain number of practical implications for Dexia SA, particularly Dexia's choice to use its internet site to meet its obligations to publish the information stipulated by the decree and the circular.
In making this choice, Dexia SA made a commitment to meet several conditions, particularly the creation of a distinct section on the website reserved for the financial information stipulated in the circular.
Maximum use of the website for the communication of the mandatory financial information is one component of Dexia's policy to ensure transparency for its shareholders and institutional investors. Information required by Circular FMI/2003-02 of the Banking, Finance and Insurance Commission appears under the "Legal Information" tab on Dexia's website. This same policy of transparency for shareholders and institutional investors is also found in the Dexia SA Corporate Governance Charter.

COMPLIANCE WITH CURRENT LEGISLATIONS

As a company under Belgian law, whose shares are listed for trading in Belgium, France and Luxembourg, Dexia ensures compliance with the principle of equality among shareholders and respect for its legal and regulatory obligations to provide periodic and regular information.

MANAGEMENT OF THE DEXIA GROUP

INTRODUCTION: GROUP ORGANIZATION

The organization of the Dexia Group is described in the chapter Group Presentation in this annual report (see page 19).
The Board of Directors of Dexia SA

Composition of the Board of Directors (as of December 31, 2006) [1]

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The bylaws of Dexia SA stipulate that the Board is composed of between sixteen and twenty directors.
As of December 31, 2006, the Board of Directors is comprised of 18 members. The Board of Directors of Dexia SA reflects the Group's European identity: i.e. five nationalities are represented at Board level. The composition of the Board also reflects the Franco-Belgian statutory character of Dexia SA. Indeed, the Board has as many Belgian members as it has French members. And each nationality represents at least one third of the Board.

NAME	SPECIALIZED COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
PIERRE RICHARD 65 years old French Director since 1996 Holds 25,710 Dexia shares	Chairman of the Strategy Committee, member of the Compensation Committee and of the Appointments Committee	**2006-2010**	Chairman of the Board of Directors, Dexia SA	Director: • Air France/KLM, Le Monde,Generali France, EDF Energies nouvelles, Crédit du Nord (departure in Febuary 2007) • Companies belonging to the Dexia Group (Dexia Bank Belgium, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg)	Graduate from Ecole Polytechnique and Ecole nationale des Ponts et Chaussées. General Director for Local Governments, French Ministry of the Interior from 1978 to 1982. Deputy Managing Director of the Caisse des dépôts et consignations from 1983 to 1993. Chairman of Crédit local de France from 1987 to 1996. Co-Chairman of the Dexia Group from 1996 to 1999. Between 1999 and 2006, Chairman of the Management Board and Chief Executive Officer of Dexia SA. Since January 2006, Chairman of the Board of Directors, Dexia SA.
AXEL MILLER 41 years old Belgian Director since 2006 Holds 100 Dexia shares	Member of the Strategy Committee and of the Appointments Committee	**2006-2010**	Chief Executive Officer and Chairman of the Management Board of Dexia SA	Director: • Ethias Vie (until January 2007), Crédit du Nord, Director of the "Raad van Commissarissen" of LVI Holding NV (Carmeuse group) • Companies belonging to the Dexia Group (Dexia Bank Belgium, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Financial Security Assurance Holdings Ltd)	Law degree. After a 14-year career as a lawyer specialized in financial law, mergers and acquisitions and in international commercial law, he joined the Dexia Group in 2001 as General Counsel. Member of the Management Board of Dexia Bank Belgium in January 2002, he became Chairman of the Management Board of Dexia Bank Belgium and head of Personal Financial Services in January 2003. He became Chief Executive Officer of Dexia SA on January 1, 2006.

(1) Article 2 of the Law of August 6, 1931 (Belgian Gazette of August 14, 1931) forbids ministers, former ministers, and State ministers, as well as the members or former members of Legislative Assemblies to mention their status as such in acts and publications of profit-making companies.

NAME	SPECIALIZED COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
GILLES BENOIST *Independent director* 60 years old French Director since 1999 Holds 300 Dexia shares	Chairman of the Audit Committee	**2006-2010**	Chairman of the Management Board, CNP Assurances	Member of the Management Board: • Groupe Caisse des dépôts	Law degree. Graduate of Institut d'Etudes Politiques and student of Ecole nationale d'administration. He became in 1987 member of the Management Board and Secretary-General of Crédit Local de France as of 1987. Then Secretary-General Member of the Executive Board of Caisse des dépôts et consignations from 1993 to 1998.
RIK BRANSON 62 years old Belgian Director since 2001 Holds no Dexia shares	Member of the Strategy Committee and of the Appointments Committee	**2006-2010**	Chairman of the Management Board, Arcofin	Chairman of the Management Board: • Arcopar • Arcoplus • Auxipar Censor: • National Bank of Belgium	Graduate degree in economics. Several functions at the Regional Investment Company of Flanders from 1980 to 1989. Joined the Arco Group in 1989, Chairman of the Management Board as of 1992.
GUY BURTON 58 years old Belgian Director since 2001 Holds 2,000 Dexia shares	Member of the Compensation Committee	**2003-2007**	Chief Executive Officer and Chairman of the Management Board, Ethias	Chairman of the Board of Directors: • Union des associations d'assurance mutuelle • Nateus • NRB (Network Research Belgium) • AME LIFE LUX • MNEMA ASBL	Law degree. Joined Société mutuelle des administrations publiques (now Ethias) in 1974; Secretary-General in 1991; Chief Executive Officer in 1995.
ANNE-MARIE IDRAC *Independent director* 55 years old French Director since 2004 Holds no Dexia shares		**2004-2008**	Chairwoman of SNCF	Member of Conseil économique et social (France)	Graduate of the Institut d'Etudes politiques de Paris. Law degree. Former student of ENA. Director of Land Transport at the Ministry of Equipment, Transport and Tourism (from 1993 to 1995). State Secretary for Transport (from 1995 to 1997). Deputy for the Yvelines region. Elected to the Regional Council of Ile-de-France. Retired from her political mandates in order to be named Chairwoman and CEO of RATP in 2002. Appointed chairwoman of SNCF in July 2006.
FABIO INNOCENZI *Independent director* 45 years old Italian Director since 2006 Holds 500 Dexia shares		**2006-2010**	Chief Executive Officer of the Banca Popolare di Verona e Novara	Vice Chairman: • Credito Bergamasco • Banca Aletti & C. • Banca per il Leasing Italease Member of the ABI (Associazione Bancaria Italiana)	Fabio Innocenzi is the Chief Executive Officer of Banca Popolare di Verona e Novara. He is also Vice-Chairman of Credito Bergamasco, of Banca Popolare di Novara, of Banca Aletti & C and Banca per il Leasing Italease.

NAME	SPECIALIZED COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
DENIS KESSLER *Independent director* 54 years old French Director since 1999 Holds 15,285 Dexia shares	Member of the Strategy Committee	**2006-2010**	Chairman and Chief Executive Officer, SCOR	Chairman: • SCOR Global Life (ex SCOR Vie) • SCOR Global P&C • SCOR Life US Re Insurance Company (US) • SCOR Reinsurance Company (US) • SCOR US Corporation (US) • SCOR Italia Riassicurazioni S.p.A. (Italy) Director: • BNP Paribas. • Bolloré Investissement • Dassault Aviation • Cogedim SAS • AMVESCAP Plc (UK) • SCOR Canada Reinsurance Company	University Professor of Economics and Social Sciences, Doctor of Economics, graduate of the Ecole des Hautes Etudes Commerciales. Today he is a member of the Economic and Social Council, the Council of the Association of Geneva, the Insurance Company Committee, the National Economic Commission and the Medical Research Foundation and Global Advisor of the Conference Board.
SERGE KUBLA 59 years old Belgian Director since 2005 Holds no Dexia shares		**2006-2010**	Burgomaster of Waterloo	Director: • IP Trade • ASBL "Les Amis du Musée Wellington"	Solvay business school (partial cycle: three years out of four). Burgomaster of Waterloo since 1982. He is currently active in national politics.
ANDRÉ LEVY-LANG *Independent director* 69 years old French Director since 2000 Holds 38,000 Dexia shares	Chairman of the Appointments Committee and member of the Audit Committee	**2006-2010**	Associate Professor, Université Paris-Dauphine	Director: • AGF • Schlumberger Ltd • SCOR Member of the Supervisory Board: • Paris Orléans	Graduate of Ecole Polytechnique. Ph.D. in Business Administration from Stanford University. Former Chairman of the Supervisory Board of Paribas, Associate Professor at Université Paris-Dauphine and company director.
BERNARD LUX 57 years old Belgian Director since 2005 Holds no Dexia shares		**2005-2009**	Rector-Chairman of the Université de Mons	• Lecturer at the Warocqué faculty of Economic Sciences, in charge of strategic management and human resource management courses • Chairman of the Board of Directors of WHESTIA • Member of the Board of Directors and of the Compensation Committee of SOGEPA • Member of the Board of Directors and Chairman of finances and human resources at SWL • Federal member of the Conseil supérieur de l'emploi	PhD in applied economic sciences, author of studies and scientific articles.

NAME	SPECIALIZED COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
DOMINIQUE MARCEL 51 years old French Director since 2005 Holds no Dexia shares		**2006-2010**	• Director of Finances and Strategy at the Caisse des dépôts et consignations • Finance Director of Groupe Caisse des Dépôts • Member of the Management Board of the Caisse des dépôts et consignations	• Chairman of the Supervisory Board of the Compagnie des Alpes • Chairman of Financière Transdev • Director of Accor, Icade and Transdev • Member of the Supervisory Board of the CNP, the Société nationale immobilière and the Caisse nationale des Caisses d'Epargne (CNCE) • Other posts in the companies of the Dexia Group: Vice-Chairman of the Supervisory Board of Dexia Crédit Local	Degree in politics and economics, former student of the ENA. After occupying various posts in the Treasury Department, Dominique Marcel was Economic Advisor to the President of the Republic, Director of the Cabinet of the Ministry of Labour and Solidarity from 1997 to 2000, Deputy Director of the Cabinet of the Prime Minister from 2000 to 2002; Inspector General of Finances; and since 2003 Director of Finances and Strategy for the Caisse des dépôts et consignations, Finance Director of the Group Caisse des Dépôts and member of the Management Board of the Caisse des dépôts et consignations
JAN RENDERS 57 years old Belgian Director since 2001 Holds no Dexia share		**2004-2008**	Chairman of ACW	Chairman of the Board of Directors: • HIVA (Hoger Instituut voor de Arbeid) • Arcopar • Arcofin Member of the Management Board: • IDEWE (Externe Dienst voor Preventie en Bescherming op het Werk) • IBEVE (Instituut voor Bedrijfsveiligheid) Chairman of the Management Board: • Huis van de Arbeid	BA in sociology. He started his career in 1972 as advisor in the research department of ACV. From 1990 to 1997, he was national secretary of ACW. In 1997 he became deputy general-secretary of ACW. He was appointed general chairman in 2002.
GASTON SCHWERTZER *Independent director* 74 years old Luxembourer Director since 1999 Holds 30,660 Dexia shares		**2006-2010**	• Law PhD • Company director • Chairman of Luxempart • Chief Executive Officer Audiolux	Chairman: • Luxempart • Foncier et Participations (previously Sichel) • Presta-Gaz • Luxempart Energie • Energus • Socipar • Orchimont • Immobilière Ville Haute Director: • Société électrique de l'Our • Foyer Finance • Dexia Banque Internationale à Luxembourg • TRIEF Corporation (Groupe Wendel) • Winvest Sicar (Wendel) • Centre Bourbon • Immobilière de l'Alzette	Career in the gas industry and active in real property projects in Luxembourg. Director of Dexia BIL since 1984. Cofounder of BIL Participations (now: Luxempart). Honorary Consul of the Republic of Nicaragua.

NAME	SPECIALIZED COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
ANNE-CLAIRE TAITTINGER *Independent director* 57 years old French Director since 2001 Holds 1,000 Dexia shares	Chairwoman of the Compensation Committee	**2001-2007**	Member of the Supervisory Board: • Carrefour Member of the Supervisory Board and of the Strategy Committee: • Club Méditerranée	Director: • Baccarat Senior Advisor of Wefcos-Women's Forum	Graduate of the Institute of Political Studies in Paris, Master of Urban Sociology, Higher Diploma in Urban Planning from the Advanced Business Centre. Member of the Supervisory Board of the Carrefour group and the Club Méditerranée group, she was chairman of the Management Board of the Groupe du Louvre and she held the post of Managing Director of the Groupe Taittinger, when there was a splitting of the posts of Chairman and Managing Director until 2006, after assuming various operational responsibilities within those two groups at the same time as posts in the holding company. She also assumed executive responsibility for the Baccarat group from 1993 to 2006.
MARC TINANT 52 years old Belgian Director since 2001 Holds 100 Dexia shares	Member of the Audit Committee	**2006-2010**	Member of the Management Board: • Arcofin	Member of the Management Board (Executive Director): • Arcoplus • Auxipar • Arcopar Chief Executive Officer and Vice Chairman of the Board of Directors: • EPC Director: • Retail Estates (Sicafi listed in Brussels) • SRIW (Société régionale d'investissement de Wallonie)	Graduate and Master's degree in economics. Before joining the Arco Group in 1991, he was General Adviser to the Management Board of the Walloon Regional Investment Company.
SIR BRIAN UNWIN *Independent director* 71 years old British Director since 2000 Holds no Dexia shares	Member of the Compensation Committee	**2006-2010**	Chairman of Assettrust Housing, Limited	• Chairman of the European Center for Nature Conservation • Director of the English National Opera Company • Director of the Federal Trust for Education & Research	Studied at Oxford and Yale. Former diplomat, also worked for the Chancellor of the Exchequer and on the Prime Minister's staff in the United Kingdom. Chairman of the European Investment Bank in 1993; Honorary Chairman in 2000.
FRANCIS VERMEIREN 70 years old Belgian Director since 2004 Holds 1,700 Dexia shares	Member of the Strategy Committee and of the Appointments Committee	**2005-2009**	Burgomaster of Zaventem	Chairman of the Board of Directors: • Holding Communal • Publi-T Director: • Elia • Asco Industries	Former insurance inspector. Former manager of a tax office. Now active in politics at a national level.
OBSERVER: FRANK BEKE 60 years old Belgian Observer since 2001 Holds 1,400 Dexia shares		**2002-2006**	Burgomaster of Ghent	Director of Dexia Bank Belgium (until December 31, 2006)	Graduate degree in philology and communication sciences. Was municipal councilor and alderman before being Burgomaster of Ghent from 1995 to the end of 2006.

Eligibility criteria

The internal rules of the Board of Directors stipulate that directors are elected by the shareholders' meeting because of their expertise and the contribution they can make to the administration of the company.
In this context, the Appointments Committee created within the Board is responsible for establishing profiles of expertise that will be reviewed on a regular basis to take into account changes in the Dexia Group and its businesses.
Any member of the Board of Directors must have the time required to perform his obligations as a director.
Non-executive directors may not hold more than five directorships in publicly-traded companies.

Procedure for appointing and assessing members of the Board of Directors

Appointment

The Appointments Committee is responsible for proposing to the Board of Directors the appointment of a new director. It submits a detailed report to the Board on the factors that justify this recommendation.
For this purpose, the Appointments Committee reviews the candidates' expertise, knowledge and experience. The candidate attends an interview conducted by the members of this committee or a delegation of committee members.

Assessment

Every year, the Board of Directors conducts a self-assessment of its operation which is conducted by the Chairman of the Board of Directors. This self-assessment process may also be carried out by an external consultant, as was the case in 2006. During this process, the issue of each director's contribution to the Board's activities is also assessed.
The Lippens Code also states that the non-executive directors of a company should assess their interaction with executive management on a regular basis, and meet at least once a year without the Chief Executive Officer and the other executive directors. The non-executive members of the Board of Directors of Dexia SA discussed this matter, in the absence of the Chief Executive Officer, when the Board met on March 2, 2006, in connection with setting the Chief Executive Officer's compensation for the 2005 fiscal year (variable portion) and for the 2006 fiscal year (fixed compensation, setting the system for calculating the Chief Executive Officer's variable compensation in 2006, and the distribution of stock options in 2006).

Changes in the composition of the Board of Directors of Dexia SA in 2006

The significant changes that occurred during 2006 concerning the composition of the Board of Directors of Dexia SA are as follows.

1. The following decisions were made by the Ordinary Shareholders' Meeting of May 10, 2006:

- Fabio Innocenzi was appointed as director for a four year period ending at the conclusion of the 2010 Shareholders' Meeting. Mr. Innocenzi's appointment replaced out-going director Roberto Mazzotta, whose term expired at the end of the 2006 Ordinary Shareholders' Meeting;
- the definitive appointment as a director for a new four-year term to expire at the end of the 2010 Ordinary Shareholders' Meeting of Dexia SA, of Axel Miller, who was appointed by the Board of Directors of Dexia SA on November 17, 2005, effective as of January 1, 2006, replacing François Narmon, who resigned;
- the definitive appointment as a director for a new four-year term to expire at the end of the 2010 Ordinary Shareholders' Meeting of Dexia SA, of Serge Kubla, who had been appointed by the Board of Directors of Dexia SA on November 17, 2005, to replace Eric André, deceased;
- the definitive appointment as a director of Bernard Lux, appointed provisionally by the Board of Directors on November 17, 2005, in order to complete the term as director of Elio Di Rupo, who resigned. Mr. Lux's term will expire at the end of the 2009 Shareholders' Meeting;
- The renewal of the terms of the following directors, each for a new four-year term, expiring at the end of the 2010 Ordinary Shareholders' Meeting of Dexia SA: Messrs. Pierre Richard, Rik Branson, Gilles Benoist, Denis Kessler, André Levy-Lang, Dominique Marcel, Gaston Schwertzer, Marc Tinant and Brian Unwin.

2. Francis Mayer, who had been a director of Dexia SA since 2003, died on December 9, 2006.

3. At its meeting on November 16, 2006, the Board of Directors accepted the resignation of Frank Beke as observer effective December 31, 2006.

New directors

As indicated above, a new director, Mr. Fabio Innocenzi, was appointed during the 2006 fiscal year.
Fabio Innocenzi is the Chief Executive Officer of Banco Popolare di Verona e Novara. He is also Vice-Chairman of Credito Bergamasco, La Banca Popolare di Novara S.p.A., Banca Aletti & C. and Banca per il Leasing Italease S.p.A.

Independent members of the Board of Directors

The Lippens Code contains a list of criteria on the basis of which directors may be classified as independent.

With a few exceptions, the criteria adopted in 2004 by the Board of Directors of Dexia SA (based on Article 524 of the Belgian Company Code and on the governance principles recommended by the Bouton report, which is the reference in France) were identical or stricter than those recommended by the Lippens Code.

At its meeting of February 7, 2006, the Board of Directors decided, on the recommendation of the Appointments Committee, to modify Dexia SA's criteria for independence by including the most demanding rules from the Lippens Code.

Pursuant to this decision, the independence criteria applied by Dexia SA to its directors are as follows:

1. For a period of 3 years preceding his or her appointment as an independent director, the nominee may not have held office or served as a director, manager, member of the Management Board, Chief Executive Officer, executive officer or employee of Dexia SA or a company or a person affiliated with Dexia SA or which is part of its consolidated group (this condition does not apply when the term of office of an independent director is renewed).

2. The independent director may not be a director of Dexia SA for more than 12 years (termination of an independent directorship for this reason only occurs at the expiry of the current term in which the 12-year period is exceeded); termination of an independent directorship at the end of the 12-year period does not preclude renewal of the appointment as a non-independent director.

3. The independent director may not have, either at Dexia SA or in an affiliated company, a spouse or person with whom he or she lives under a common law marriage, an immediate family member or a relative up to two removes, who is a director, manager, member of the Management Board, Chief Executive Officer, executive officer, or has a financial interest as specified in point 4 below.

4. Neither the independent director, nor his or her spouse, or the person with whom he or she lives under a common law marriage, or an immediate family member or a relative up to two removes, may hold shares representing 3% or more of the capital or of a class of shares of Dexia SA. If these persons hold rights representing less than 3% of the capital or a class of shares of Dexia SA, these rights may not exceed said limit of 3% when added to those held by the companies controlled by the independent director; lastly, the transfer deeds for these shares or the exercise of the rights attached to them may not be subject to any contractual agreements or unilateral commitments to which the independent director has subscribed.

5. The independent director may not be an executive director of a company in which Dexia SA directly or indirectly holds a position as director.

6. The independent director may not be (or be directly or indirectly affiliated with) a client, a supplier, an investment banker, a commercial banker

- that is significant to Dexia SA or a company affiliated with Dexia SA; or
- for which Dexia SA or a company affiliated to it represents a significant proportion of its business.

7. The independent director may not serve as auditor of Dexia SA or an affiliated company at any time during the previous five years.

8. The independent director may not represent a shareholder who alone, or with one or more other shareholders, holds more than 5% of the capital of Dexia SA.

9. The independent director may not receive, or have received, substantial additional compensation from the company or an affiliated company, other than the compensation received as a non-executive director.

10. The independent director may not be an executive director or managing director of another company in which an executive director or managing director of Dexia SA is a non-executive director or a managing director, and may not have other significant ties with the executive directors of Dexia SA through an interest in other companies or entities.

11. A director is independent if he or she has no relations of any kind whatsoever with Dexia SA, a company affiliated to Dexia SA or the management of Dexia SA, which might compromise the exercise of his or her freedom of judgment. He or she may not maintain any relations with any other company which might call into question his or her independence.

According to these criteria, the Board of Directors of Dexia SA has eight independent directors as of December 31, 2006.

They are:

- Anne-Marie Idrac
- Anne-Claire Taittinger
- Gilles Benoist
- Denis Kessler
- André Levy-Lang
- Fabio Innocenzi
- Gaston Schwertzer
- Sir Brian Unwin

Non-executive members of the Board of Directors

A non-executive member of the Board of Directors is a member who does not exercise management functions in a company of the Dexia Group. The internal rules of the Dexia SA Board of Directors stipulate that at least half of the Board must be non-executive directors. It should be noted that, with the exception of the Chief Executive Officer, all members of the Board of Directors of Dexia SA are non-executive directors.

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

The bylaws of Dexia SA, as well as the internal rules of the Board of Dexia SA, specifically define the rule for separation of the functions of Chairman of the Board of Directors and Chief Executive Officer. They must necessarily be entrusted to different individuals of different nationalities, even when the Chairman of the Board of Directors is unable to preside and is replaced by another member of the Board.

Term of office

The term of office for Board members elected on or after May 7, 2002 is a maximum of four years.

Duties and responsibilities of the Board of Directors

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

Strategy and general policy

The Dexia Board of Directors defines, in the name of all shareholders and on the recommendation from or on the advice of the Management Board, the strategy and general policy of the company and the Dexia Group.
It also sets the standards for the Group and ensures the implementation of the strategy for the Group.
The Board also ensures compliance with the principles of good governance.
Dexia's internal rules therefore require that the Board of Directors:
• meets at least once a year to evaluate the challenges and strategic stakes facing Dexia;
• reviews the strategic recommendations made by the Management Board;
• defines the strategy for the different Dexia businesses, which is implemented by the Management Board, sets the priorities, approves the annual budget and ensures that the resources committed are adequate for the strategy chosen;
• defines the values of the Dexia Group on the advice of the Management Board.
The internal rules give the Board specific responsibilities for major acquisitions and disposals of assets.

Management control and risk management for the company

The Board of Directors controls and directs the management of the company and the Group and monitors risks.
For this purpose, the internal rules of the Dexia Board of Directors provide that the Board:
• evaluates the implementation of strong and independent control systems, which most notably include risk management, and internal audit and compliance procedures on a centralized basis;
• takes all appropriate measures to ensure that the financial statements are accurate;
• assesses the performance of the members of the Board of Directors;
• supervises the performance of the statutory and internal auditors;
• establishes the organization of the Management Board in terms of its composition, its activities, and its duties as recommended by the Chief Executive Officer; the Board sets the compensation of the members of the Management Committee based on the recommendations of the Compensation Committee and the Chief Executive Officer with regard to the compensation of members of the Board of Directors, other than himself.

The role of the Board of Directors towards the company shareholders

The Board's actions are guided solely by the interest of the company with respect to the shareholders, customers and employees.
The Board ensures that its obligation toward its shareholders are understood and met and reports to the shareholders on the performance of its duties.

Operation of the Board of Directors

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Bylaws

The company's bylaws set forth the following rules that govern the operation of the Board of Directors:
• All deliberations require the presence or representation of at least half of the members of the Board.
• Decisions are approved by a majority vote of all members present or represented. If there is a tie vote, the chairman or the member replacing him shall cast the deciding vote.
• Decisions concerning the operations described below require the presence or representation of at least two thirds of the members of the Board, and a two-thirds majority vote of all members present or represented:
• any decision to employ authorized capital or to submit to the Ordinary Shareholders' Meeting a resolution to approve the issue of shares, convertible bonds or redeemable in shares, warrants or other financial instruments eventually conferring the right to shares, when the amount of the capital increases that would result from the issue of such shares or the conversion or redemption of such bonds or the exercise of such warrants or other financial instruments exceeds 10% of the amount of capital existing prior to these decisions;

MANAGEMENT REPORT

• any decision relating to the acquisition or sale of assets representing more than 10% of the company's equity;
• any decision to submit to the Ordinary Shareholders' Meeting a resolution to amend the company's bylaws;
• any decision relating to the appointment or dismissal of the Chairman of the Board of Directors and the Chief Executive Officer.

Internal rules of the Board of Directors of Dexia SA

The internal regulations of the Board of Directors of Dexia SA, which have been in existence since 1999 and which specify all the rules that allow the Board to fully carry out its duties and strengthen the contribution made by each director, has undergone significant changes in 2005 and early 2006, particularly with regard to the new organization structure of the Dexia Group and the implementation of the Lippens Code.

The major elements of the rules concern:

• general organizational principles of the Board of Directors;
• confidentiality obligation for members of the Board;
• training of Board members;
• conflicts of interest;
• transactions between a company of the Dexia Group and Board members;
• proprietary trading in Dexia securities.

General organizational principles

The Board of Directors is organized to achieve the best exercise of its expertise and responsibilities.

The meetings of the Board are frequent enough to allow the Board to perform its responsibilities. Board members agree to participate actively in the work of the Board and the committees on which they sit. Attendance at meetings of the Board and committees is the first condition of this participation and attendance at least three fourths of the meetings is desired.

The agenda lists the items to be discussed and specifies if they are listed for information purposes, for discussion, or for a vote.

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

Obligation of confidentiality

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

The knowledge of privileged information leads to the prohibition against executing, on his own behalf or on behalf of third parties, transactions on the securities of the companies in question and a ban on disclosing this information to third parties.

Training of Board members

In order to acquire a solid understanding of the Dexia Group, the new members of the Board of Directors are invited, when they take office, to one or two days of contacts and visits within the Group.

The Board members who sit on the specialized committees are chosen on the basis of their specific skills. They are assisted by outside experts as needed. The missions of these specialized committees are also clearly defined in the internal rules of the Board of Directors.

Conflicts of interest

Directors make sure that their participation on the Board of Directors is not a source of direct or indirect conflict of interest, either personally or because of the professional interests they represent.

They must ensure that their membership on the Board reflects complete independence from interests outside the company itself. In particular, cross-exchanges of directors are to be avoided.

Directors report to the Board if there is a significant change in their duties and the Board decides whether to accept their resignation in such cases, after an opinion from the Appointments Committee. They must resign if a change in their situation creates an incompatibility with their office as a Dexia director.

If a director directly or indirectly has a financial interest in a decision or operation to be decided by the Board of Directors, he must inform the other members of the Board before they deliberate. His declaration, including the reasons for his conflicting financial interest, must be recorded in the minutes of the Board meeting that must make the decision. In addition, he must inform the company's auditors.

For publication in the annual management report, the Board of Directors describes in the minutes the type of decision or operation in question and the reasons for the decision made and the financial consequences for the company. The management report contains a copy of the minutes described above.

The auditors' report must also include a separate description of the financial consequences resulting for the company from the decisions made by the Board of Directors which include a conflicting interest as defined by the provisions set forth above.

The director with a conflicting interest may not participate in the Board's deliberations on the transactions or decisions in question or vote on these issues.

Transactions between a company of the Dexia Group and Board members

The transactions between a company within the Dexia Group and the directors must be entered into under normal market conditions.

Own-account transactions on Dexia securities

In order to promote the transparency of transactions in Dexia securities, the internal rules stipulate that the directors declare the following to the Chief Compliance Officer:

- at the time they take office, the Dexia shares or financial instruments that they hold;
- after each transaction, the details of that transaction in order to make the appropriate publications;
- at the end of each year, an update of the Dexia shares or financial instruments that they hold.

Before any transaction involving the Dexia shares, the directors inform the Chief Compliance Officer of the transaction that they are planning to execute.

In any event, directors shall not execute the following transactions without the prior agreement of the Chief Compliance Officer:

- any transaction on Dexia shares for a period of 1 month prior to the publication of the financial results ("restriction period");
- any transaction on Dexia shares during sensitive periods of which they are notified by the Chief Compliance Officer and which are determined by the officer on the basis of a general policy defined in collaboration with the Audit Committee ("black period");
- any transaction in the opposite direction of a previous transaction, with the exception of the sale of shares following the exercise of options within a period of 6 months from the date of exercise.

Board members also agree to hold the Dexia shares they have acquired or plan to acquire in a securities account opened in their name in one of the credit institutions of the Dexia Group or in an institution approved by Dexia, or to register their shares.

The preceding obligations for Dexia shares apply to directors, their spouses (if there is no legal separation) and their minor children.

The various obligations set forth in these rules also apply to observers as defined in the Dexia SA bylaws.

The Chief Compliance Officer ensures compliance with the rules set forth in the previous paragraphs by the directors.

In addition to the publication of total holdings of shares in the company's annual report, individual transactions are notified to the Banking, Finance and Insurance Commission, for publication on its website; this provision has been in effect since the Belgian Royal Decree of March 5, 2006, which transposed the European directives on market abuses into Belgian law.

Activity and operation of the Board of Directors of Dexia SA in 2006

Attendance by Board members

The Board of Directors met seven times in 2006. The directors' attendance rate at Board meetings was 87%.

ATTENDANCE RATE TO THE MEETINGS OF THE BOARD OF DIRECTORS PER DIRECTOR

Richard, Pierre	100%
Miller, Axel	100%
Benoist, Gilles	100%
Branson, Rik	100%
Burton, Guy	100%
Idrac, Anne-Marie	57%
Innocenzi, Fabio	100% (1)
Kessler, Denis	86%
Kubla, Serge	86%
Levy-Lang, André	86%
Lux, Bernard	100%
Marcel, Dominique	71%
Mayer, Francis	14% (2)
Mazzotta, Roberto	100% (3)
Renders, Jan	86%
Schwertzer, Gaston	100%
Taittinger, Anne-Claire	100%
Tinant, Marc	86%
Unwin, Brian	100%
Vermeiren, Francis	100%
Beke, Frank (Observer)	100%

(1) In a total of 4 meetings.
(2) Francis Mayer was excused for medical reasons.
(3) In a total of 3 meetings.

Activities of the Board of Directors

In addition to the items belonging to the ordinary competence of the Board of Directors (follow-up of the results, approval of the budget, appointment and compensation of the members of the Management Board), the Board concentrated in particular on the following matters:

- the definition of Dexia's strategic direction over the next 3, 5 and 10 year periods and communication of the Group's strategy;
- the composition of the Board of Directors and its specialized subcommittees;
- the Board of Directors' self-assessment process and the implementation of the specific recommendations for improvement;
- compliance with the Lippens Code;
- the criteria for independent directors;
- the termination of private banking activities in the United Kingdom;
- the sale of the Group's ownership stake in Créatis;
- the sale of Banque Artesia Nederland, Flexia, Belstar and Dexia Banque Privée France;
- the review and approval of the 2005 audit plan;
- the process for privatizing CEC;
- the equity investment in Banca Comerciala Romana;
- the acquisition of DenizBank;
- the report from the Chairman of the Board of Directors of Dexia SA concerning the operations of the Board and the internal controls for the Group;
- the discussion and reading of the internal audit report and the report on risk assessment and monitoring in 2005;
- the monitoring of the Dexia Bank Nederland operation;
- the status of various procedures underway in connection with the Lernout & Hauspie situation;
- the discussion on Dexia's positioning and strategic stake in the asset management area;
- the shareholding program for employees and Group staff, as well as the 2006 stock option plan;
- the strategy for the buy-back of the company's treasury shares;
- discussion on Dexia's management policy for its strategic portfolio;
- the evaluation of the Group's new organization, which was implemented in 2006, and the changes in the Group's operational structure;
- the discussion of the Dexia Group's policies on subcontracting.

Conflicts of interest in 2006

As indicated previously, if a director has a proprietary interest that is directly or indirectly opposed to a decision or transaction that comes within the competence of the Board of Directors, the director must notify the other Board members before the matter is discussed by the Board. In addition, both the Board member's notification and the reasons justifying the conflicting interest included in the notification heading must be recorded in the minutes of the Board meeting during which a decision must be made regarding the matter in question.

Below are extracts of the minutes of the Board of Directors' Meeting on March 2, 2006, relating to the application of the provisions of Article 523 of the Belgian Company Code.

During the meeting of March 2, 2006, the Board considered the amount of compensation to be paid to members of the Management Board. Since Axel Miller, the Chief Executive Officer, is also Chairman of the Management Board, and since the Board of Directors also decided the compensation of Pierre Richard in his capacity as Chairman of the Management Board in 2005, these two individuals abstained (in compliance with Article 523 of the Company Code) from participating in the Board of Directors' deliberations and vote concerning their own compensation. An excerpt of the minutes relating to the matters concerning Pierre Richard and Axel Miller is provided below.

A. Variable compensation 2005

The Meeting of the Board of Directors in February 2005 approved the principles for calculation of the variable compensation 2005 of members of the Management Board. The criterion retained for calculation was the 2004/5 evolution of Dexia SA's underlying net income (the objective being to compensate the ability of teams to respect the budget provided to that effect last year). The year 2005 now over, the Compensation Committee calculated and fixed the amount of variable compensation 2005 for each member of the Management Board applying those principles.*

[...]

It is proposed to grant Pierre Richard an amount of EUR 950,000 and to grant Axel Miller an amount of EUR 587,080.

**The 2004/2005 evolution of the underlying met income is +11.3%.*

[...].

C. Variable compensation 2006

It has been observed that the former system for calculation of variable compensation does not permit any individualization of personal situations (single formula applicable to all) and only resulted year after year in a rather relative variability (the result of the formula leading each year to percentages varying between 65% and 75%). The Compensation Committee therefore wishes to suggest a new system for calculation of the variable compensation payable to members of the Management Board.

The variable compensation would be calculated according to three equally important criteria:

- *an initial Group criterion based on a formula linked to the results of Dexia SA which would be applicable in an identical manner to all the persons concerned;*
- *a second criterion specific to the Management Board based on the achievement of (joint) objectives of members. Those objectives (for instance the completion of projects, levels of indicators of performance achieved, strategy implemented, priorities for 2006 and so on) would be fixed by the Compensation Committee on proposals from the Management Board;*

• a third individual criterion based on the achievement of personal objectives specific to each member of the Management Board. Personal objectives would be fixed by the Chief Executive Officer except in the case of his own objectives which would be fixed by the Compensation Committee.

Each of these criteria would give rise to a percentage (from 0% to 100%) depending upon an assessment made by the Compensation Committee with a pivot rate of 50%.

It is further proposed to fix a maximum amount of variable compensation, which assumes that each criterion represents between 0 and a percentage of the compensation fixed for calculation of the total amount of the variable compensation.

A-C Taittinger comments on a table listing the proposals for maxima formulated by the Compensation Committee.

This new system is intended not to increase the variable compensation but to make it more individual, more variable and to involve not only the performance of the company but also of the members concerned.

The Compensation Committee asks the Board of Directors to grant it a mandate effectively to implement these principles, including in particular the fixing during the first half of 2006:

• the objectives for the second "Management Board" criterion; and

• the personal objectives for the third criterion.

[...]

G. Dexia stock option plan – attribution to members of the Group Management Board

As part of the global package of options issued in 2006, it is proposed to attribute the following options to Axel Miller: 120,000.

Decisions

With the exception of P. Richard and A. Miller who did not take part in the deliberations and vote on the points relating to them, the Board approves all the proposals made by the Compensation Committee.

Compensation paid by Dexia SA to its directors in 2006

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Review of the principles applied

Dexia SA's 2006 Ordinary Shareholders' Meeting decided to pay a total maximum compensation amount of EUR 1,300,000 to the directors for their services, effective January 1, 2005.

This Meeting also authorized the Board to determine the practical procedures and individual allocation of this compensation.

At its meeting on May 23, 2002, the Board of Directors decided to grant each director a fixed compensation of EUR 20,000 (EUR 5,000 per quarter – fixed compensation), and directors' fees (variable compensation) of EUR 2,000 per Board meeting or specialized committee meeting. Directors who have been in office for less than one full year shall earn a proportion of this fixed fee based on the number of quarters during which they have effectively been in office. These principles were retained by the Board of Directors and were therefore also applied in 2006.

Compensation paid to the Chairman of the Board of Directors

On April 26, 2005, the Board of Directors set the 2006 gross annual compensation for the Chairman of the Board of Directors at EUR 400,000. This amount is included in the total amount of compensation for Board members described above.

DIRECTORS' AND OTHER FEES FOR SERVING AS A DIRECTOR OF DEXIA SA AND THE OTHER ENTITIES OF THE GROUP (GROSS AMOUNTS)

	Board of Directors (fixed comp.)	Board of Directors (variable comp.)	Strategy Committee	Audit Committee	Compensation Committee	Appointments Committee	Total	Other entities of the Group
P. Richard	400,000	0	0	0	0	0	400,000	0
A. Miller	0	0	0	0	0	0	0	0
G. Benoist	20,000	14,000	0	8,000	0	0	42,000	0
R. Branson	20,000	14,000	0	0	0	4,000	38,000	22,500 (1)
G. Burton	20,000	14,000	0	0	2,000	0	36,000	0
A.M. Idrac	20,000	8,000	0	0	0	0	28,000	0
F. Innocenzi	15,000	8,000	0	0	0	0	23,000	0
D. Kessler	20,000	12,000	2,000	0	0	0	34,000	0
S. Kubla	20,000	12,000	0	0	0	0	32,000	0
A. Levy-Lang	20,000	12,000	0	0	0	4,000	36,000	0
B. Lux	20,000	14,000	0	0	0	0	34,000	0
D. Marcel	0	0	0	0	0	0	0 (2)	0
F. Mayer	0	0	0	0	0	0	0 (3)	0
R. Mazzotta	5,000	4,000	0	0	0	0	9,000	0
J. Renders	20,000	12,000	0	0	0	0	32,000	0
G. Schwertzer	20,000	14,000	0	0	0	0	34,000	61,973.38 (4)
A.C. Taittinger	20,000	14,000	0	0	4,000	0	38,000	0
M. Tinant	20,000	12,000	0	8,000	0	0	40,000	0
B. Unwin	20,000	14,000	0	0	4,000	0	38,000	0
F. Vermeiren	20,000	14,000	2,000	0	0	4,000	40,000	0
F. Beke (Observer)	20,000	14,000	0	0	0	0	34,000	22,500 (5)

(1) Directors' and other fees earned as a director of Dexia Bank Belgium.
(2) Dominique Marcel does not wish to receive directors' or other fees as a director.
(3) Francis Mayer does not wish to receive directors' or other fees as a director.
(4) Directors' and other fees received as a director of Dexia Banque Internationale à Luxembourg.
(5) Directors' and other fees received as a director of Dexia Bank Belgium.

Payment of social security contributions

Every Board member of Dexia SA is considered in Belgium as an independent worker and consequently must join an independent workers' fund and, in principle pay the social insurance and related items. Now, some Board members already benefit from social insurance under another system and may therefore be required to pay contributions in Belgium simply because of the mandate carried out at Dexia SA without benefiting from social insurance payments.

That is the case for, for example, Board members not resident in Belgium who already benefit, in their country of residence, from social insurance and who are required to contribute in Belgium to an unrecovered annuity. This is also the case for a Board member resident in Belgium who is subject to the salaried employees system or to the system applicable to public servants as a principal activity and who is required to contribute as an independent worker additionally because of the mandate carried out in Belgium without benefiting from increased social insurance compared to what he already qualifies for because of his principal activity.

In order to offset the unrecovered social security cost paid by directors who are in this position (subject to an annual review in order to reflect changes in status), the Ordinary Shareholders' Meeting of May 10, 2006 decided that Dexia SA will pay the unrecovered social security contributions and the late penalties and other amounts owed for serving as a director of Dexia and, therefore, raised the maximum ceiling for directors' compensation from EUR 700,000 to EUR 1,300,000.

The beneficiaries of this payment are any persons who were directors of the company as of January 1, 2005 and who meet the aforementioned conditions for all social security contributions owed on or after January 1, 2000, as well as any new director who meets the conditions stipulated, and Frank Beke in his position as observer. The amount of the contributions owed for the years 2000 to 2006 and paid by Dexia totaled EUR 121,040.69 in 2005 and EUR 119,400.67 in 2006.

Compensation paid to the Chief Executive Officer

The Chief Executive Officer does not receive any fee for his position as director. He is only paid for his functions as Chief Executive Officer responsible for day-to-day management and Chairman of the Management Board (see below).

Specialized committees created by the Board of Directors

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In order to review in detail the matters submitted to the Board of Directors, it has established four specialized Board committees (the Compensation Committee, the Audit Committee, the Strategy Committee and the Appointments Committee) which are charged with preparing its decisions, those decisions remaining under the sole responsibility of the Board. Unless they have been specially delegated by the Board, the specialized committees effectively have no decision-making powers.
These committees are composed of three to six Board members appointed by the Board of Directors for a period of two years, which may be renewed. After each meeting, a report on the committee's work is submitted to the Board of Directors.

Strategy Committee

Membership

The strategy committee is composed of six directors, including the Chairman of the Board of Directors, who chairs the committee, and the Chief Executive Officer.
The members of the Strategy Committee (as of December 31, 2006) were*:

- Pierre Richard, Chairman of the Board of Directors
- Axel Miller, Chief Executive Officer
- Denis Kessler, independent director
- Rik Branson, director
- Francis Vermeiren, director

(*) Francis Mayer, who was a member of this committee, died on December 9, 2006.

Responsibilities (as of December 31, 2006)

The Strategy Committee meets annually to assess the strategic position of the Dexia Group in view of changes in the Group's environment, its markets and its medium-term growth strategies and to prepare for the annual meeting of the Board of Directors that will consider this issue.
The Strategy Committee may also meet as needed, on the initiative of the Chief Executive Officer, to study, before a review by the Board of Directors, major projects that require a particular level of confidentiality because of their repercussions on the financial markets.
Any of its members may also request a meeting of the Strategy Committee.
The Group's strategy is developed on the basis of the following principles:

- it is the responsibility of the Management Board to take the initiative to study and propose projects of a strategic nature to the Strategy Committee and to the Board of Directors;
- the Board of Directors and the Strategy Committee of the Board may ask the Management Board to study a strategic option;
- projects that meet at least one of the following criteria are considered to be of a strategic nature:

– a project of acquisition or disposal of assets for an amount equal to or greater than EUR 300 million;
– a project of joint venture, consortium or partnership with a third party that could have a significant impact on the scope of consolidation of the Group and/or on its results or the results of one of its businesses;
– a project of alliance or partnership that implies a significant change in the shareholding structure of Dexia SA.

Operation and activities in 2006

The Strategy Committee met on May 15, 2006 and reviewed the various opportunities for growth in Turkey and the proposed acquisition of DenizBank in particular.

Attendance of each individual director at the meeting of the Strategy Committee

The individual attendance rate for directors at the meetings of this committee was 100% in 2006, with the exception of Rik Branson who was excused because he was unable to be present at the annual meeting of the Strategy Committee.

Audit Committee

Membership

The Audit Committee is composed of three to five directors, all non-executive. To the extent possible, the majority of the Audit Committee members are independent directors, which has been the case since February 7, 2006, since André Levy-Lang, an independent director, was appointed as a member of the Audit Committee as of that date. The most important criterion in the choice of committee members remains, however, the member's expertise and independence of mind.
The Chairman of the Board of Directors may attend meetings of the Audit Committee. The Chief Executive Officer may attend, but may not be a member of the Audit Committee.
The members of this committee (as of December 31, 2006) were:

- Gilles Benoist, independent director and chairman of the committee
- André Levy-Lang, independent director
- Marc Tinant, director

Responsibilities

The role of the Audit Committee is, on the one hand, to review the projects of the annual, quarterly, corporate and consolidated financial statements of the Group in order to verify, from those transmitted documents, in particular the conditions under which they were established and to ensure the relevance and continuity of the accounting principles and applied methods, and, on the other hand, to monitor the performance of the internal control system put in place by the Management Board and more particularly the system to manage the risks to which the Group is exposed as a result of its activities.
The Audit Committee has free access to the Statutory Auditors, as well as to the General Auditor and the Chief Compliance Officer. It informs the Chief Executive Officer of any such contacts.

In the context of its responsibilities, the Audit Committee:
• analyzes the financial information and the accounting procedures and, in particular:
– is informed of the work of the Statutory Auditors and discusses their findings, comments and recommendations by giving them the opportunity during each meeting to express their views in the presence of the members of the committee only;
– may suggest further work if deemed appropriate;
– ensures that the policy on the independence of Statutory Auditors is respected and gives advice on their appointment.
• reviews the existence and implementation of the procedures to assess and control credit, market and operational risks; for this purpose, the Audit Committee reads the conclusions of internal audits and ensures that the recommendations made are effectively followed;
• may also recommend additional audits;
• approves by proxy the audit charter, the audit universe, the audit plan and the resources available to the internal audit and compliance departments;
• is consulted regarding the rules of ethics in force within the Group.

The Audit Committee ensures the performance and the independence of the operations of the compliance department.
The Audit Committee meets at least four times a year. Three of these meetings take place prior to the Board of Directors' meetings called to approve the annual and quarterly financial statements. The committee may meet at the request of one of its members, or the Chairman of the Board of Directors. It reports the results of its work and its comments to the Board of Directors.

Operation and activities in 2006

In 2006, the Audit Committee met four times: January 13, February 23, May 11 and September 1 to study the following issues:
• presentation of the Dexia corporate and consolidated financial statements and results for the year ended December 31, 2005;
• follow-up of recommendations of the audit as of September 30, 2005;
• quarterly risk review as of December 31, 2005;
• 2005 report on risk measurement and monitoring;
• 2005 activity report on internal audit;
• annual report on internal controls and on internal audit activities in 2005;
• presentation of the report of the Chairman of the Board of Directors on the activities of the Board of Directors and of the internal report in 2005;
• audit program for 2006 and the multi-year 2006-2009 plan;
• presentation of the results as of March 31, 2006;
• quarterly report on internal audit activities and the follow-up to recommendations as of March 31, 2006;
• progress in the Basel II process;
• situation in the Netherlands;
• important legal issues, including Lernout & Hauspie;
• monitoring the independence process for the auditors;
• review of the Dexia corporate and consolidated financial statements and results for the period ended June 30, 2006;
• monitoring the Compliance situation in the Group;
• quarterly risk review as of June 30, 2006;
• renewal of the term of office and compensation for the Group's auditors.

Attendance of each individual director at Audit Committee meetings

The individual attendance rate of directors at the meetings of this committee was 100% in 2006, with the exception of André Levy-Lang, who was excused because he could not attend the Audit Committee meetings in 2006.

Compensation Committee

Membership

The Compensation Committee is composed of four non-executive directors who have no relationship that might directly or indirectly influence their judgment. In this respect, careful attention is given to the relations that exist on the Boards of Directors between the officers of Dexia and the companies to which members of this committee may belong.
If he is not a member, the Chairman of the Board of Directors attends the meetings of this committee. The Chief Executive Officer may also attend the meetings of the Compensation Committee, but may not be a member (as he is not a non-executive director).
The members of the Compensation Committee (as of December 31, 2006) were:
• Anne-Claire Taittinger, independent director and Chairman of the Compensation Committee since February 7, 2006
• Brian Unwin, independent director
• Pierre Richard, Chairman of the Board of Directors
• Guy Burton, director

Responsibilities (as of December 31, 2006)

The responsibilities of the Committee include:
• the elements of the compensation of the Chairman of the Board and the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the compensation for the members of the Management Board;
• the stock options granted in application of the general principles defined by the Board of Directors.

It is also consulted on the compensation and incentives for the Group top executives, as well as on the employee shareholding policy.
It also makes recommendations on the fees paid to directors and the allocation of those fees to directors.

Operation and activities in 2006

The committee meets at least twice a year, no later than the date of the Board of Directors' meeting that closes the accounts for the year. It may also be convened at the request of the Chairman of the Board of Directors or two of its members.
It reports to the next meeting of the Board of Directors concerning the results of its work and its meetings. On request, it provides copies of the minutes of its meetings to the Board of Directors.

In 2006, the Compensation Committee met on February 28 and July 6 to review the following issues:
• the compensation of the Group's executives;
• the publication in the annual report of the information on the compensation of the Chairman of the Board of Directors, the Chairman of the Management Board, and the other members of the Management Board as required by the Lippens Code;
• the 2006 employee share plan;
• the 2006 stock option plan.

Attendance of each individual director at Compensation Committee meetings

The individual attendance rate of directors at the meetings of this committee was 100% in 2006, with the exception of Guy Burton, who was excused because he could not attend one of the two Compensation Committee meetings in 2006.

Appointments Committee

Membership

The Appointments Committee is composed of six directors including the Chairman of the Board of Directors, the Chief Executive Officer and four other non-executive directors.
The most important criterion for selecting committee members is expertise and independence of mind. The committee meets at least once a year, before the Board of Directors' meeting that prepares the resolutions to be submitted to the shareholders' meeting, and during the year on a motivated request from one of its members.
The members of this committee (as of December 31, 2006) were*:
• André Levy-Lang, Chairman of the committee, independent director
• Pierre Richard, Chairman of the Board of Directors
• Axel Miller, Chief Executive Officer
• Francis Vermeiren, director
• Rik Branson, director

(*) Francis Mayer, who was a member of the committee, died on December 9, 2006.

Responsibilities (as of December 31, 2006)

The Appointments Committee prepares the decisions of the Board of Directors relating to:
• the appointment or renewal of directors' terms proposed by the Board to the shareholders' meeting, as well as proposal for the co-opting of directors to the Board of Directors;
• the determination of the criteria for independence used to qualify a director as "independent";
• the qualification of an existing or new member of the Board of Directors as "independent";
• the appointment of the members and the chairperson of the specialized committees of the Board of Directors;
• the appointment or renewal of the term of the Chief Executive Officer;
• the appointment or renewal of the term of the Chairman of the Board of Directors;
• the recommendations of the Chief Executive Officer concerning the membership, organization and operations of the Management Board of Dexia SA;
• the changes to the internal rules of the Board of Directors.
For these purposes, the Committee is responsible for monitoring procedures adopted by major listed companies in terms of membership and operations of Boards of Directors. The Committee nominates one of its members to ensure proper completion of the Board's self-assessment.

Operation and activities in 2006

The Appointments Committee meets at least once a year, before the meeting of the Board of Directors that prepares the resolutions submitted to the shareholders' meeting and during the year, following a request from one of the members.
In 2006, the Appointments Committee met on January 30 and on October 17 in a committee-format expanded to include the directors who are not members of the Appointments Committee.
This committee primarily dealt with the following issues:
• the membership of the Board of Directors;
• the membership of the specialized committees;
• the compliance with the Lippens Code;
• the launch of the self-assessment process for the Board of Directors;
• the criteria for independence;
• the recommendations made by the Chief Executive Officer concerning the second stage of the reorganization of the Group's governance initiated on January 1, 2006 (expanded committee meeting on October 17);
• the concrete measures proposed to improve the operation of the Board of Directors at the end of the self-assessment process (expanded committee meeting of October 17).

Attendance of each individual director at Appointments Committee meetings

The individual attendance rate of directors at the meetings of this committee was 100% in 2006.

THE MANAGEMENT BOARD OF DEXIA SA

Following the second phase of the reorganization of the Group's governance initiated on January 1, 2006, which was approved by the Board of Directors on November 16, 2006 (see page 28), new appointments were made to the Management Board, effective January 1, 2007. In order to report on the changes in relation to the situation as of December 31, 2006, the following table shows the situation as of December 31, 2006 and January 1, 2007.

Membership

The Management Board is chaired by the Chief Executive Officer to whom the Board of Directors has entrusted the daily management of Dexia. The members of the Management Board, other than the Chief Executive Officer, are appointed and dismissed by the Board of Directors on the recommendation of the Chief Executive Officer and on the advice of the Management Board. Members are appointed for a term of four years, which may be renewed.

MEMBERS AS OF DECEMBER 31, 2006

Axel MILLER
Chairman of the Management Board,
Chief Executive Officer
Director and member of the Management Board of Dexia Bank Belgium
Member of the Management Board of Dexia Crédit Local
Member of the Management Board of Dexia Banque Internationale à Luxembourg
Vice Chairman of the Board of Directors of Financial Security Assurance Holdings Ltd (FSA)

Jacques GUERBER
Vice Chairman of the Management Board
Director and member of the Management Board of Dexia Bank Belgium
Member of the Management Board of Dexia Crédit Local (Chairman until January 11, 2006)
Member of the Management Board of Dexia Banque Internationale à Luxembourg
Director of Financial Security Assurance Holdings Ltd (FSA)

Xavier de WALQUE
Director and member of the Management Board of Dexia Bank Belgium
Member of the Management Board of Dexia Banque Internationale à Luxembourg
Chairman of the Board of Directors of Dexia Insurance Services
Vice Chairman of the Board of Directors of Associated Dexia Technology Services (DTS)
Director of Financial Security Assurance Holdings Ltd (FSA)

Rembert von LOWIS
Chief Financial Officer
Director and member of the Management Board of Dexia Bank Belgium
Member of the Management Board of Dexia Crédit Local
Director of Financial Security Assurance Holdings Ltd (FSA)

Dirk BRUNEEL
Member of the Management Board of Dexia Crédit Local
Member of the Management Board of Dexia Banque Internationale à Luxembourg
Chairman of the Management Board of Dexia Bank Nederland
Director of Financial Security Assurance Holdings Ltd (FSA)

MEMBERS AND NEW RESPONSIBILITIES AS OF JANUARY 1, 2007

Axel MILLER
Chairman of the Management Board,
Chief Executive Officer

Jacques GUERBER
Vice Chairman of the Management Board
General Coordination, ALM Committee, Credit Committee and Sustainable Development

Xavier de WALQUE
Chief Financial Officer
Supervision of Dexia Insurance Services

Rembert von LOWIS
Strategy & Development
Investor and Rating Agencies Relations

Dirk BRUNEEL
Supervision of DenizBank, RBC Dexia Investor Services and Dexia Bank Nederland

Bruno DELETRÉ
Public/Project Finance and Credit Enhancement

Hugo LASAT
Personal Financial Services (Retail and Private Banking)
Asset Management

Alain DELOUIS
Treasury and Financial Markets

Claude PIRET
Risk Management

Marc HUYBRECHTS
Operations & IT

Responsibilities

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The Management Board is charged by the Board of Directors, which delegates powers for that purpose, with the management of the company and the Dexia Group, for which it directs and coordinates the various businesses and specialized activities that support those businesses within the framework of the objectives and general policy defined by the Board of Directors.

Operation

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Since the creation of Dexia SA in 1999, the Management Board has operated according to a set of internal rules (hereinafter the "Regulations"). Amended on several occasions, these Regulations define its role and mode of operation. In 2006, as in previous years, the Management Board was run on the basis of the provisions of those Regulations. The collegial decision-making process, the Board's powers and certain rules governing the status of members are also subject to specific provisions in the protocol on the prudential structure of the Dexia Group signed with the Belgian Banking, Finance and Insurance Commission.
In addition to rules governing the membership of the Management Board (see above), the Regulations include the following rules.

• Powers of the Management Board in its dealings with the Board of Directors
The Regulations first define the powers of the Management Board in its dealings with the Board of Directors. The Management Board must formulate a preliminary opinion regarding any proposals debated by the Board of Directors or the Strategy Committee in terms of strategy or general policy of the Group. It may make recommendations to the Board of Directors through the Chief Executive Officer.
If the Chief Executive Officer takes part in discussions by the Board of Directors or its specialized committees, for which the Management Board has an acknowledged right of opinion or initiative, the Chief Executive Officer presents to and defends with the Board of Directors the points of view previously debated by the Management Board.

• Decision-making
The Management Board operates in a collegial manner and its decisions result from a consensus of its members. It assumes joint responsibility for such decisions. If applicable, the Chairman of the Management Board may, on his own initiative or on request from two other members, submit the issue under debate to a vote. Resolutions are adopted by a majority vote of all members present or represented. In the event of a tie vote, the Chairman shall cast the deciding vote.

• Rules governing meetings
The Management Board meets in principle at least once a week when convened by the Chairman. If necessary, meetings can be convened at any time by the Chairman or if two or more members so desire. Any member of the Management Board may be represented by another member of the Board, but a member may not represent more than one other member. Each member of the Board may propose an item for the agenda which is set by the chairman.

• The Regulations also specify the basic principles for compensation of the members of the Management Board (see below).

Compensation

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Management Board's compensation

Fixed and variable compensation

The compensation of members of the Management Board is fixed by the Board of Directors of Dexia SA on proposal from the Compensation Committee. The compensation of the members of the Management Board is subject to periodic study carried out by the Compensation Committee with the support of a specialist external consultant.
The compensation of members of the Management Board consists of a fixed and a variable quota.
The fixed compensation is determined by considering the nature and the importance of the responsibilities of each member (taking account of market references for posts of comparable dimension).
The variable compensation consists of three parts:
• A first **Group** part, based on a formula linked to the results of Dexia SA, applicable in an identical manner to all persons concerned within the Dexia Group. The formula is based on four indicators (the underlying gross operating income, the underlying net income, the total net income and the relative PER (average PER of the DJ EuroStoxx Banks Index). For the first three indicators, Dexia performance is determined by reference to the budget target.
• A second part specific to the Management Board, based on the achievement of **joint** objectives by its members. These objectives have been fixed by the Compensation Committee and revolve around four major lines: (1) the interaction with the Board of Directors, (2) the financial markets, (3) the commercial markets and (4) internally. More precise criteria have been established within each of these major lines which constitute the basis on which the Compensation Committee assesses the performance of the Management Board as a whole. These criteria have been established in relation to everything to be expected of a Management Board, considering the context in which the company evolves.
• A third **individual** part, based on the achievement of personal objectives specific to each member of the Management Board. The fixing and assessment of achievement of these personal objectives is made by the Chief Executive Officer except in his own case when the assessment is made directly by the Compensation Committee.
Each of these three parts gives rise to the application of a percentage from 0% to 100% (with a target rate of 50%).

The maximum amount of variable compensation is fixed for each member of the Management Board, which assumes that each criterion represents between 0 and a maximum percentage of the fixed compensation. These maximum amounts have been fixed as follows:

(% of fixed compensation)	Maximum amount for Group part	Maximum amount for Management Board part	Maximum amount for individual part	Maximum total amount
Chief Executive Officer	75%	75%	75%	225%
Vice-Chairman	60%	60%	60%	180%
Other members	50%	50%	50%	150%

Any attendance allowance or percentage paid by a company in the Dexia Group to a member of the Management Board is deducted from the fixed or variable compensation of the latter.

Pensions

Members of the Management Board benefit from extra-legal supplementary pensions put in place by Dexia. Various schemes are applicable to each of its members:

- Jacques Guerber and Rembert von Lowis are entitled, under certain conditions, to an annual retirement pension when they retire, in an amount equivalent to 75% of their average gross fixed compensation over the two years prior to retirement. That amount is nonetheless reduced by amounts received by way of legal pension of private origin.
- Axel Miller, Dirk Bruneel and Xavier de Walque are entitled, under certain conditions, to an annual retirement pension when they retire, in an amount equivalent to a certain percentage of a reference compensation (the percentage varies depending upon length of service in the Dexia Group). That amount is nonetheless reduced by amounts received by way of legal pension and, if necessary, other extra-legal pensions acquired within the Dexia Group.

In the case of a career of 35 years in the Dexia Group, that percentage would be equal to 80% of an annual fixed gross reference compensation of EUR 665,233* for the Chairman of the Management Board and, unless there is an exception, of EUR 434,707* for other members of the Management Board.

A supplementary survival pension is also provided for the beneficiaries of all members of the Management Board in the event of their death.

** These amounts are indexed each year.*

COMPENSATION AND OTHER ADVANTAGES OF MEMBERS OF THE MANAGEMENT BOARD FOR THE YEAR 2006

(in thousands of EUR)	Gross fixed compensation (A)		Gross variable compensation		Pension plan (B)	Cover for death, disability, medical treatment	Other advantages (C)
	2005	2006	2005	2006			
Axel Miller	550	725	587.08	989.63	175.76	(D)	26.2 (E)
Jacques Guerber	550	625	538.15	671.25	202.18	(D)	/
Dirk Bruneel	560	560	572.33	439.60	148.64	(D)	5.8 (F)
Xavier de Walque	420	500	328.50	525	112.65	(D)	6.3 (F)
Rembert von Lowis	450	500	366.94	410	115.93	(D)	/

(A) For Jacques Guerber, Rembert von Lowis and Dirk Bruneel (for his period of activity in the Netherlands), "employer's" social contributions have been paid, in addition to the amounts indicated in this section, by the Dexia Group.
(B) Amount borne by Dexia in 2006 for supplementary pension plans.
(C) An official car is provided to each member of the Management Board for professional and private use. Related costs are not included in the amounts indicated in this section.
(D) Annual collective premiums of EUR 32,320 were paid in 2006 in favor of Belgian members of the Management Board for additional cover for death, permanent disability and the costs of medical treatment, and EUR 14,160 in favor of the French members of the Management Board for additional cover for death and disability.
(E) Annual lump-sum indemnity for costs of representation and hire of a car for private use.
(F) Annual lump-sum indemnity for costs of representation.

Stock option plan

Since its unification, the Dexia Group has put stock option plans in place each year in favor of certain members of its staff. The options issued under the plan are subscription rights giving each person the right, within a limited exercise period, to acquire a new Dexia share at an exercise price equal to the value of the Dexia share at the time of attribution of the options.
Members of the Management Board received Dexia options under the plan in 2006.

	2005		2006	
	Number of options attributed	Exercise price (1)	Number of options attributed	Exercise price (2)
Axel Miller	90,000	EUR 18.03	120,000	EUR 18.62
Jacques Guerber	90,000	EUR 18.03	90,000	EUR 18.62
Dirk Bruneel	70,000	EUR 18.03	80,000	EUR 18.62
Xavier de Walque	45,000	EUR 18.03	80,000	EUR 18.62
Rembert von Lowis	75,000	EUR 18.03	80,000	EUR 18.62

(1) The exercise price is equal to the average of 30 closing prices of the Dexia share on Euronext Brussels preceding June 30, 2005, without that price being lower than 95% of the average of the 20 opening prices of the Dexia share on Euronext Brussels preceding June 30, 2005.
(2) The exercise price is equal to the average of 30 closing prices of the Dexia share on Euronext Brussels preceding June 30, 2006, without that price being lower than 95% of the average of the 20 opening prices of the Dexia share on Euronext Brussels preceding June 30, 2006.

Employee share plan

Since 2000, Dexia has put employee share plans in place each year. The share plan is offered to all the Group's members of staff and enables them to subscribe to new Dexia shares at a discount of 20%, with a period during which they are locked-up for five years.
Certain members of the Management Board participated in the 2006 employee share plan.

	Number of shares subscribed under the 2006 plan	Subscription price	Amount of discount
Axel Miller	-	N/A	N/A
Jacques Guerber	1,174	EUR 17.03 (1)	EUR 4.26
Dirk Bruneel	11,176	EUR 17 (2)	EUR 4.25
Xavier de Walque	10,294	EUR 17 (2)	EUR 4.25
Rembert von Lowis	-	N/A	N/A

(1) The subscription price is equal to the average of the 20 opening prices of the Dexia share on Euronext Brussels preceding November 16, 2006, reduced by approximately 20%.
(2) The subscription price is equal to the average of the 30 closing prices of the Dexia share on Euronext Brussels preceding November 17, 2006, reduced by approximately 20%.

Conditions relating to departure

Axel Miller, Jacques Guerber, Dirk Bruneel, Xavier de Walque and Rembert von Lowis are entitled, in the event that Dexia terminates their contract, to an indemnity equal to the fixed and variable compensation and other advantages corresponding to a period of 24 months, without prejudice to rules of Common Law which might if necessary be applicable.

Principles of compensation of top executives

Compensation is examined once per annum during the first quarter of the year. It is determined for top executives of the different subsidiaries or under-subsidiaries of the Group in relation to the general principles and orientations drawn up by the Group Compensation Committee.
Fixed salaries are determined by taking account of local market references and relevant responsibilities.
Variable compensation takes account both of Group performance criteria and also performance criteria specific to the activity of the top executive and his business line.
Individual performances are taken into account through the annual assessment to which each top executive is subject. In fact, each top executive is assessed with regard to the achievement of objectives, particularly financial and commercial, assigned to them within the context of annual budget procedures.
A comparative analysis is carried out annually with competitive practices observed in the different activities of the Group (financial markets, private banking, asset management, commercial banking and so on) in comparable groups. The compensation systems of the principal subsidiaries are subject to validation at Group level, in order to ensure their consistency with the general principles drawn up at a global level.

DEXIA GROUP CONTROL

INTERNAL CONTROL

Internal audit

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Dexia has a homogenous internal audit function that meets the highest standards. The mission of this function is to promote internal control within the Group and to ensure continuous performance and effective application of the control system in force.
This requirement is consistent with the Group's desire to ensure that the protection of its reputation and the efficiency and integrity of its structures are priority values.
In this context, the internal audit team evaluates whether the risks incurred by Dexia in its activities and in all its entities are identified, analyzed and adequately covered. The internal audit team must also ensure continuous improvement in the operations of the Group.

Organization

The internal audit organization is based on three fundamental principles:

• the strategy, requirement level and operating rules for the internal audit are set by the Management Board in a framework approved by the Audit Committee of Dexia SA;

• the internal audit mission is performed by a network of audit departments that perform their mission under the direction of the Group's General Auditor, who reports directly to the Chief Executive Officer, and Chairman of the Management Board. The General Auditor has direct access to the Audit Committee, to which he regularly reports on the internal audit operations within the Group. At the same time, the Audit Committee and the Chairman of the Board of Directors may assign certain missions or request some information from the General Auditor;

• each audit department in the subsidiaries is responsible for the performance of its mission towards the Chairman of the Management Board of the entity in question and also reports functionally to the Group General Auditor.

In 2006, a reorganization of the internal audit team was decided in order to meet the needs of the new organization of the Dexia Group. Since January 1, 2006, the strategic direction of the businesses has been conducted transversally by business/support functions.
In terms of organization, five segment managers were named (the deputy auditors of Dexia SA and of the Group's three operating entities) in order to strengthen the global visions of risks by business/support function throughout the Group. Risk control for each entity continues to be provided by the Chief Auditors of the entities.
A "planning, tools and reporting" function was also identified within Dexia SA and the operating entities, and is now organized as a unit.
Risk assessment, back testing and the development of the 2007-2009 audit plan covered the entire scope of Dexia SA, the operating entities and their subsidiaries. This effort ensured the development of a single audit plan, with an increased number of synchronized and transversal missions throughout the entities concerned, which results in an improved transversal and global vision of the risks within the Dexia Group.

2006 Missions

As is the case every year, a portion of the audit plan of Dexia SA and the entities was conducted in the form of "horizontal mission", i.e. missions conducted simultaneously at Dexia SA and in the Group's principal entities: Dexia Crédit Local, Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg.
A major component of those missions was dedicated to various issues related to the Basel II project: the framework of all internal credit models for the default probability axis was audited, and transversal audits were also conducted on the credit risk information system constructed around the Fermat application; the implementation of the loss axis in the event of default (Loss given default-LGD) in the internal rating systems, and the use of credit risk mitigation (CRM) instruments.
Other horizontal missions looked at the organization, risk management and control mechanisms that frame the activity lines of the principal businesses. Thus, the "Money Market and liquidity management" line or Wealth Management were audited as part of the 2006 horizontal missions.
The support functions (accounting, management control, IT, human resources) are also regularly audited within the context of the multi-year audit plan. Finally, Dexia's audit department conducted "joint" missions with the audit departments of certain subsidiaries, including Financial Security Assurance in the United States, RBC Dexia Investor Services, the joint venture formed in 2006 with Royal Bank of Canada, and Dexia Bank Nederland.
The audits completed in 2006 gave rise to the establishment of various action plans to correct weaknesses detected in the internal control system. Each action plan was approved by the Management Board of the entity concerned and is monitored on a regular basis in order to ensure that the recommendations made are effectively implemented.

Methods

The global approach to the risk universe, the joint audit methodology, the conducting of "horizontal" missions and "joint" missions, and the procedures for reporting and tracking at the very top of the Group's structure give Dexia an effective internal control system.
Beginning in 2007, the objectives of the "planning, tools and reporting" unit within the audit department are to strengthen the tools and methods used and to produce performance indicators in conducting its missions, and risk indicators.
In addition, the audit tool intended to promote harmonization and improved quality in the work within the operating entities was deployed in 2006.

Ethics and compliance

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Since its creation at the beginning of 2003, the ethics and compliance function has been consolidated to form a true Compliance unit composed of all Compliance Officers within each entity, subsidiary or branch that performs an activity within the Dexia Group. The unit is directed by a coordination committee composed of the Compliance Officers for the three operating entities under the chairmanship of the Chief Compliance Officer of Dexia.

The role of the committee is, first, to coordinate the regulatory watch mechanism, and to establish, disseminate and ensure compliance with Group policies and, second, to control, through information, awareness, training and audits, compliance risks, which are the risks resulting from failure to comply with the laws, regulations or standards of the profession.

Principles

Dexia's integrity policy is based on the following principles:

- the application of the same principles of ethics and conduct within all of Dexia's entities;
- compliance with both domestic and international laws and regulations;
- the promotion of a climate of transparency and confidence with customers, employees and shareholders;
- the definition of a policy to prevent fraud or any other misuse of assets, systems, information or procedures;
- continued integrity, particularly in conducting transactions or providing information to the financial markets.

In order to combat money laundering and the financing of terrorism, Dexia follows the highest international standards and is transposing those standards into its internal policies. More particularly, Dexia adheres to the recommendations published by FATF (the Financial Action Task Force on money laundering) and the Wolfsberg principles for private and correspondent banking, and fund administration. These principles are being reinforced by the implementation within the Group of common prevention, tracking and surveillance tools.

Thus, in 2005, the Group continued to develop internal standards and to deploy the shared transaction analysis software to fight money laundering and the financing of terrorism.

In the areas of market manipulations, conflicts of interest, investment services and other regulated areas, Dexia complies with and is progressively transposing the directives, laws and circulars as they are issued and become effective. Detailed rules govern personal transactions by employees and executives, which are carefully monitored, in order to prevent insider trading.

Organization

The Compliance unit is organized on the basis of the Compliance Charter, which defines the missions of the compliance unit as well as its powers and objectives. The code of ethics translates the general obligations of all Group employees into practical instructions. Special codes define the rules that apply more specifically to certain businesses, such as the financial markets, private banking, and asset management.

The Compliance Officers meet regularly with regulators and supervisory authorities in the various countries in which Dexia operates in order to identify and apply best ethical practices.

Since 2005, the compliance unit has extended the availability, for the entire team, of a single communication and data exchange application that offers functionalities for the identification of laws, regulations, policies and internal procedures, the distribution and follow-up for instructions, as well as consolidated reporting and periodic studies.

Report from the Chairman of the Board of Directors on the conditions for the preparation and organization of the work of the Board of Directors and the internal control procedures established by the company

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The French Financial Security Act of August 1, 2003, which is intended to increase security for savers and insurance policyholders (particularly by improving the quality of the financial information), requires the Chairman of the Board to present a report on the conditions for preparing and organizing the work of the Board and the internal control procedures established by the company.

This obligation is imposed on all issuers offering financial instruments to the public in France, regardless of their country of origin, and therefore applies to Dexia SA. In addition, given the Belgian-French profile of the Dexia Group, it complies with our practices of taking the French situation into consideration in the area of good governance.

This report can be found on Dexia's website at *www.dexia*.com.

EXTERNAL CONTROL

Board of Statutory Auditors

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In accordance with Article 14 of the company's articles of association of Dexia SA, the audit of the company's financial situation and annual financial statements is entrusted to one or more auditors who are appointed by the Ordinary Shareholders' Meeting for a maximum of three years on the recommendation of the Board of Directors.
Since 2000, a college of Statutory Auditors comprised of two audit firms has audited Dexia:
• PricewaterhouseCoopers SCCRL, an audit firm, represented by Robert Peirce, a certified public accountant. This firm was re-appointed by the Ordinary Shareholders' Meeting of May 11, 2005 for a period of 3 years ending after the Ordinary Shareholders' Meeting in May 2008;
• Mazars & Guérard SCCRL, an audit firm, represented by Xavier Doyen, a certified public accountant. The mandate of Mazars & Guérard was renewed by the Ordinary Shareholders' Meeting of May 10, 2006, for a period of 3 years ending after the Ordinary Shareholders' Meeting in May 2009.

Independence of the auditors

The 8th Directive 2006/43/EEC of the European Parliament and the Council of May 17, 2006 concerning legal audits of annual and consolidated financial statements entered into effect on June 29, 2006. This directive was transposed into Belgian law in the Law of July 20, 2006.
In order to comply with the new legislative framework resulting from the transposition of this directive, Dexia has adapted its internal procedures to ensure the independence of the auditors. A new policy in this area was adopted by the Executive Committee of the Dexia Group on December 19, 2006, effective immediately.

Compensation of the Board of Auditors

This table gives a summary of the compensation paid to the members of the Dexia SA Board of Auditors for their services in 2006.

PRICEWATERHOUSECOOPERS (in EUR)	Services provided for Dexia	Services provided for the Dexia Group (consolidated amounts)
a) Account audit tasks	100,000	7,413,702
b) Certification tasks	798	486,869
c) Tax advice	46,363	675,750
d) Due diligence	0	94,800
e) Other (non-certification) tasks	268,497	801,300
e-1) entrusted by the Law to Auditors	0	16,243
e-2) not entrusted by Law to Auditors	268,497	785,057
- Accounting advice (ex-IFRS)	0	84,003
- Legal advice	0	0
- Assistance: IFRS implementation	0	1,269
- Assistance: Basel II implementation	0	0
- Assistance: other tasks	235,535	644,970
- Other (non-assistance)	32,962	54,815
TOTAL	**415,658**	**9,472,422**

MAZARS & GUÉRARD (in EUR)	Services provided for Dexia	Services provided for the Dexia Group (consolidated amounts)
a) Account audit tasks	100,000	2,826,295
b) Certification tasks	56,070	175,026
c) Tax advice	0	0
d) Due diligence	0	0
e) Other (non-certification) tasks	15,400	18,623
e-1) entrusted by the Law to Auditors	0	0
e-2) not entrusted by Law to Auditors	15,400	18,623
- Accounting advice (ex-IFRS)	0	0
- Legal advice	0	0
- Assistance: IFRS implementation	0	0
- Assistance: Basel II implementation	0	0
- Assistance: other tasks	15,400	18,623
- Other (non-assistance)	0	0
TOTAL	**171,470**	**3,019,944**

Protocol on the prudential structure of the Dexia Group

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In accordance with the provisions of European Directives on banking coordination, the prudential supervision of the Dexia Group is exercised on the consolidated basis of the Dexia SA financial company which is the parent company. That supervision is exercised by the Banking, Finance and Insurance Commission, in concert with the Banking commission and the Committee for Credit Establishments and Investment Companies (France) and the Financial Sector Supervisory Commission (Luxembourg).
The Banking, Finance and Insurance Commission signed a protocol with Dexia SA in 2001 relating to the prudential structure of the Dexia Group. This protocol, which contains important agreements between the Banking, Finance and Insurance Commission and Dexia SA in terms of corporate governance, deals in particular with the status of company executives (honesty and professional experience, treatment of conflicts of interest, loans to executives), the quality of Dexia SA shareholders, the joint nature and authority of the Dexia SA Management Board, and control of the Dexia Group. A copy of the protocol may be obtained from the company's corporate offices. The text of the protocol, which was slightly modified in 2003, is also available on the Dexia website *(www.dexia.com)*.

MANAGEMENT REPORT

THE DEXIA SHARE

EVOLUTION OF THE STOCK MARKET PRICE IN 2006

The year 2006 marks a further rise of world stock markets, particularly in Europe. The upward and downward trends of the year were strongly correlated on the one hand to the price of oil, which exceeded USD 70 a barrel at one point in the year, with its negative impact on economic growth, and on the other hand to the monetary policies of the Fed and the ECB as well as the weakness of the US dollar, which lost 12% of its value against the euro in one year. During the year a large number of mergers and acquisitions in all sectors influenced the stock market prices and volumes.

Against that background stock market indices climbed, with the EuroStoxx50 up 15.2%, the CAC 40 17.5%, the BEL20 23.6% and the banking sector (EuroStoxx Banks) 22.5%. The latter benefited from excellent results posted by banks as a consequence of a favorable economy and the merger transactions taking place in the sector.

The Dexia share began the year well and on May 11, 2006 had hit a high of EUR 22.20, but some of that ground was lost at the end of May when the markets reversed.

The announcement at the same time of the acquisition of DenizBank and the need of a capital increase to finance it also weighed on the share price which ceded a maximum 9.4% compared to the end of 2005. When the capital increase was announced in September, the share took off, rising 17.6% to the end of the year.

The Dexia share closed the year 2006 at EUR 20.75 in Brussels and Paris, thus posting a rise of 6.5% in the whole year.

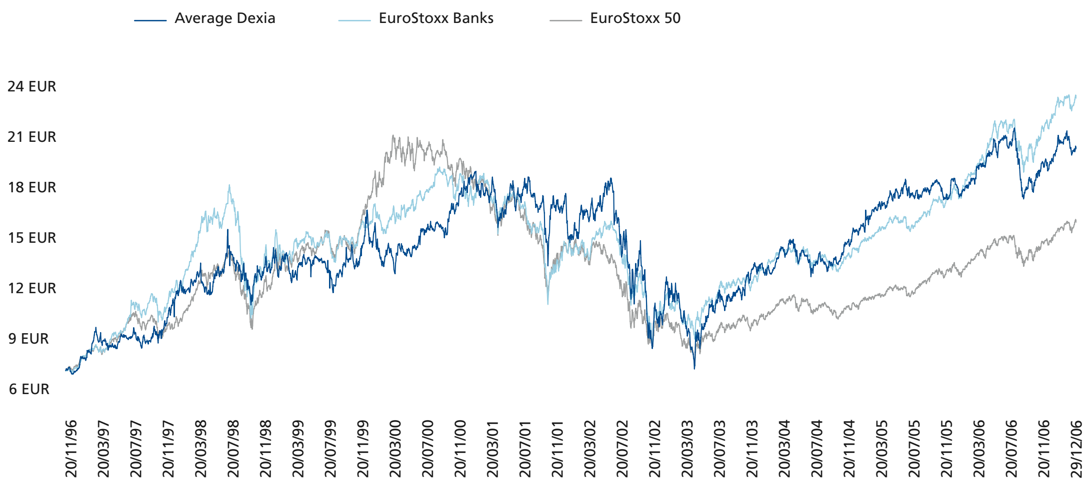
STOCK EXCHANGE DATA	Dec. 31, 2005	Dec. 31, 2006
Share price (1) (in EUR)	19.49	20.75
Stock market capitalization (in millions of EUR)	21,579	24,136

(1) Average closing prices on Euronext Brussels and Euronext Paris.

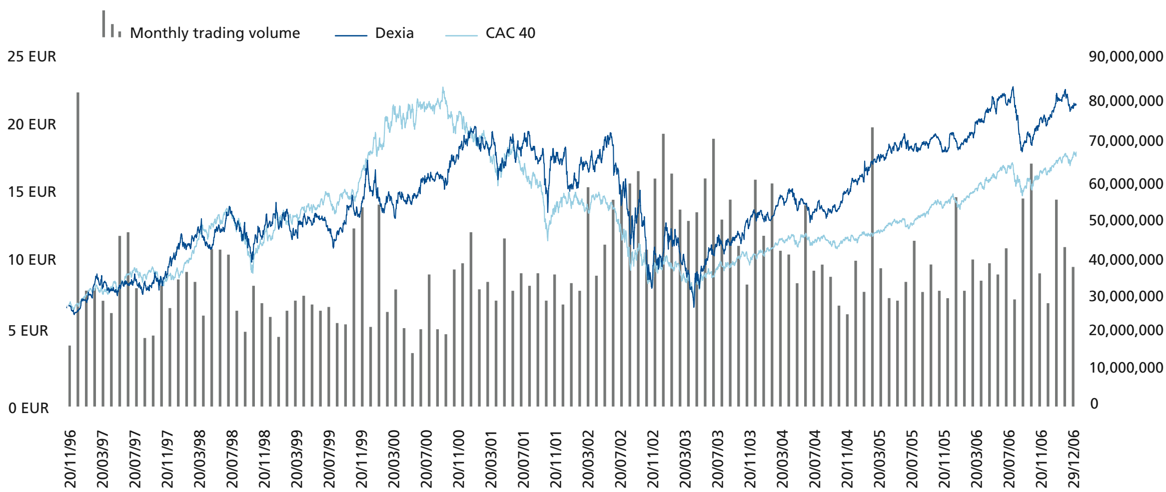
DEXIA'S STOCK MARKET PERFORMANCE	Brussels	Paris
Share price as of Dec. 31, 2005 (in EUR)	19.48	19.49
Share price as of Dec. 31, 2006 (in EUR)	20.75	20.75
Highest price/Lowest price (in EUR)	22.04/17.66	22.04/17.64
Average daily trading volume (in millions of EUR)	33.05	37.57
Average daily trading volume (in thousands of shares)	1,456	1,866

DEXIA'S POSITION IN THE PRINCIPAL EUROPEAN INDICES	Weighting in index	Position
BEL20	10.01%	5
CAC 40	1.97%	18
Euronext 100	1.14%	26
Next CAC 70	1.26%	26
FTSE EuroTop 100	0.46%	96
FTSE EuroFirst 80	0.84%	51
Dow Jones EuroStoxx Banks	2.48%	13

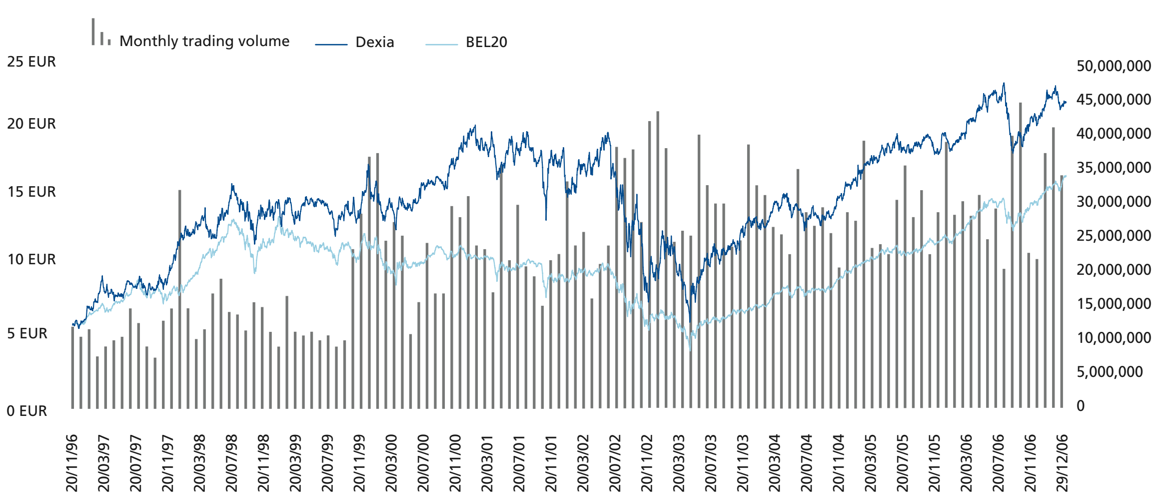
DEXIA'S STOCK MARKET PERFORMANCE (FROM NOVEMBER 1996 TO THE END OF DECEMBER 2006)



DEXIA'S STOCK MARKET PERFORMANCE IN PARIS AND TRADING VOLUMES (FROM NOVEMBER 1996 TO THE END OF DECEMBER 2006)



DEXIA'S STOCK MARKET PERFORMANCE IN BRUSSELS AND TRADING VOLUMES (FROM NOVEMBER 1996 TO THE END OF DECEMBER 2006)



MANAGEMENT REPORT

MAIN SHAREHOLDERS OF DEXIA (1)

	Percentage of Dexia SA capital held
Arcofin	17.5%
Holding Communal	16.4%
Caisse des dépôts et consignations	11.8%
Group Ethias	6.4%
CNP Assurances	2.0%

(1) As of December 31, 2006.

NUMBER OF SHARES

	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
Number of shares	1,181,685,852	1,175,222,680	1,145,261,366	1,107,469,030	1,163,184,325
of which Treasury shares	*20,082,005*	*32,546,412*	*40,050,935*	*20,550,020*	*490,607*
Number of options	31,809,349	43,301,416	50,684,800	55,903,030	58,697,872
Total number of current/ potential future shares (1)	1,213,495,201	1,218,524,096	1,195,946,166	1,163,372,060	1,221,882,197

(1) For more details, refer to "Legal Information" on www.dexia.com.

DATA PER SHARE

	2002	2003	2004	2005	2006
Earning per share – EPS (in EUR)					
- basic under Dexia GAAP (1)	1.13	1.24	1.58	-	-
- basic under EU GAAP (1)	-	-	1.63	1.87	2.49
- diluted under EU GAAP (2)	-	-	1.62	1.85	2.45
Average weighted number of shares (3)					
- basic	1,150 867,134	1,157,363,982	1,118,723,767	1,091,316,100	1,104,950,054
- diluted		-	1,124,050,279	1,103,413,861	1,120,893,987
Net assets per share (in EUR) (4)					
- under Dexia GAAP (5)	8.79	9.25	9.95	-	-
- related to core shareholders' equity (6)	-	-	8.87 (8)	9.86	11.60
- related to total shareholders' equity (7)	-	-	10.32 (8)	12.25	13.21
Dividend (in EUR)					
Gross dividend	0.48	0.53	0.62	0.71	0.81 (11)
Net dividend (9)	0.36	0.40	0.47	0.53	0.61 (11)
Net dividend for shares with a VVPR strip (10)	0.41	0.45	0.53	0.60	0.69 (11)

(1) The ratio between the net income – Group share and the weighted average number of shares.
(2) The ratio between the net income – Group share and the weighted average diluted number of shares.
(3) Excluding shares held in treasury stocks.
(4) The ratio between the shareholders' equity (estimated dividend for the period deducted) and the number of shares (after deduction of treasury shares) at the end of the period.
(5) Including GBRR – Group share.
(6) Without AFS, CFH reserve and cumulative translation adjustments.
(7) With AFS, CFH reserve and cumulative translation adjustments.
(8) As of January 1, 2005.
(9) After deduction of a 25% Belgian withholding tax.
(10) After deduction of a 15% Belgian withholding tax (as the deduction is reduced to 15% for securities with a VVPR strip).
(11) Proposed dividend; net dividends are rounded for the purpose of this publication.

STOCK MARKET RATIOS

	2002	2003	2004	2005	2006
Payout ratio (in %) (1)					
- under Dexia GAAP	43.0	42.1	38.7	-	-
- under EU GAAP	-	-	37.6	37.9	34.3 (2)
Price-earnings ratio (3)	10.4x	11.0x	10.7x	10.4x	8.3x
Price to book ratio (4)	1.3x	1.5x	1.7x	2.0x	1.8x
Annual yield (in %) (5)	4.1	3.9	3.7	3.6	3.9

(1) The ratio between the total dividend and the net income – Group share.
(2) Based on proposed dividend.
(3) The ratio between the average share price as of December 31 and the earnings per share for the year.
(4) The ratio between the average share price as of December 31 and the net assets per share as of December 31 (related to core shareholders' equity for 2005 and 2006).
(5) The ratio between the gross dividend per share and the average share price as of December 31.

SHAREHOLDERS' CALENDAR IN 2007

Thursday March 8	Marseilles	In partnership with FFCI [(1)]
Wednesday March 14	Mons	In partnership with *INVESTA*
Wednesday April 4	Brussels	Meeting of the European Consultative Committee of Individual Shareholders
Thursday April 5	Orléans	In partnership with FFCI [(1)]
Wednesday May 9	Brussels	Shareholders' meetings
Thursday May 10	Paris – Méridien Etoile	Meeting chaired by Axel Miller and Pierre Richard in partnership with *Investir*
Wednesday May 23	Lille	In partnership with *Le Revenu*
Thursday June 7	Strasbourg	In partnership with FFCI [(1)]
Thursday June 21	Nancy	In partnership with FFCI [(1)]
Thursday September 13	Toulouse	In partnership with FFCI [(1)]
Thursday September 27	Montpellier	In partnership with *La Vie Financière*
October 2007	Paris	Meeting of the European Consultative Committee of Individual Shareholders
Thursday October 4	Dijon	In partnership with FFCI [(1)]
Thursday October 18	Lyon	In partnership with FFCI [(1)]
Monday October 22	Nantes	In partnership with FFCI [(1)]
Friday November 16 – Saturday November 17	Paris – Palais des Congrès	Actionaria Convention
Monday November 19	Bordeaux	In partnership with *Investir*

(1) Fédération française des clubs d'investissement.

HUMAN RESOURCES

The Human Resources vision of Dexia is reflected in eight strategic axes which aim to:
• reinforce the strategy and structure of Dexia;
• align the HR structure on Dexia's strategy;
• install and manage one common Dexia HR model for all entities and departments;
• make Dexia an "Employer of Choice" in the Financial Services Industry in Europe;
• develop and deploy talents in the Group in an optimal manner and in an international context;
• develop a dynamic Dexia leadership model;
• align the reward package to motivate and retain talents within the Group;
• position the social dialogue.

The Human Resources department provides Group managers with tools and processes enabling them to optimize their HR decisions and creates the fundamentals to leverage human talents in realizing business challenges.

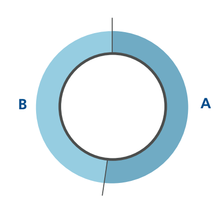
INTEGRATING NEW ENTITIES

In 2006 DenizBank became part of Dexia. This Turkish bank started more or less from scratch 9 years ago under leadership of its chairman and a couple of employees and rapidly grew to employ 6,342 people by the end of 2006. Hiring more than 1,000 employees per year, providing 4-5 training days per person, keeping the turnover below market level while dealing with a high inflation rate, in an increasingly competitive market environment has become an operational day-to-day reality for DenizBank managers as well as the 20 people in its HR department. In addition to the usual challenges DenizBank has to manage the challenge of finding the correct balance between continuing successful DenizBank HR practices on the one hand and leveraging new Dexia practices on the other hand. Following the principle that change is agreed and not imposed, a variety of projects in the sphere of Learning and Development, Talent Management and Compensation & Benefits have been jointly initiated.

Dexia has clearly underlined the importance of the undertaking by offering to assign 10 secondees. Most of them as senior advisors and two of them as executive members of the Board of Directors of DenizBank. So Dexia has very rapidly started to explore DenizBank culture and local mentality. In addition to their bridging function, the secondees have a twofold mission: identifying new DenizBank business opportunities and ensuring that processes and policies are harmonized wherever it makes sense.

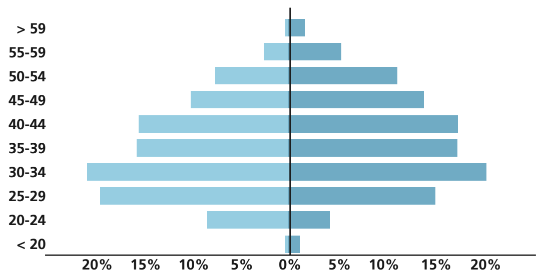
MEMBERS OF STAFF AT DEXIA

• At the end of 2006, Dexia had 33,321 members of staff (including the joint venture RBC Dexia Investor Services and the self-employed networks of Dexia Bank Belgium and Dexia Insurance Belgium) against 24,418 in 2005, an increase in global workforce of 36.5%.
• The year 2006 was marked by significant geographic expansion with the acquisition of DenizBank (6,342 members of staff as of December 31, 2006) and the setting up of the joint venture RBC Dexia Investor Services (4,411 members of staff as of December 31, 2006). In 2006, Dexia employed members of staff in 33 countries.
• More than 62% of members of staff have joined the Group since less than ten years, which proves the strong development recorded since the creation of Dexia in 1996.
• In 2006, the overall division of workforce between men and women was well balanced, at 51.7% and 48.3% respectively.
• Group members of staff are young: in total, 42.9% are less than 35 and 58.8% less than 40 years of age.
• The average age is 38.9 for men and 36.2 for women. The overall average age is 37.6.
• The average length of service of Group members of staff is 10.7.
• Turnover is 6.17% of workforce on indefinite-term contract.
• 14.8% of Group members of staff work part time.
• The average number of days of training per employee is 1.94 per annum.



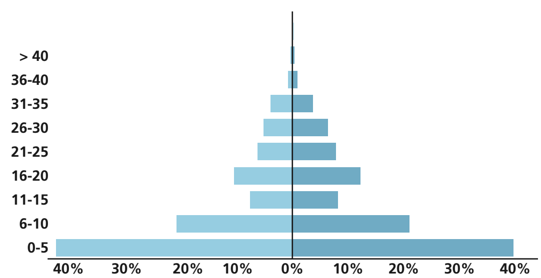
GENDER BREAKDOWN

A	MEN	51.74%
B	WOMEN	48.26%



AGE PYRAMID

MEN
WOMEN



SENIORITY PYRAMID

MEN
WOMEN

33,321 MEMBERS OF STAFF IN 33 COUNTRIES

Belgium (1) (2)	15,270
Turkey	6,290
Luxembourg (2)	3,513
France (2)	2,639
Canada (2)	1,738
Slovakia	812
United States	518
United Kingdom (2)	478
Italy (2)	302
Australia (2)	301
Netherlands (2)	254
Spain (2)	225
Switzerland (2)	220
Ireland (2)	200
Singapore (2)	125
Germany	84
China (2)	61
Russia	52
Jersey	40
Danemark	38
Israel	38
Japan	34
Poland	26
Sweden	18
Mexico	10
Czech Republic	8
Other countries	27
Total workforce as of December 31, 2006	**33,321**

(1) Including the self-employed networks.
(2) Including RBC Dexia Investor Services.

RECRUITING

Dexia's growth ambitions and its international expansion require a coordinated recruitment approach anchored soundly at a local level. In 2006 Dexia recruited more than 1,200 new talents (excluding recruitment for the self-employed networks and more than 1,000 at DenizBank) through the recruitment portals of the local entities and via external search.

DIVERSITY

Diversity has been a very important subject for Dexia over the last couple of years. Several internal and external documents can illustrate this (internal documents: *Principles of Social Management* in 2002 and *HR Quality Charter* in 2005; external documents: diversity charters in France and Belgium co-signed by Dexia).

Three diversity topics received special attention in 2006.

First of all, the place of women in the Dexia Group was further developed as a topic. In 2004, a White Paper was written on the place of women and in 2005 an action plan was put in place to implement the recommendations of that White Paper. 2006 was the year in which this action plan reached full speed. Examples of actions were:

• awareness of managerial staff: integration of a section dedicated to the issues involved in diversity in some of the management training programs at Group level; development of a new program for the Dexia Corporate University, i.e. "From individual to team coaching across diversity";
• ban on direct or indirect discrimination in internal/external recruitment: advertisements and processes will not be indirectly discriminating in their wording or their presentation;
• a better balance of private and professional life: enabling access to professional mail or files from a distance if unexpected events occur.

In mid-2006 a work group was formed on demand of the Management Board to assess the results of the White Paper and the associated action plan. The results show a certain positive, though dissimilar, evolution in the different Group entities. That is why it was decided to continue this work group as a "Sponsor Group" in charge of:

• actively encouraging the implementation of the action plan;
• animating a Dexia Women's Network;
• assuming the role of Mentor;
• continuously monitoring progress.

Secondly, the older employees of Dexia were also analyzed in detail. Dexia is facing a large number of retirements in the next ten years and should be prepared for this: human capital should be passed on to the younger colleagues and Dexia should guide employees with a clear career plan.

Thirdly, Dexia analyzed the place of employees with a disability within Dexia and the national labor markets. Particular effort is made in this field by Dexia Crédit Local which has an action plan in place to increase the number of staff members with disabilities.

All diversity commitments have to be integrated into daily HR and managerial practices by HR staff training, by HR team deployment, and a clear awareness of the importance of diversity in Dexia's new leadership principles.

MANAGING TALENTS

Yearly employee talent reviews are an important aspect of HR strategy in all entities. For the future management of the Group, monitored career management is necessary at a Group level:

• to obtain a clear overview at Group level of all talents in all entities/regions at executive level and above;
• to detect high potentials for future management positions and to develop proactive succession planning;
• to develop a common methodology in detecting and developing potentials for their future career progression, based on, and aligned with the Dexia Leadership Competence Model.

A uniform Assessment Center methodology will be deployed as from 2007 throughout the Group for the positions at executive level. Internal and external candidates, applying for an open position, will be evaluated in an assessment center on a set of criteria, based on the Leadership Competence Model. In all entities/regions, candidates will be evaluated on the same criteria, with the same methodology.

In the context of people development and career planning, Dexia wants to develop an identified pool of talented executives who could act as successors to senior executive positions. Executives who have been identified as confirmed high potentials at entity level participate in a Development Center at Group level. The outcome of a development center is a personal development plan that prepares the high potential executive for a role as senior executive.

DEXIA CORPORATE UNIVERSITY

Since its creation in January 2005, the University has hosted more than 2,000 participants and has been offering high-quality learning and development opportunities.

Strongly supported by senior Group management, and as an important part of the cross-entity service provided by the Human Resources Department, the University facilitates the implementation of Dexia's strategy and development. In this context, the University is conducting the leadership process initiated in 2005 and is actively involved in the implementation of the new Group culture and values.

Through their learning programs, the six Learning Faculties of the University are contributing to the development of the Group's identity and facilitating the creation of an international management community at Group level, sharing and "speaking" a common language.

The Dexia Corporate University has increased and enhanced its program in 2006 in order to help the Dexia managers to evolve, promote the exchange of knowledge and professional experiences and facilitate bottom-up strategic reflection through training courses and seminars demanding the full involvement of participants.
As an example, the "Sales & Business Development" faculty successfully launched the first edition of "Marco Polo". The program was spread over a period of 18 months including an international assignment of 6 months; "Discovering Dexia America" was organized in New York (second edition outside Europe).
All the training courses of the "Management & Leadership" faculty were adapted to the new Dexia Leadership Model and two new programs were created: "Change and Team" and "First Management Skills".
The "Finance & Risk Management" faculty enlarged its training portfolio with programs like "Finance for Non-Financial Managers", "General Risk Management", "Economic Capital", "Credit Management Strategies" and "Basel II".
Two new training courses on IFRS have been added to the program of the "Tax & Legal" faculty.
Furthermore, in 2006 the Dexia Corporate University launched its e-learning platform, thus opening its doors to all members of staff of the Group (except, for the moment, those in DenizBank and FSA). Currently the e-learning program not only includes IT but also financial markets courses. Language courses will come online in 2007. All Dexia members of staff can follow training packages online in their office or at home.
A total of 81 training sessions have been organized (49 in 2005).

HIGHLIGHT ONE NEW AND SUCCESSFUL PROGRAM: "FIRST MANAGEMENT SKILLS"

"First Management Skills", the course for new team leaders developed this year, is the first Dexia Corporate University labeled program: it is a course elaborated at Group level and given at a local level in the language of the country concerned. A working party consisting of HR representatives of the main entities has developed the contents of this course.
The program's aim is to prepare new team leaders for the assumption of their tasks by assimilating Group strategy and the leadership model. 17 further sessions are planned in 2007 in Paris, Brussels and Luxembourg.

FAVORING MOBILITY

Mobility – internal and international mobility – has become part of the Dexia culture.
The *HR Quality Charter* lays down the commitments of Dexia in the field of internal mobility.
The *Passport for Dexia* provides a set of common rules and principles applicable to international mobility and contributes to the integration of employees and to the development of a feeling of belonging to the Group. In order to be as close as possible to the international evolution of the Group and to integrate the great diversity of international mobility, seven important categories of mobility have been identified.
In 2006, 1,006 members of staff moved to another company within the Group. 245 of them experienced an individual internal mobility, while the remaining 761 members of staff were involved in a collective transfer of staff (into RBC Dexia Investor Services Luxembourg, RBC Dexia Investor Services Switzerland and Dexia SA).

INTEGRATED PERFORMANCE MANAGEMENT

Performance Management starts with the definition of objectives and priorities. In 2006, each member of the Executive Committee, as well as directly reporting to the CEO, has a clear management contract, including the objectives and priorities for 2007.
By 2007, the aim is to extend the management contract to the entire strategic management team. Ultimately, this performance management approach will be cascaded throughout the organization in the next few years.

NEW LEADERSHIP CULTURE

Moving from an entity-driven organization to a more cross-entity organization and becoming a "true European banking group" means going further in putting in place an international organization with a new operating mode, decision-making processes and budget management. This has an impact on the required leadership skills. The Dexia leaders of tomorrow must be able to operate effectively in this new and challenging environment and to demonstrate the necessary leadership and communication skills.

INITIATING AND CASCADING THE LEADERSHIP CULTURE

In 2005, leadership development was placed high on the management agenda. A leadership vision was drafted and the divergence from current reality assessed.
In 2006, Dexia started to close the gap between vision and reality by developing a leadership model and implementing it through a "360° feedback" process at top management level. Additionally, Dexia has initiated work around the values and the mission of the Group.

LEADERSHIP MODEL AND COMPETENCES

A leadership model determines which competences are expected from leaders by describing those competences through specific forms of behavior. The leadership model is the anchor point for all management development initiatives and Human Resource tools such as the "performance management" process, the "talent review", the "360° feedback" (see below), the "assessment & development centers" and training programs.
Five principal axes of corporate culture have been defined: client, vision, team management, innovation and cross-entity approach.

360° FEEDBACK PROCESS

The first step in the implementation of a leadership culture consists in setting an example and applying a 360° feedback assessment at Management Board and Executive Committee level. The 360° feedback is aimed at providing an employee with the opportunity to receive feedback on his/her leadership behavior within the organization.

GROUP CULTURE

Dexia triggered a four-phase plan in order to create a real Group culture.
The first level is top management. Indeed, it is essential that the 360° feedback be applied to all members of the Management Board and the Executive Committee.
The second level relates to all the real initiatives which illustrate the change of direction such as for instance the setting up of cross-entity competence centers.
The third level involves the development of the competences necessary for the implementation of this new culture, within the entire management population. This stage includes putting the appropriate training programs in place.
To conclude, at a fourth and final level, the objective is to suit these changes to the long term whether in recruitment, assessment or differentiated compensation.
At the same time, in order to consolidate the unique and integrated identity of the Group, considerable work was done on giving a precise and assertive definition of the Group's mission and values, these elements being the visible bond of the Group culture.

EMPLOYEE SHAREHOLDING PLAN: A VERSATILE UNIFYING TOOL

Since its creation, the percentage of capital held by members of staff of Dexia has been one of the major unifying elements throughout the Group. In fact, in 2000 when the first shareholding plan was launched, the target set by the chairman of the Board of Directors was that within five years 5% of the capital should be held by members of staff.
That target was achieved in June 2005 with the proportion of capital held by members of staff evolving between 4% and 5% depending upon previous plans reaching maturity.
With these results, Dexia is positioned in the Top 30 of the "European Employee Shareholding".

UNWINDING THE 2001 PLAN

In 2006 Dexia members of staff were able to unwind the 2001 shareholding plan. The plan had several innovative features:
- that year, for the first time, a classic offer and a leveraged offer were put to all members of staff in every country in which the Group had a presence;
- subscriptions to the different offers were for almost EUR 170 million;
- 6 members of staff out of 10 took advantage of the plan.

When exit transactions were completed for the 2001 plan, Dexia members of staff could see how attractive those plans had been. Indeed the classic offer posted a return of more than 70%, out-performing the classic BEL20, CAC 40 and EuroStoxx 50 indices. Similarly, the leveraged offer gave a return of more than 160% to those members of staff who had chosen it.

NEW 2006 PLAN

As in previous years, there are two offers: classic and leveraged. The latter takes three forms in 2006: the standard option, the averaged option and the click option. The shares subscribed under each of these offers are locked up for five years.

The classic offer

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In the classic offer, the member of staff finances all of the Dexia shares he or she wishes to acquire, with a maximum discount of 20%.

The leveraged offer

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In the leveraged offer, by virtue of a specific financial mechanism, a member of staff who acquires a share (discounted by 20%) becomes the holder of 10 Dexia shares. At the end of the five years, if the stock market price has increased, the member of staff receives shares or cash to the amount of his or her initial investment increased by a percentage of that increase calculated on 10 shares. If on maturity the share price is lower than the reference price (before the discount is applied), the amount of the member of staff's initial investment is guaranteed. The innovation in 2006 was the introduction of a click option enabling any gain which might be observed from one year to the next to be frozen at points of time predetermined in the plan. In that way Dexia is able to offer its members of staff different investment profiles corresponding to the diversity of all their financial approaches.

EVOLUTION OF EMPLOYEE SHAREHOLDING

At the end of these two major operations, considering the fact that a capital increase took place during the year for the financing of the acquisition of DenizBank, Dexia members of staff held more than 49.6 million shares, or 4.27% of the capital as of December 31, 2006.

FOSTERING THE SOCIAL DIALOGUE

The European Works Council (EWC) of Dexia has 28 permanent and 26 substitute staff representatives from 10 entities of Dexia with more than 150 staff members.
2006 was a very busy year for the European Works Council:
- with three plenary meetings;
- with three extraordinary meetings: one on the acquisition of DenizBank, one on the new organization and one on the new strategy of the Group;
- with several preparatory meetings between the staff members preparing the plenary and extraordinary meetings;
- with nine Board meetings together with the HR management of the Group. The EWC Board consists of seven members of the EWC who take day-to-day responsibility for the EWC between plenary meetings;
- with a broadening of the social scope by the visit of the EWC Board to Dexia banka Slovensko.

Social dialogue was intensive not only at Group level. A number of entities concluded collective agreements between the management and the staff representatives in 2006. No fewer than 42 different collective agreements were concluded throughout 12 entities with a staff representative structure in place. These agreements dealt mainly with compensation, statutes, shareholding, union rights and working time.
Dexia also chose to transfer the IT infrastructures of Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg to a new company called Associated Dexia Technology Services. The transfer of the staff members of both entities was negotiated together with the staff representatives.

SUSTAINABLE DEVELOPMENT

THE DEXIA SUSTAINABLE DEVELOPMENT REPORT 2006

A new format for the report

—

Within the context of its "corporate environmental responsibility" action plan, the Dexia Group has undertaken to reduce the global consumption of paper per Group member of staff by 2010 compared to their consumption in 2006.
For its 2006 report, Dexia has chosen to limit paper copies and to favor an on-line version on its website *www.dexia.com*. The 2006 Dexia sustainable development report is also available on CD-ROM.

Main subjects dealt with in the *Sustainable Development Report 2006*

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Dexia: one group, one strategy, one culture
- Our vision
- Our missions and our values
- Our commitments

Sustainable development: a process integrated into the Group's strategy
- The integration of sustainable development into the Group's organization
- Our actions in 2006
- The *Sustainable Development Report 2006*

Our commitments and our achievements
- Our shareholders: performance and responsibility
- Our clients: innovation and quality relations
- Our members of staff: personal support and development
- Society: citizen commitment and transparency

Appendices
- 2007 Calendar of Dexia Group sustainable development actions
- Reporting indicators
- Application of the Global Reporting Initiative and the New Economic Regulations (France)
- Application of the principles of the Global Compact and the Unep-Fi
- Questions frequently asked by society
- External audit opinion
- Glossary
- Continuing dialogue
- Legal information and contacts

The fight against climate change at the heart of the Dexia Group sustainable development strategy

—

To ensure that its direct environmental impacts are managed responsibly, the Dexia Group has set the fight against climate change at the heart of its sustainable development strategy.

An original strategy of carbon neutrality

In 2007 the Dexia Group will follow a carbon neutral policy combining the reduction and offsetting of its CO_2 emissions.
- The Group strategy is aimed at neutralizing the majority of its 2006 emissions associated with energy consumption and professional journeys undertaken by members of staff, or approximately 35,000 tons of CO_2.
- This revolves around two projects linked to Dexia activity in the two countries in which it is historically established, namely France and Belgium.
  - Reduction of CO_2 emissions: investment in a renewable energy project and the acquisition of green electricity.
  - Offsetting the non-reducible emissions quota.

To learn more about the Group's offsetting policy and the projects retained: www.dexia.com.

RISK MANAGEMENT

CREDIT RISKS

ORGANIZATION

Risk Management Group (RMG) oversees Dexia's risk policy under the guidance of Dexia's Management Board or specialized risk committees. It sets Group guidelines on limits and delegations, sets and manages the risk surveillance function and decision processes and implements Group-wide risk assessment methods for each of Dexia's activities and operating entities (Dexia Crédit Local, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg, DenizBank).
The organization of all risk committees has been completely reviewed in 2006, in particular to reflect the new Group governance and to adjust to Basel II requirements. Several specialized committees dealing with risk management exist at Group level. The two main ones are:
• the Risk Policy Committee which defines the Group's risk profile and risk guidelines;
• the Management Credit Committee which rules on questions that are beyond the scope of the delegations granted to business lines or entities.
In general, all limits are set directly by the Management Board, but delegations are also given to specific committees to oversee the risks of specialized portfolios (i.e. Credit Spread Portfolio...).

MAJOR PROJECTS IN 2006

The main achievement of the year 2006 was the continuation of the effort allowing to implement the required methodologies and procedure in relation to the advanced approach of Basel II, leading the Group at the end of 2006 to present the regulators with a complete application file for the advanced approach. After validation by the regulators, this should allow Dexia to implement the full internal rating-based approach (IRBA) approach from January 1, 2008.

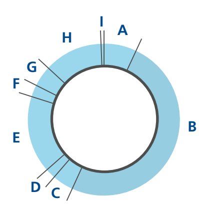
DEXIA'S CONSOLIDATED EXPOSURE AS OF DECEMBER 31, 2006

The credit exposure evaluation rules are in point 4.2. of the note 1 "Accounting principles and rules of the consolidated financial statements" on page 134.

Exposure by category of counterpart

—

The Group's total exposure increased to EUR 794.3 billion as of December 31, 2006, against EUR 742 billion one year earlier (increase of 7.0%).
The mix of counterpart in Dexia's portfolio is very stable. Half of the exposure is on the local public sector (EUR 396.4 billion, up 5.6% compared to year-end 2005).



BREAKDOWN OF DEXIA EXPOSURE BY CATEGORY OF COUNTERPART (AS OF DECEMBER 31, 2006)

CONSOLIDATED EXPOSURE: EUR 794.3 BILLION

A	CENTRAL GOVERNMENTS	7.1%
B	LOCAL PUBLIC SECTOR	49.9%
C	CORPORATE	4.6%
D	MONOLINE	2.2%
E	ABS/MBS	16.2%
F	PROJECT FINANCE	2.5%
G	INDIVIDUALS, PROFESSIONALS, SELF-EMPLOYED, SMEs	4.6%
H	FINANCIAL INSTITUTIONS	12.4%
I	OTHER	0.5%

Exposure by geographical region

—

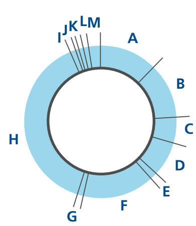
As of December 31, 2006, the Group's exposure was concentrated in the European Union (53.7%, EUR 426.9 billion at year-end 2006 against EUR 384 billion one year earlier), particularly in France (12.4%) and in Belgium (11.9%). The Group's exposures in the United States and Canada represented 40.0% of total exposure, slightly lower than as of December 31, 2005.

FSA RISK MANAGEMENT

Financial Security Assurance (FSA) restricts its business to market sectors characterized not only by low probability of default but also by low loss severity and high recovery rates in the unlikely event of a claim on its guarantee. All transactions must be at least investment-grade quality before FSA insures them; they must meet FSA's legal and structuring requirements and fit within single and aggregate risk limits.
Before insuring a municipal revenue bond, FSA typically requires a pledge of tax revenues or a claim on a dedicated revenue stream from essential public services. In the asset-backed market, FSA guarantees senior tranches structured to withstand substantial deterioration in the underlying asset performance, before FSA would be called upon to pay a claim. Most of its asset-backed securities (ABS) transactions are structured to have collateral protection that increases over time, and to have self-correcting mechanisms that are triggered to restore protection if collateral performance falls below established minimums. For example, cash flows may be shifted from subordinate to senior insured tranches or accumulated in a reserve fund. Where circumstances warrant, FSA transfers servicing or replaces collateral management.
Thorough due diligence is the hallmark of FSA's underwriting process. FSA routinely conducts site visits and file reviews to verify issuer information. Internal legal staff review documents and, in many cases, solicit opinions from outside counsel to ensure that structures perform as intended. Once a transaction is guaranteed, FSA monitors the issue throughout its life, so that potential problems can be spotted and action taken before they become serious.
Reinsurance also plays a key role in the overall risk management program. Just as banks syndicate loans in order to address single-risk concerns, FSA reinsures transactions with a group of AA and AAA reinsurance companies.
Through its disciplined underwriting approach, FSA has assembled an extremely conservative insured portfolio, as evidenced by the underlying credit quality of its insured portfolio: 87% of net par insured is of A quality or higher, and 55% is AA or higher (see charts).

THE BASEL II PROJECT

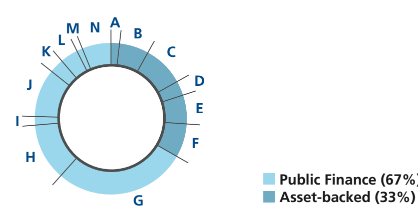
2006 was a year of stabilization for Basel II organization, a year of transition from project status to implementation and day-to-day operation. At year-end, most of our internal models were developed, documented, internally validated and implemented. Dexia officially applied in December 2006 to use the advanced



BREAKDOWN OF DEXIA EXPOSURE BY GEOGRAPHICAL REGION (AS OF DECEMBER 31, 2006)

CONSOLIDATED EXPOSURE: EUR 794.3 BILLION

A	FRANCE	12.4%
B	BELGIUM	11.9%
C	GERMANY	5.3%
D	ITALY	7.5%
E	LUXEMBOURG	1.3%
F	OTHER EU COUNTRIES	15.4%
G	REST OF EUROPE	1.1%
H	UNITED STATES AND CANADA	40.0%
I	JAPAN	1.1%
J	SOUTH EAST ASIA	0.3%
K	SOUTH AND CENTRAL AMERICA	0.1%
L	TURKEY	1.1%
M	OTHER	2.5%



FSA INSURED PORTFOLIO AS OF DECEMBER 31, 2006

TOTAL NET PAR OUTSTANDING: USD 376.5 BILLION

A	COLLATERIZED BOND OBLIGATIONS (CBOs)	2%
B	COLLATERIZED LOAN OBLIGATIONS (CLOs)	6%
C	POOLED CORPORATE CREDIT DEFAULT SWAPS (CDS)	9%
D	CONSUMER RECEIVABLES	3%
E	RESIDENTIAL	6%
F	OTHER ASSET-BACKED	7%
G	GENERAL OBLIGATIONS OF CITIES, STATES AND SCHOOL DISTRICTS	28%
H	TAX-SUPPORTED NON-GENERAL OBLIGATIONS	12%
I	HOUSING	2%
J	UTILITY	10%
K	HEALTH CARE	3%
L	TRANSPORTATION	4%
M	EDUCATION/UNIVERSITY	1%
N	OTHER MUNICIPAL	6%

IRBA approach for regulatory capital calculation from January 1, 2008. As part of our application file, an impact study has been carried out, estimating the capital requirement with the new methods at different levels of consolidation. This study has been carried out using our final IT method and infrastructure, proving that Dexia's Basel II organization is up and running for future regulatory calculations. The result of this study confirmed the magnitude of regulatory capital saving estimated in previous quantitative impact studies.

2007 will see intense relations with the different regulatory authorities as our application is examined. Two official exercises will be performed for the purpose, consisting of calculating capital requirements under Basel I and Basel II regulations (double runs). Additional projects linked to Basel II will also be commissioned, such as the new integrated tool for limit monitoring or the common reporting platform.

MARKET RISKS

Market risk comprises the Group's exposure to adverse movements in market prices (general and specific interest rates, exchange rates, share prices, spreads) stemming from its Treasury and Financial Market activities. As a general rule, the market risks generated by the other businesses are hedged.

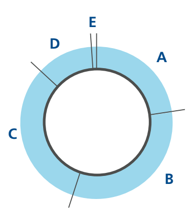
The market exposure evaluation rules are explained in point 4.1. of note 1 "Accounting principles and rules of the consolidated financial statements" on page 133.

Dexia's exposure to market risk arises mainly from European interest rates. Its market risk exposure generated by equity, foreign exchange and spread (trading only) positions remains much lower.

Dexia Group has adopted the Value at Risk (VaR) measurement methodology as one of the leading risk indicators. The VaR calculated by Dexia is a measure of the potential loss that can be experienced with a 99% confidence level and for a holding period of 10 days. Dexia has developed and employs multiple VaR-approaches which are based on their ability to accurately measure the market risk inherent in the different portfolios. General interest rate & forex risks are measured through a parametric VaR-approach. Specific interest rate risk in trading books and equity risk are moreover measured by means of an historical VaR approach. Nonlinear and particular risks are measured through specific and historical VaR methodologies, with a view to a better apprehension and measurement of the sensitivity of those positions to market volatilities.

As a complement to VaR risk measures, market risk exposure is captured by nominal volume limits, limits on basis point interest rate sensitivity and spread sensitivity and limits on option sensitivities (delta, gamma, vega, thêta, rhô).

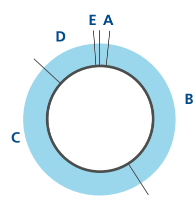
Dexia Group uses its internal VaR model for the capital requirement calculus on general interest rate risk and foreign exchange risk exposure within the Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg trading scope.



OVERALL (PUBLIC FINANCE + ASSET-BACKED SECURITIES) (FSA)

TOTAL NET PAR OUTSTANDING: USD 376.5 BILLION

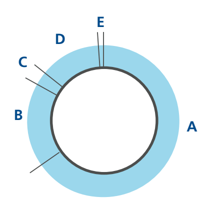
A	AAA	23%
B	AA	32%
C	A	32%
D	BBB	12%
E	NON-INVESTMENT GRADE	< 1%



PUBLIC FINANCE (FSA)

TOTAL NET PAR OUTSTANDING: USD 251.4 BILLION

A	AAA	2%
B	AA	39%
C	A	46%
D	BBB	12%
E	NON-INVESTMENT GRADE	< 1%



ASSET-BACKED SECURITIES (FSA)

TOTAL NET PAR OUTSTANDING: USD 125.1 BILLION

A	AAA	66%
B	AA	18%
C	A	3%
D	BBB	13%
E	NON-INVESTMENT GRADE	< 1%

ORGANIZATION OF THE CONTROL

Dexia's Management Board, advised by Risk Management Group (RMG), retains ultimate responsibility to set the strategic direction of Market Risk Management (overall risk appetite, methodological choices, organization of reporting and of the decision processes).
It is the task of RMG, in collaboration with the Risk Management teams of the different entities, to translate these decisions into precise and written policies, guidelines and procedures and to oversee their effective application. RMG is also in charge of defining the calculation methods that are to be applied at Group level as to P/L and risk measurement.
Day-to-day responsibility for ensuring sound and robust market risk management and follow-up lies within the entities (computation of the risk indicators, control of the limits...). Each entity is responsible for the follow-up of its market activities (subsidiaries included), for their monitoring and reporting to local authorities. The entire process is coordinated at Group level to ensure the coherence and the quality of risk control within the entire Group.
As a next step, risk indicators are consolidated at the level of each activity line by the Risk Competence Center. Since the beginning of 2006, market risk management has been organized by specialized Competence Centers (CC). The CC are transversally responsible for the analysis, follow-up and reporting of risks and results of their activity line on a Group-wide basis. In a final stage, Risk Management Group consolidates the risk and P/L-data per activity line into Group-wide figures.
The Market Risk and Guidelines Committee, which is composed of the members of the Management Board of the Group in charge of "Treasury and Financial Markets" and "Risk Management", the Activity Line Heads and Group and Local Heads of Market Risk Management and ALM meets at least monthly and deals with all the topics related to market risk.
Moreover, the Management Board of the Group is informed by RMG of any change in the risk profile at least every three months or more frequently if necessary.

RISK EXPOSURE

The Treasury & Financial Markets activities of Dexia are mainly oriented as a support function for the Group. The detailed VaR usage of Dexia Group is in the table below. The risk consumption of the financial activities of Dexia is EUR 29.8 million VaR on average in 2006 (not including DenizBank).

ASSET AND LIABILITY MANAGEMENT (ALM)

Structural interest rate, forex, equity and liquidity risks are managed and supervised by the Group's Asset and Liability Management function (or ALM).
The ALM interest rate risk management is split into two categories:
• short-term ALM (up to 2 years and longer on some delegated currencies), which is delegated and captured by the market risk management driven approach (VaR limits, sensitivity limits, triggers, stop loss, daily follow-up...);
• long-term ALM, which is not delegated and subject to a dedicated follow-up by the ALCO Group (ALM Committee), which meets on a monthly basis.
Measurement of balance-sheet risks is harmonized among the Group's various entities.
Regarding the interest rate risk management of Dexia balance sheet, a calculation of the sensitivity of the net present value of the ALM positions is used as the main ALM indicator. The risk exposure is primarily on long-term interest rates in Europe and results from the structural difference between the amortization profiles of the fixed-rate assets and liabilities.
The Basis Point Value (BPV) measures the change in the balance sheet net economic value if interest rates rise by 1% across the entire curve. The BPV of the Dexia Group (insurance companies and pension funds excluded) amounts to EUR -494 million as of December 31, 2006.
Regarding the equity investment portfolio of Dexia, it is also the role of Dexia ALM to follow it up. This portfolio contains available-for-sale equities managed by the ALM committees with the VaR model.
The Equity Value at Risk (VaR) measures the potential change in market value, whereas the Equity Earnings at Risk (EaR) measures the impact in the P/L statement if the VaR materializes.
The Equity VaR calculated by Dexia is a measure of the potential loss that can be experienced with a level of confidence of 99% and for a holding period of 10 days.
The Equity EaR is much lower than calculated Equity VaR exposures as most of the listed shares have a positive AFS reserve cushion. Dexia's impairment procedure is activated whenever the market value falls beneath 75% of the initial purchase price and/or when there is a lasting decline in the fair value.

EVOLUTION OF VALUE AT RISK

(in millions of EUR)	2005 IR&FX	2005 EQ	2006 IR&FX	2006 EQ	2006 Spread Trading (only fourth quarter)
Individual	Avg 24.2	Avg 2.8	Avg 25.2	Avg 2.3	Avg 11.7
	Max 34.5	Max 7.6	Max 43.7	Max 6.6	Max 16.0
Global	Avg 26.9		Avg 29.8		
	Max 38.5		Max 58.9		
	Limit 75		Limit 142		

IR = interest rate; EQ = equities; FX = forex.

Even though the operational Asset and Liability Management remains decentralized in Dexia's three major entities, ALM risks are supervised and managed globally by the Dexia Group ALM Committee, which includes the members of the Management Board. The ALM Committee monitors the overall consistency of the Group's Asset and Liability Management process, decides on the methodologies and the risk measurement guidelines, notably on the investment of shareholders' equity and on internal transfer pricing mechanisms and also decides on investment strategies in local entities (interest, forex, equities).
In addition, the Management Board is kept periodically informed of ALM main risks and positions.

CURRENCY RISK

Currency risk is the risk of loss resulting from changes in exchange rates.

TRADING

Dexia is an active participant in currency markets and carries currency risk from these trading activities, conducted primarily in the Treasury and Financial Markets business line. These trading exposures are subject to VaR (Value at Risk) and are included in the VaR mentioned on page 208 of this annual report.

NON-TRADING

Dexia's reporting currency is the euro but its assets, liabilities, income and expense are denominated in many currencies with significant amounts in USD. Reported profits and losses are exchanged at each closing date into euro or into the company's functional currency, reducing the exchange rate exposure.
Within its Assets & Liabilities Committee, Dexia proactively decides on the opportunity to hegde expected foreign currency risks in its results in the main currencies (mainly in USD).

HOLDINGS

Dexia analyzes the opportunity to hedge all or part of the currency risk relating to participation investments in foreign currencies.
In 2006, Dexia hedged the payment of the acquisition of DenizBank in foreign currencies, i.e. the payment in USD of the amount due to the majority shareholder and the payment in TRY of the amount due to the minority shareholders in accordance with the mandatory tender offer. The holding in DenizBank is not hedged due to the cost of the transaction.

LIQUIDITY MANAGEMENT

Dexia adopts a sound and prudent policy on liquidity management. The balance between its available funding sources and their use is carefully managed and supervised. In practice, particular attention goes to:
- assessing the adequacy of expected new lending production (in terms of maturity and amount) as opposed to available resources;
- assuring Dexia's liquidity, within distressed market circumstances.

The first question is addressed in the annual planning process. Each year, the forecasts for the new lending production are compared with the funding capacity. The purpose is to preserve an acceptable liquidity gap profile for the Group. In order to reflect the funding cost of the transactions originated by the business lines more accurately, whether they require funding or bring funding, the Group has improved its analytical accounting process. The purpose of this kind of "internal market" for liquidity is to provide the right incentive to the business lines to achieve a natural match between the lending and the funding capacities.
The second question is addressed by assessing Dexia's liquidity profile under various distressed liquidity scenarios. The results and impacts observed under the different scenarios are analyzed and subsequently translated into a set of limits and ratios. The Dexia liquidity framework is conceived in such a way that by virtue of its liquidity reserve (notably the Credit Spread Portfolio), Dexia can withstand a total squeeze of funding and a stress on deposits for one year whilst maintaining its lending activity. The liquidity position is monitored and controlled from one day up to several months. Hence great care is paid to the forecast of expected liquidity needs in the main currencies as well as to the estimate of the liquidity reserve. Special attention is also paid to the Group's off-balance-sheet liquidity commitments.
Given their importance, all the main issues regarding the liquidity of the Group are directly managed by the Group's ALM Committee, which includes all the members of the Management Board.
A global liquidity contingency plan is part of the guidelines and is tested on a regular basis.

EQUITY INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2006

(in millions of EUR)	Market Value	Equity VaR	% VaR/MV (1)	Equity EaR
Banking companies	1,527	106	7.0%	-1.8
Insurance companies	1,795	100	5.6%	-1.1

(1) % VaR/MV represents the percentage loss that can be experienced on the market value, excluding DenizBank.

OPERATIONAL RISK MANAGEMENT

The Operational Risk Management framework set up in 2003 relies mainly on the following elements.
Strong Operational Risk Governance with clearly defined Roles and Responsibilities:
- the Management Board regularly reviews the evolution of the risk profile of the different activities of the Group and takes the required decisions;
- the Operational Risk Policy Committee, a strategic committee with representatives of the Management Board, approves the Group-wide policies;
- the Operational Risk Guidelines Committee, chaired by the Group Chief Risk Officer, details the approved policies in guidelines adapted to business activities and transversally reviews the operational risk events and related analysis;
- the Operational Risk Committee, chaired by the Head of Group Operational Risk, ensures the development of a consistent Group-wide Operational Risk framework involving the production of regular reporting to the Management Board;
- the Operational Risk Management function is also responsible for the development of Business Continuity & Crisis Management, Information Security and Insurance;
- the Line Management function is primarily responsible for the Operational Risk Management. For their activity field they appoint an Operational Risk Correspondent whose role is to coordinate the collection of risk event data and the Risk & Control Self-Assessment. Furthermore they receive support from their local Operational Risk Management function.

Dexia Group has continued for the third year to gather operational risk events in a central database. The Line Management also receives a report of exhaustiveness for the risk events gathered in their scope. The Management Board receives the Quarterly Operational Risk Reporting on the most significant events including a risk mitigation action plan defined by the Line Management.
The Risk & Control Self-Assessment exercise, as required by the Basel II reform, was delivered by the end of 2006 in a coherent way for the main entities and subsidiaries. The total scope will be covered in 2007. The results will be integrated in the Quarterly Operational Risk Reporting to the Management Board.
Finally, the Dexia Group will use the Standardized Approach to calculate the regulatory capital for Operational Risk. The Information File will be sent to the regulators by the end of June 2007.

ECONOMIC CAPITAL

Economic capital figures produced in the year 2006 are based on the same methodology as 2005 figures. It notably includes most of the Basel II Pillar 2 prescriptions.
The framework allows for a thorough coverage of all the risks facing the Dexia Group. It is based upon a high severity level (99.97%, one-year), corresponding to the AA/Aa2 criteria of rating agencies.
At year-end 2006, total economic capital amounted to EUR 10.9 billion [1] (EUR 9.2 billion as of year-end 2005). This difference of EUR 1.7 billion is split among all business lines.

The amounts of economic capital required by each business line were as follows:
- Public/Project Finance and Credit Enhancement: EUR 5.2 billion (EUR 4.4 billion as of year-end 2005). This growth results mainly from the increase in size of the portfolio, with longer maturities.
- Personal Financial Services: EUR 1.8 billion (EUR 1.8 billion as of year-end 2005).
- Asset Management, Insurance and Investor Services: EUR 1.0 billion (EUR 0.8 billion as of year-end 2005). The growth results mainly from equity investments made by insurance business.
- Treasury and Financial Markets: EUR 1.4 billion (EUR 1.1 billion as of year-end 2005), largely explained by the increasing size of the Credit Spread Portfolio.
- Equity not allocated to the business lines: EUR 1.5 billion (EUR 1.2 billion from year-end 2005). This growth comes from the increases in size and value of the equity portfolio.

Total equity is in excess of the total economic capital needed by the business lines to cover unexpected losses of extreme severities.

CAPITAL ADEQUACY AND RISK-WEIGHTED ASSETS

CAPITAL ADEQUACY

At the end of 2006, Tier 1 capital amounted to EUR 13,028 million (compared to EUR 11,894 million at the end of 2005). The main factors which influenced the increase were:
- the capital increase of EUR 1,200 million for the purpose of financing part of the acquisition of DenizBank;
- the issuance by Dexia Funding Luxembourg of EUR 500 million of perpetual subordinated notes qualifying as Tier 1 capital (partly aimed at redeeming EUR 275 million similar instruments issued by Dexia BIL in 2001);
- the impact of the goodwill and the identified intangible assets linked to the acquisition of DenizBank (respectively EUR 1,710 million and EUR 239 million) and the retained earnings.

Tier 1 ratio decreased from 10.3% at the end of 2005 to 9.8% at the end of 2006 due to the combined effects, in opposite directions, of several factors, the main ones being the increase of the risk-weighted assets, the capital increase and the issuance of hybrid Tier 1 capital. These ratios are well above the regulatory requirements.

RISK-WEIGHTED ASSETS

Dexia's total risk-weighted assets amounted to EUR 133.4 billion at year-end 2006, up 16.0% in one year. This evolution is mainly explained by the organic growth.

(1) Including DenizBank in the fourth quarter of 2006.

ASSET QUALITY

The asset quality ratio (i.e. the ratio between the impaired loans to the gross outstanding loan ratio) stood at 0.61% at the end of 2006 (0.78% at the end of 2005).
The bad debt coverage ratio remained stable at 69.3% (against 69.1% in 2005).

RATINGS

The high rating levels reflect the financial strength of the Dexia Group.The current ratings by Moody's, Standard & Poor's and Fitch are Aaa/AA/AA+.
The ratings of FSA and Dexia Municipal Agency are the best financial ratings that could be given to a counterpart (Aaa/AAA/AAA respectively by Moody's, Standard & Poor's and Fitch).

CAPITAL ADEQUACY (in millions of EUR, except where indicated)	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006
Tier 1 capital	11,894	12,291	12,591	13,922	13,028
Total regulatory capital	**12,510**	**12,815**	**13,173**	**14,214**	**13,754**
Tier 1 ratio	10.3%	10.3%	9.9%	10.8%	9.8%
Capital adequacy ratio	10.9%	10.7%	10.4%	11.0%	10.3%

Nota bene: for the calculation of the above ratios, the shareholders' equity is considered after income appropriation.

RISK-WEIGHTED ASSETS (in millions of EUR)	Dec 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006
20% weighted counterparts	40,120	42,410	43,366	45,325	45,102
50% weighted counterparts	14,592	14,398	14,587	14,476	14,783
100% weighted counterparts	55,029	56,434	62,255	61,852	65,393
Trading portfolio	5,261	5,994	6,898	7,283	8,091
TOTAL	**115,002**	**119,236**	**127,106**	**128,936**	**133,369**

QUALITY OF RISKS in millions of EUR, except where indicated	Dec. 31, 2005	Dec. 31, 2006
Impaired loans	1,473	1,359
Portfolio impairments (1)	1,018	942
Asset quality ratio (2)	0.78%	0.61%
Coverage ratio (3)	69.1%	69.3%

(1) Does not include the collective impairment set aside to cover potential loss on share-leasing products.
(2) The ratio between impaired loans and gross outstanding loans.
(3) The ratio between portfolio impairments and impaired loans.

RATINGS (LONG TERM) (1)	Dexia Bank	Dexia Crédit Local	Dexia BIL	FSA	Dexia Municipa Agency
Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's	AA	AA	AA	AAA	AAA
Fitch	AA+	AA+	AA+	AAA	AAA

(1) Ratings as of February 24, 2007.

FINANCIAL RESULTS

PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (1)

Changes in the scope of consolidation

—

The main changes which took place in 2005 concerned the sale of Eural Banque d'Epargne (effective from the fourth quarter), the liquidation of Rekord in Germany, and the acquisition of FMS Hoche, a fund administration Company in France.

In 2006, the following changes took place:

• the fund services activity of Dexia (mainly Dexia Fund Services) was transferred to the newly-created RBC Dexia Investor Services (joint venture with Royal Bank of Canada), effective from January 1, 2006;

• the Private Banking activities in the UK were sold, effective in the second quarter of 2006;

• Banque Artesia Nederland was sold and left the scope of consolidation in the last quarter of 2006.

• DenizBank was acquired in two tranches (75% in October and the balance in December). In the fourth quarter it was fully consolidated but minority interests were present for 25%, as the mandatory tender offer on that tranche of shares became effective on December 22, 2006. From 2007, there will be only a small amount of minority interests, as Dexia now owns 99.8% of DenizBank's shares.

Pro forma financial statements

—

The changes in the scope of consolidation were taken into account to establish pro forma financial statements for 2005 so as to enable comparisons. In absolute figures, the difference between the reported and pro forma 2005 net income – Group share is EUR +16 million (income higher by EUR 81 million; costs higher by EUR 55 million; cost of risk lower by EUR 2 million; taxes higher by EUR 7 million).

(1) The analysis of Dexia SA's financial statements can be found in the note 4 to the annual financial statements on page 220 of this annual report.

"Underlying" and "non-operating" items

—

"Underlying" results exclude the effects of the change of scope of consolidation, and also exclude the non-operating factors. Those comprise both the nonrecurring elements of the period, described and quantified individually, and the variations of the marked-to-market value of FSA's CDS portfolio. The latter instruments being classified as derivatives, the variation of their market value during the reporting period is taken as a trading result; this treatment under IAS 39 does not allow a good understanding of the economic results, as this portfolio is composed of AAA-rated instruments, which FSA is committed to insure until maturity. Therefore, the positive or negative marked-to-market variations on this book in any period are not underlying results, as they will eventually add up to zero. Non-operating items are detailed on page 73 of this report.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

Foreword

—

In 2006, many changes took place in the scope of Dexia, principally linked with the acquisition of DenizBank, and the disinvestments from several business units. The most significant changes in scope took place in the last quarter of the year, with a 75% participation in DenizBank being fully consolidated into Dexia, and Banque Artesia Nederland (BAN) leaving the scope of consolidation. Hence, the full year 2006 reported net income – Group share includes the results of DenizBank in the fourth quarter (EUR 32 million), and those of BAN in the first three quarters (EUR 18 million). They also include a very high net amount of non-operating items (EUR 703 million). In many cases, in order to underscore the essential economic trends, the comparisons between the reporting periods are made on a like-for-like basis. The net income – Group share pro forma 2005 shows EUR +16 million difference with the reported number.

Net income – Group share

—

Net income – Group share amounted to EUR 2,750 million in 2006, up EUR 712 million (+34.9%) over 2005. The contribution of DenizBank to the net income – Group share was EUR 32 million in the fourth quarter of 2006. The net contribution of the non-operating factors was EUR +703 million in 2006 – detailed on page 73 – compared to EUR +263 million in 2005, thus accounting for EUR 440 million of the increase. Taking into account the pro forma 2005 figures, the underlying net income – Group share progressed by EUR +256 million, or +14.3% overall. It was strong in all business lines, with underlying progressions respectively of +14.1% in Public/Project Finance and Credit Enhancement, +13.1% in Personal Financial Services, +31.7% in Asset Management, +51.4% in Investor Services, +12.1% in Insurance Services, and +11.2% in Treasury and Financial Markets. As in the previous year, the currency exchange impact on net income – Group share was very limited in 2006 (EUR -5 million).

Income

—

Total income amounted to EUR 7,012 million in 2006, EUR 1,036 million higher than in 2005 (+17.3%). At constant scope of consolidation and excluding non-operating items, the increase was EUR 479 million (+8.2%) in one year, stemming from the growth of underlying revenues in all the business lines: respectively EUR +222 million in Public/Project Finance (+9.9%); EUR +48 million in Personal Financial Services (+2.1%); EUR +55 million in Asset Management (+28.2%); EUR +59 million in Investor Services (+18.9%); EUR +13 million in Insurance Services (+6.1%); and EUR +58 million in Treasury and Financial Markets (+11.5%). For the rest, the combined revenues of Central Assets and non-operating items went up EUR 498 million, a sizeable amount largely explained by the capital gains achieved during the year.

Costs

—

Costs stood at EUR 3,481 million in 2006, up 7.8% (or EUR +252 million) compared to 2005. At constant scope, and excluding non-operating items (EUR 4 million in 2006 compared to EUR 7 million pro forma in 2005) the progression was +6.1%, i.e. 2.1 percentage points lower than that of revenues. The analysis hereunder of individual business line performances underscores that in those businesses where the development momentum is strong, costs have progressed at a relatively high rate, but at a much slower pace than revenues, in line with such stated objective. It is to be noted that, in Personal Financial Services, the underlying cost base was up only 1.2%, i.e. almost half the growth pace of the business line's revenues year on year, and an effective decrease in real terms. Also, as in the previous years, those costs related

CONSOLIDATED STATEMENT OF INCOME

(in millions of EUR)	2005	2006	Variation
Income	**5,976**	**7,012**	**+17.3%**
of which net commissions	*1,172*	*1,307*	*+11,5%*
Costs	**(3,229)**	**(3,481)**	**+7.8%**
Gross operating income	**2,747**	**3,531**	**+28.5 %**
Cost of risk	(52)	(124)	x2.4
Impairment on (in)tangible assets	0	0	n.s.
Tax expense	(602)	(569)	-5.5%
Net income	**2,093**	**2,838**	**+35.6 %**
Minority interests	55	88	+60.0%
Net income – Group share	**2,038**	**2,750**	**+34.9%**

CONSOLIDATED STATEMENT OF INCOME (FROM REPORTED TO UNDERLYING (1) PRO FORMA (2))

(in millions of EUR)	2005	2006	Variation
Income	**5,976**	**7,012**	**+17.3%**
Changes in scope of consolidation	82	-	n.s.
Income pro forma	**6,058**	**7,012**	**+15.8%**
Non-operating items	224	698	x3.1
Underlying income	**5,835**	**6,314**	**+8.2%**
Costs	**(3,229)**	**(3,481)**	**+7.8%**
Changes in scope of consolidation	(56)	-	n.s.
Costs pro forma	**(3,285)**	**(3,481)**	**+6.0%**
Non-operating items	(7)	(4)	n.s.
Underlying costs	**(3,278)**	**(3,478)**	**+6.1%**
Gross operating income pro forma	**2,773**	**3,531**	**+27.3%**
Non-operating items	217	695	x3.2
Underlying gross operating income	**2,557**	**2,836**	**+10,9%**
Cost of risk pro forma	(50)	(124)	x2.5
Non-operating items	7	(35)	n.s.
Underlying cost of risk	**(57)**	**(89)**	**+55.4%**
Net income – Group share	**2,038**	**2,750**	**+34.9%**
Changes in scope of consolidation	16	-	n.s.
Net income – Group share pro forma	**2,053**	**2,750**	**+33.9%**
Non-operating items	263	703	x2.7
Underlying net income – Group share	**1,790**	**2,047**	**+14.3%**

(1) i.e. excluding the non-operating items (described on page 73 of this report).
(2) Pro forma as defined on page 70.

to business development projects and geographic expansion were identified, respectively EUR 25 million and EUR 14 million, representing together 20% of the underlying cost base drift, year on year.
The cost-income ratio was 49.6% in the full year 2006, much below that of 2005 (54.0%). The underlying cost-income ratio stood at 55.1% (down compared to 56.2% in 2005). This reduction is satisfactory when considering the expenditures engaged to develop the business and franchise of Dexia both domestically and internationally during the year along with the projects which took place in 2006.

Gross operating income

—

The gross operating income amounted to EUR 3,531 million in 2006, up 28.5%. At constant scope of consolidation and on an underlying basis, the growth was +10.9%. This number sums up the very good underlying performances of the business lines, with Public/Project Finance delivering a +11.8% growth year on year, Personal Financial Services going up 4.4%, Asset Management achieving +32.5%, Investor Services progressing by a strong +48.3%, Treasury and Financial Markets by +17.3%, whilst Insurance Services went down slightly (-2.3%) but this small slippage has no economic meaning in view of the current analytical treatment of this segment (see detailed analysis on pages 91-92). Overall, the exchange rates fluctuations in 2006 had a small influence on the gross operating income (EUR 5 million negative impact).

Cost of risk

—

The cost of risk (impairments on loans and provisions for credit risks) amounted to EUR 124 million in 2006, compared to EUR 52 million in 2005. Excluding the provision movements at Dexia Bank Nederland, the underlying cost of risk went up to EUR 89 million in 2006 from EUR 57 million in 2005, DenizBank representing EUR 11 million of this increase. Overall, the cost of risk remained nevertheless at a very low level (2.4 basis points on average outstanding banking commitments). Concerning the situation of Dexia Bank Nederland, a full disclosure is made on pages 99-101 of this annual report.

Taxes

—

Tax expense (comprising both current and deferred tax) amounted to EUR 569 million in 2006, down 5.5% compared to 2005. The variation of the tax charge is largely explained by the higher amount of capital gains in 2006, compared to 2005, having in mind that such gains are not taxable in Belgium. The effective tax rate in 2006 was 17.2% (compared to 23.1% in 2005) on the basis of reported earnings, and it was 23.2% (compared to 27.0% in 2005) on the basis of underlying earnings. In the forthcoming reporting periods, the effective underlying tax rate is likely to stabilize, on average, around the current level.

Minority interests

—

Minority interests went strongly up in 2006, largely because the costs on hybrid Tier 1 instruments are classified in that rubric, and as the volumes thereof have increased in the fourth quarter of 2006 and in 2006. Besides, DenizBank was fully integrated in the financial statements but, as only 75% was owned by Dexia in the fourth quarter, 25% of the results belong to minority interests. From 2007, Dexia will own 99.8% of DenizBank's shares and there will be very few minority interests to remunerate.

Overall financial performance

—

The **profit margin** (net income before minority interests related to total revenues) stood at 40.5% in 2006, compared to 35.0% in 2005.
Return on equity stood at 23.1% (compared to 20.0% in 2005) partly pulled in 2006 – and to a lesser extent in 2005 – by the influence of the non-operating items.
Earnings per share (EPS) reached EUR 2.49 in 2006 (undiluted), up 33.2% over the previous year. Of note, the number of shares has varied considerably during the course of the year, with a buy-back program during the first quarter (amounting to EUR 50 million), then new shares issued in the second part of the year in connection with the acquisition of DenizBank and the employee share plan. The daily average number of shares increased by 1.2%.
Group **Tier 1 ratio** stood at 9.8% at year end (10.3% as of December 31, 2005). Taking into account only 50% of the hybrid Tier 1 capital instruments, the ratio stood at 9.2% at year end.

Proposed dividend

—

In view of the good 2006 results, the Board of Directors will propose a gross dividend of EUR 0.81 per share. Subject to shareholders' meeting approval thereon, the dividend will be paid on May 24, 2007.

Outlook

—

Given the very strong commercial momentum experienced in 2006 and before, Dexia is confident to continue achieving its financial objectives, as set and communicated to the market on September 26, 2006.

Post-balance-sheet event

—

In the third week of February 2007, Dexia announced the signing of the sale of Dexia Banque Privée France. This will generate a capital gain of about EUR 42 million (after taxes).

MAIN ITEMS REPORTED AS NON-OPERATING IN 2005 AND 2006

The non-operating factors comprise both the nonrecurring items and the variations of the marked-to-market value of FSA's CDS portfolio. The latter instruments being classified as derivatives, the variation of the market value during the reporting period is taken as a trading result; this treatment under IAS 39 does not allow a good understanding of the economic results, as this portfolio is composed of AAA-rated instruments, which FSA is committed to insure until maturity. Thus, the positive or negative marked-to-market variations on this book in any period are not underlying results, as they will eventually add up to zero.

Income

In Q1 2005: interest discount on loans accepting "Dexia Offer" (EUR +9.2 million); capital gains (EUR +11.2 million); marking to market of FSA's CDS portfolio (EUR -2.2 million).
In Q2 2005: interest discount on loans accepting "Dexia Offer" (EUR +8.6 million); capital gains (EUR +28.3 million); marking to market of FSA's CDS portfolio (EUR -11.3 million).
In Q3 2005: interest discount on loans accepting "Dexia Offer" (EUR +7.0 million); capital gains (EUR +39.7 million); marking to market of FSA's CDS portfolio (EUR +34.8 million).
In Q4 2005: interest discount on loans accepting "Dexia Offer" (EUR +5.7 million); capital gains (EUR +95.3 million); capital gains on disposal of properties (EUR +9.2 million); marking to market of FSA's CDS portfolio (EUR -12.4 million).

In Q1 2006: interest discount on loans accepting "Dexia Offer" (EUR +4.3 million); capital gains (EUR +236.6 million); marking to market of FSA's CDS portfolio (EUR +24.1 million).
In Q2 2006: interest discount on loans accepting "Dexia Offer" (EUR +3.3 million); capital gains (EUR +67.0 million); marking to market of FSA's CDS portfolio (EUR -3.1 million).
In Q3 2006: interest discount on loans accepting "Dexia Offer" (EUR +2.4 million); capital gains (EUR +131.0 million); marking to market of FSA's CDS portfolio (EUR -1.5 million).
In Q4 2006: interest discount on loans accepting "Dexia Offer" (EUR +1.8 million); capital gains net of provisions (EUR +221.4 million); marking to market of FSA's CDS portfolio (EUR +5.7 million).

Costs

In Q4 2005: costs related to the creation of the joint venture RBC Dexia Investor Services (EUR -2.9 million).

Cost of risk

In Q1 2005: net charge for Legiolease at Dexia Bank Nederland (EUR -83.0 million).
In Q2 2005: net release of prior provisions for Legiolease at Dexia Bank Nederland (EUR +56.0 million).
In Q3 2005: net release of prior provisions for Legiolease at Dexia Bank Nederland (EUR +36.5 million).
In Q4 2005: net charge for Legiolease at Dexia Bank Nederland (EUR -2.5 million).

In Q1 2006: net release of prior provisions for Legiolease at Dexia Bank Nederland (EUR +13.0 million).
In Q2 2006: net charge for Legiolease at Dexia Bank Nederland (EUR -42.0 million).
In Q3 2006: net release of prior provisions for Legiolease at Dexia Bank Nederland (EUR +13.8 million).
In Q4 2006: net charge for Legiolease at Dexia Bank Nederland (EUR -19.8 million).

Taxes

All the items above are before tax. The amount of corresponding taxes, at appropriate rates, is treated as a non-operating item in the total amount of taxation. The individual tax incidence of some items is specified below, as well as particular tax entries.

In Q1 2005: reimbursement of taxes following the settlement of a tax dispute (EUR +15.4 million); tax credit caused by the impairment of a participation (EUR +17.0 million); write-back of a tax provision (EUR +6.5 million).
In Q2 2005: tax credit caused by the impairment of a participation (EUR +3.4 million).
In Q3 2005: reimbursement of taxes following the settlement of a tax dispute (EUR +5.4 million); differed taxes following the change in tax rate in Luxembourg (EUR -7.0 million).
In Q4 2005: reimbursement of taxes following the settlement of a tax dispute (EUR +7.6 million).

In Q2 2006: reimbursement of taxes following the settlement of a tax dispute (EUR +6.8 million).

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

Total consolidated balance-sheet footings as of December 31, 2006 amounted to EUR 566.7 billion, an 11.4% increase compared to December 31, 2005, due to dynamic commercial activity. Loans and advance to customers explain 58.8% of the raise.

Liabilities

—

The amount of customer deposits and debt securities (savings bonds, certificates and bonds) reached EUR 294.2 billion at the end of 2006 (+7.6%). Their relative share in the total of the balance sheet amounted to 51.9%.
Customer deposits stood at EUR 109.5 billion at the end of 2006, an increase of +12.0%, due to several factors, mainly the evolution of the deposits and the consolidation of DenizBank Group. Debt securities increased to EUR 184.7 billion, up 5.1% mainly due to issuance of non-subordinated securities while certificates of deposits and savings certificates decreased respectively by EUR 1.7 and 1.3 billion.
Subordinated and convertible debt declined -12.4%, to EUR 4.4 billion, partly due to the redeeming in July 2006 of the hybrid Tier 1 capital instrument for an amount of EUR 275 million issued by Dexia BIL in 2001, and partly to the reimbursement of other subordinated loans for EUR 245 million.
The interbank liabilities increased by 29.7%, mainly under the growth of sight accounts and deposits.

Assets

—

Loans and advances to customers increased by +17.7% and stood at EUR 226.5 billion as of December 31, 2006 due to good commercial activity and to the first consolidation of DenizBank Group. Reverse repurchase agreements grew by EUR 14 billion, loans by EUR 20 billion of which mortgage loans rose by EUR 2 billion.
Loans and securities reached EUR 223.2 billion as of December 31, 2006 of which EUR 212 billion in securities (+13%).
Interbank assets slightly increased by 4.2%.

Total equity

—

Total shareholders' equity of the Dexia Group amounted to EUR 16.3 billion as of December 31, 2006 against EUR 14.1 billion as of December 31, 2005, i.e. a growth of +15.7%.
Total shareholders' equity is composed of core equity (capital, additional paid-in capital, reserves, profit for the year before allocation) and gains and losses not recognized in the statement of income. The gains and losses represent the fair value on available-for-sale portfolio, the fair value of cash-flow hedge derivatives and the translation reserve for a total amount of EUR 1.9 billion, down EUR 730 million. This decrease comes from the AFS reserve on bonds mainly due to the increase of interest rates.
Core shareholders' equity amounted to EUR 14.4 billion, i.e. a growth of 25.6% mainly due to capital increases (EUR 1.4 billion), the net income of the period (EUR 2.75 billion), the payment of dividend done in May 2006 (EUR -0.8 billion) and the deduction of the goodwill related to the purchase of minority interests of DenizBank (EUR 0.4 billion).
Minority interests, at EUR 1.7 billion progressed by EUR 527 million. This was mainly due to the issuance by Dexia Funding Luxembourg of perpetual subordinated notes qualifying as Tier 1 capital, for an amount of EUR 500 million.

CONSOLIDATED BALANCE SHEET (in millions of EUR)	2005	2006	Variation
Total liabilities and equity	**508,761**	**566,743**	**+11.4%**
Total liabilities	**493,061**	**548,308**	**+11.2%**
Due to banks	134,793	174,754	+29.7%
Customer borrowings and deposits	97,738	109,484	+12.0%
Negative value of derivatives	37,652	30,489	-19.0%
Debt securities	175,685	184,726	+5.1%
Subordinated and convertible debt	4,985	4,365	-12.4%
Total equity	**15,700**	**18,435**	**+17.4%**
Core shareholders' equity	11,488	14,433	+25.6%
Total shareholders' equity	14,084	16,299	+15.7%
Minority interests	1,183	1,710	+44.5%
Assets	**508,761**	**566,743**	**+11.4%**
Due from banks	75,053	78,215	+4.2%
Loans and advance to customers	192,402	226,502	+17.7%
Loans and securities	198,941	223,207	+12.2%
Positive value of derivatives	28,632	24,032	-16.1%

OPERATION AND RESULTS OF THE BUSINESS LINES

PUBLIC/PROJECT FINANCE AND CREDIT ENHANCEMENT

Dexia is the global leader in Public/Project Finance and Credit Enhancement with subsidiaries and branches in more than 30 countries worldwide.

The key elements of Dexia's success on this market, which represent around a half of its net result, are basically its long-term relationship with local players along with its innovation capability. The vast range of products Dexia offers to its public sector clients allows the bank to address all their needs, taking advantage of a multi-product offer: loans or structured loans, capital markets solutions, insurance services, debt management, insurance products... Furthermore, for several years, the bank has been establishing a diversification policy by seeking:

- to widen its customer base by developing new franchises in line with cautious underwriting criteria. This diversification in clientele helps to deliver Dexia's high average margins without impairing the low Group profile (social housing, hospitals, non-profit organizations...);
- to expand its geographical scope towards promising markets which in the medium term will play the role of growth relay.

In Project Finance business, where Dexia holds a worldwide lead in terms of PPP/PFI, the bank is deliberately focusing on specific sectors where it has a recognized know-how and expertise: transportation, environment, social infrastructure (health, education, etc.), energy (including renewables) and telecoms, and deliberately refraining from operating in all the other sectors such as mining, manufacturing, and so on.

For the year 2006, Dexia was ranked by Dealogic (a Euromoney database) as a top 10 lead arranger of project finance loans in both Europe and North America.

Dexia is also one of the major players in credit enhancement business, thanks to its American subsidiary FSA, which began its activity in the Eighties and now holds about one quarter of the insured municipal bond market. FSA's activity outside the United States is also significant and developing rapidly.

The expected long-term real growth of the global public finance market (2%-4%) will stem from several factors, like the increase of population and GDP, the decentralization process engaged around the world, an ageing population which will generate new demand, and increasing infrastructure needs in developing countries. Despite this moderate annual growth rate at global level, the total increase of debt over the next ten years is estimated at more than USD 1.5 trillion, i.e. more than three times the total public finance commitments of Dexia today.

As global leader in Public/Project Finance, Dexia is best positioned to capture this growth and will maintain its leadership on this market capitalizing on its unique know-how.

THE SITUATION REGARDING PUBLIC/PROJECT FINANCE IN THE EUROPEAN UNION MEMBER STATES

As world leader in Public/Project Finance, Dexia likes to share its expertise and knowledge of the European sub-national public sector. Thus, each year the Research Department publishes an economic outlook report concerning Public Finance in the European Union. For the sixth consecutive year, this study (published in French, English and now German) is a reference tool for decision-makers in Europe. It is accompanied by a set of "information sheets" which provide detailed financial data by country and also offer key data on the structural and cohesion funds as well as twinning in Europe. This latter document was prepared in partnership with the Council of European Municipalities and Regions. Both publications are available for download on the *www.dexia-creditlocal.fr* website.

With the use of five indicators (expenditure, investment, fiscal revenue, budget balance and debt), the last edition of the Economic Outlook, published in December 2006, provides an overview of the 25 EU Member States' subnational public finances over the period 2000-2005 and presents the highlights of the year 2006.

Although the situations of the 89,200 local and regional governments vary considerably all over Europe, a certain number of general trends can be identified on the European scale.

The strengthening of decentralization, regionalization and municipality merging or grouping

—

Offering a great diversity in terms of territorial and institutional organization, the European territorial landscape is constantly evolving. Three major fundamental trends seem to be emerging: an increase in decentralization, a strengthening of the regional level and the encouragement to inter-municipality cooperation and municipality mergers.

A regular increase of territorial public expenditure

—

Local and regional authorities occupy an increasingly important position in the European economy. Their expenditure increased in volume by +3.6% per year on average between 2000 and 2005 and by +3.0% in 2005. With a spending amount of EUR 1,374 billion in 2005, it represented 12.7% of the EU GDP and 26.8% of total public expenditure. This momentum is due to a large extent to the deepening of decentralization which led to important transfers of competence in favor of local and regional authorities in various countries of the EU15 (Spain, Italy, etc.) as well as additional competences in several new Member States (Slovakia, Czech Republic, Estonia, etc.). This dynamism also results from the increased weight of current operating expenditure in local and regional budgets (health, education, social aid) and the increasing needs of populations for local public services.

The territorial sector remains the driving force in public investment

—

Over the years, local and regional public authorities have consolidated their role as prime public investors. From 2000 to 2005, investment remained solid (+3% per annum on average). It was the new Member States in particular which implemented very dynamic investment policies (+4.2% per year in average). In 2005, EU territorial investment amounted to almost EUR 170 billion, representing 1.6% of EU GDP, 12.3% of the local and regional budgets and, above all, 63.9% of total public investment. That year, local and regional investment regressed in some countries – the result of otherwise augmenting operating expenditure and of stricter budgetary discipline to fulfil the Maastricht criteria. In other countries, the implementation of the 2004-2006 European Union Programs concerning the structured funds (EU10 Member States) and the municipal electoral cycle (Belgium, Slovakia, Greece, Poland, etc.) had a positive influence on investments.

Increased fiscal decentralization

—

Transfers of competences to subnational governments have often been accompanied by transfers of State taxation and/or by the creation of new specific local and regional own-source taxes. Between 2000 and 2005, territorial authority fiscal revenues rose by +4.5% per year on average (+3.1% in 2005), although this particularly strong increase is partly to be attributed to the significant fiscal transfers in favor of the Spanish autonomous communities. In 2005, territorial governments' tax revenues represented 37.8% of total territorial revenues and 4.7% of EU GDP.

A number of major tax reforms concerning EU territorial public finances were implemented or voted in 2005 and 2006. Reforms concerning shared taxes such as the increase in the VAT rates in Germany, the revisions of the personal or company income taxes in several countries (Austria, Lithuania, Estonia, Finland, etc.) or the introduction of new shared taxes (France) often had a significant impact on the overall structure of local governments' financial resources. Reforms also concerned own-source territorial tax system such as in the Netherlands (property tax), France, Latvia, Belgium and so on. Global reforms, completely reshaping the systems of local finance, were voted in Denmark and Slovakia.

Sound budgetary health of the territorial public sector

—

Although in the year 2000 the global EU territorial budget balance indicated a slight surplus, a mild erosion has occurred since then. In 2005, the public deficit of local and regional authorities, approximately EUR 25 billion, increased slightly. However, established at 0.23% of EU GDP, it remains very modest compared to that of the public sector as a whole (2.3% of GDP).

Local and regional public debt increased by +2.4% per annum in volume over 2000-2005 with a slight acceleration in 2005 (+4.9%) to reach EUR 633 billion. This growth was stronger in the EU10 countries (+13.6% in volume per year on average) because of the impact of EU accession and their investment needs. The debt-to-GDP ratio remains stable over the 2000-2005 period (5.8% of GDP in 2005 compared to 5.6% in 2000). Again, this debt level, allocated solely to investment finance, remains low compared to total public sector debt (63.2% of GDP in 2005).

These indicators have been kept under control with the help of budgetary and prudential rules which provide a framework for local management. These rules have recently been reinforced in several countries which have chosen to associate the subnational sector with the control and governance of public finance, for example through internal stability pacts.

THE US MUNICIPAL MARKET IN 2006

The financing market of the local US public sector is characterized by its very strong disintermediation. Indeed, more than 95% of financing is arranged and sold through the US bond markets. After the 2005 record year, 2006 was nevertheless a strong year in terms of volume for the US municipal bond market. Low interest rates during the year encouraged municipalities to continue a relatively high level of new borrowing for a broad range of public services and infrastructure projects.

With issuers motivated to tap the market because they anticipated a rise in interest rates, US municipalities issued approximately USD 384 billion of municipal bonds, 6% less than 2005, but 6% more than 2004. The amount of bonds issued exclusively for refunding was 40% less than in 2005, which was however characterized by particularly favorable refunding conditions.

Slightly more than two-thirds of the municipal bonds issued in 2006 were general obligation bonds issued by states, counties, cities, school districts and other municipal entities. The rest were primarily revenue bonds in the transportation, health care, utility, housing, education and other sectors.

The penetration of bond insurance in this market, which reached 56% in 2005, was down to 50% in 2006.

The year was still marked by growing interest in Public Private Partnership (PPP) financing in North America. Indeed, a number of US states, facing budget deficits and huge infrastructure needs, have adopted PPP laws this year, which allow private entities to invest in public infrastructure.

WORLD LEADER

As for geographic development, 2006 was a very active year, with inter alia, Dexia obtaining a banking license in Poland last May, the opening of a representative or commercial office in Budapest, in China, in India and of a subsidiary in Switzerland.

In Japan Dexia is delighted to have been granted a banking license in November, as, in terms of volumes, this country is the deepest market for public finance in the world. The Japanese local public debt amounts to EUR 1,500 billion.

A significant portion of the total new production of Dexia in 2006 (10% or EUR 5.7 billion) was made in countries where a banking license was obtained in 2005 or 2006: Dexia Kommunalkredit Bank in Central and Eastern Europe, Canada, Mexico, Switzerland and Japan.

ACTIVITY (1)

(in millions of EUR)	Long-term originations			Long-term commitments (2)		
	2005	2006	Variation	Dec. 31, 2005	Dec. 31, 2006	Variation
Fully-consolidated subsidiaries						
Belgium (3)	5,290	5,210	-1.5%	30,981	30,845	-0.4%
France	10,832	12,810	+18.3%	60,599	65,026	+7.3%
Luxembourg	598	98	-83.6%	1,933	2,085	+7.9%
United Kingdom	2,224	2,261	+1.7%	6,756	9,480	+40.3%
Sweden	916	1,062	+15.9%	3,597	3,932	+9.3%
Italy	8,714	5,787	-33.6%	34,140	37,253	+9.1%
Iberia (Spain & Portugal)	1,749	2,146	+22.7%	6,452	8,854	+37.2%
Central and Eastern Europe	2,680	2,687	+0.3%	3,060	5,119	+67.3%
America	10,871	10,350	-4.8%	42,487	46,136	+8.6%
Other (4)	11,927	13,002	+9.0%	18,365	28,504	+55.2%
Fully-consolidated subsidiaries without Germany	**55,801**	**55,413**	**-0.7%**	**208,370**	**237,234**	**+13.9%**
Germany (5)	6,176	6,354	+2.9%	25,974	30,975	+19.3%
Fully-consolidated subsidiaries with Germany	**61,978**	**61,768**	**-0.3%**	**234,344**	**268,209**	**+14.5%**
of which public sector	*49,753*	*48,593*	*-2.3%*	*209,853*	*235,546*	*+12.2%*
of which corporate & project finance	*12,225*	*13,175*	*+7.8%*	*24,491*	*32,663*	*+33.4%*
Equity-accounted companies						
Austria (Kommunalkredit Austria) (6)	6,045	9,933	+64.3%	17,694	24,222	+36.9%
TOTAL MANAGED BY THE DEXIA GROUP	**68,023**	**71,701**	**+5.4%**	**252,038**	**292,431**	**+16.0%**

(1) All statistics of this table relate to the final take of underwritings, acceptance or purchase of public/project finance sector debt obligations, in the form of long-term loans, notes and bonds, liquidity guarantees, all forms of credit procurement as applicable in those countries where Dexia operates. In view of the specific features of business in Germany, production statistics are reported excluding that country. Short-term facilities are not included.

(2) These amounts are stated at current exchange rate. The above amounts exclude DenizBank. As of December 31, 2006 the long-term commitments of DenizBank amounted to EUR 1.2 billion.

(3) The 2005 commitments of Belgium are restated (about EUR +2.6 billion) mainly as the roll-over credits of the corporates are now considered as long-term commitments (previously treated as short term).

(4) "Other" includes the activities of the Pacific area, Mexico, Israel, Japan, Switzerland, as well as the transactions carried out by head office in countries where the Group has no direct presence.

(5) The segment reporting of Dexia Kommunalbank Deutschland has been finetuned. The 2005 figures are therefore restated.

(6) Corresponding to 100% of originations/commitments of Kommunalkredit Austria, which is 49%-owned by Dexia.

Long-term commitments and originations

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Long-term commitments of the fully-consolidated subsidiaries reached EUR 268.2 billion, up 14.5% year-on-year, and up 16% at a constant exchange rate, a dynamism especially noticeable in France, Italy, America, Germany, the United Kingdom and Central and Eastern Europe, and the Iberian Peninsula.

Originations (excluding Germany) amounted to EUR 55.4 billion, i.e. a slight decrease compared to last year explained by a methodology change (the final take objective of the structured finance transaction instead of the total amount is taken into account as of December 31, 2006). On a same methodology basis, the increase of the originations would have been 3%.

In *Public Finance* alone, production reached the high level of EUR 48.6 billion, with Dexia even named "Best Lead Manager on Regional/Municipal Bonds" in 2006 according an award given by *EuroWeek* online magazine.

In addition, debt management activity was again very dynamic in 2006, with a special mention for France and Italy, where historical levels of respectively EUR 10.6 billion and EUR 3.9 billion have been reached (see dedicated paragraph on page 82).

The *Corporate and Project Finance* sector recorded good progress, +7.8% to EUR 13.2 billion, relying on large-scale deals in infrastructure/PPP and also on a very satisfying increase of the bond portfolio. On a same methodology basis, the increase would have been 27% compared to last year. Dexia was lead arranger with other banks of a number of major-league deals in 2006: the GBP 2.4 billion debt package for the acquisition of the largest port company in the UK by a pool of financial investors, the EUR 1.2 billion Madrid subway rolling stock financing or the CAD 1 billion Golden Ears Bridge project in Vancouver, which received the "North American Deal of the Year 2006" award from Thomson Financial.

It was also a satisfying year for advisory mandates, with key mandates successfully closed, such as the Q7 offshore wind farm project in the Netherlands or the Elwood Energy power plant acquisition in the USA.

As testimony to its rising profile in this sector, Dexia received in 2006 the "Bank of the Year" award from Thomson Financial's *Project Finance International* magazine for the Europe-Middle East-Africa area. And for the second year in a row, Dexia reached the top ten league of banks acting as arrangers of project finance loans ranked by Euromoney/Dealogic (#1 for PPP/PFI's, #4 for Europe, #6 for North America) with 7 projects receiving various sectorial/regional "Deals of the Year" awards.

Regionally the performances were as follows.

France

2006 was a very dynamic year, with long-term commitments increasing by 7.3%, to EUR 65.0 billion, a remarkable growth experienced both in public finance and in project finance.

In *Public Finance*, where Dexia holds a 42% market share, the bank made the best of a favorable environment: transfer of financial responsibilities from Central Government to local authorities, expectation of a rate increase, and the pre-election period. Long-term outstanding commitments were up 7.0%, reaching a record level of EUR 62.0 billion. The volume of long-term originations increased by a very satisfying 13.5% to EUR 11.7 billion.

A number of important deals were closed in 2006, among them loans granted to the Conseil général de la Réunion, du Nord, de la Seine-Maritime, des Alpes-Maritimes for an individual amount above EUR 100 million, and the participation in various city transport financing deals (Grenoble and Le Mans street cars).

Dexia's policy of increasing activity with clients from the non-profit sector has been successful: business increased significantly by 27%, and market share increased from 33% to 37%.

Several activities were particularly noticeable.

- Public Health Sector is still buoyant, and Dexia's activity increased by 69% year-on-year, reaching a EUR 1.7 billion production. The "Hospital 2007" plan, which encourages hospitals to use debt financing for modernization, is notably supporting this sector trend. Dexia won several major bids (Metz, Dijon and Toulon hospitals). In this particular segment, Dexia's market share rose significantly with Dexia holding the lead with around one bid won out of two.
- Housing activity is also encountering a net increase: +23%, to EUR 1.7 billion, partly by virtue of the "Borloo Plan", which requires the increase of annual construction of social housings from 80,000 in 2006 to 120,000 in 2009.

Regarding *Project Finance*, 2006 was also a very good year, with production doubling to EUR 1.2 billion, up 106.5% (135% on a same methodology basis). Among the deals confirming Dexia as a major player on the French PPP market, Dexia co-financed the largest PPP in the country, a hospital near Paris, underwriting one third of the EUR 345 million debt and as financial advisor and co-arranger (as well as equity investor in the winning consortium) successfully closed the EUR 205 million financing of the second PPP launched by the Ministry of Justice to design, build, and maintain three prisons. Dexia has also won several significant advisory mandates, for instance with the Ministry of Justice regarding the renovation of the Prison de la Santé in Paris.

Dexia has also co-led a EUR 500 million re-financing of car parks and underwritten EUR 350 million of the financing for the acquisition of Autoroutes Paris-Rhin-Rhône.

Belgium

Long-term commitments amounted to EUR 30.8 billion, almost stable over 2005. 2006, an election year, was difficult for Public Finance activity in Belgium, but even so Dexia succeeded in maintaining its leadership.

In *Public Finance*, originations amounted to EUR 3.0 billion, down 21.1%. This decrease is the consequence of a very buoyant 2005 first half (driven inter alia by the inter-municipal associations in the field of energy) and also of the traditional slowdown generated in the local authorities segment by the election period. In the social profit segment, total originations reached EUR 404 million, up 11% year-on-year, enhanced by a catch-up of investments in national health. Of note, the Walloon Region selected Dexia to finance its economic recovery plan. The bank also launched a secured electronic reporting system for its clients in the public and social profit sector.

The *Corporate and Project Finance* activities benefited from a revitalised commercial approach and a favorable economic climate. In terms of long-term commitments, production was very buoyant with originations increasing significantly by 49.4% to EUR 2.2 billion. Production was strong in most areas of Belgian corporate banking, in particular:

- general corporate banking with important transactions in the utility sector, but also a substantial number of transactions in the so-called midcorporate and corporate segments;
- in the area of project finance where Dexia was able to consolidate its strong position in shipping finance and harbour infrastructure finance. Moreover, Dexia confirmed its role as financial advisor in the major infrastructure PPS-transaction for Oosterweel since its client Noriant was being withheld as sole candidate to continue into the next phase. In addition, the bank took part in the financing of three wind farms and a biomass plant;
- several real estate transactions have been pursued, often with clear links to local, federal or supranational government;
- in asset finance (mainly leasing and renting) a substantial 55% gain in long-term financing was realized, up to a level of EUR 357 million.
- finally it should be noted that the Belgian corporate finance department worked on the IPO's of, inter alia, Aedifica and Metris.

Luxembourg

Steady growth of the long-term commitments was observed to EUR 2.1 billion, up 7.9%. On the origination side, the year was correct, taking into account the significant transaction (EUR 0.4 billion) closed in 2005, with the Luxembourg Railways.

United Kingdom

Long-term commitments reached EUR 9.5 billion, a 40.3% growth in one year. This increase stems from very buoyant *Project Finance* activity, and a more mixed trend in the *public sector*: originations in social housing were strong (+74%), but the local authorities segment was less buoyant. As discussed above, Dexia co-led a GBP 2.4 billion debt package for the acquisition of the biggest harbor company in the United Kingdom by a consortium of financial investors. This transaction was successfully syndicated to a total of 31 banks. As sole arranger, Dexia also closed several significant PFI transactions in the health, education and public lighting sectors, including a GBP 212 million hospital project in Glasgow, the largest ever bank-financed PFI project in the UK and the largest PFI project ever in Scotland.

Sweden

Activity was sustained, reaching EUR 1.1 billion, up 15.9%, and Dexia recorded gains in market share. Long-term commitments saw a 9.3% rise, to EUR 3.9 billion.

Italy

In 2006, Dexia Crediop reached EUR 37.3 billion in long-term commitments, up 9.1% over the last twelve months. On the Public Finance front, the comparison is biased by a number of exceptionally large-scale operations in 2005. Nevertheless, the activity was sustained for local authorities, in the international issues and securitization transactions segment where production was up 16%. In 2006, it is worth mentioning the EUR 160 million loan to the municipality of Turin, co-arranged by Dexia Crediop, and also the underwriting of a EUR 1.8 billion securitization mandated by the Lazio Region. 2006 was marked by the largest Eurobond ever issued by an Italian local authority: the loan issue by the Piedmont Region, which was joint booked and joint lead-managed by Dexia Crediop for a final take of EUR 765 million. Dexia Crediop was also joint bookrunner, joint lead and co-arranger of a EUR 327 million transaction with the Abruzzi Region. These deals, along with a significant loan volume for instance with the Province of Turin (EUR 121 million in two transactions) enabled Dexia Crediop to keep its market share above 40% (excluding Cassa di Depositi e Prestiti) in the public sector segment, consolidating its leadership among non-State-owned Public Finance actors in the country.

Originations in *Project Finance* were down 62.1%, to EUR 664 million, in a very tough and competitive environment, and in the absence, this year, of large-scale deals in the infrastructure sector. Dexia Crediop nevertheless appears very well positioned in this market in Italy.

Iberia

In a context of rather subdued demand in *Public Finance*, long-term commitments for this segment were up 26.5%, to EUR 7.1 billion, a rise all the more remarkable since 2005 was punctuated by large-scale deals (including two bonds issues by the Generalitat de Catalonia for a total amount of EUR 3.0 billion). Originations reached EUR 2.1 billion, a 22.7% increase. Among the main deals closed in 2006, two book runner mandates with the Madrid region and one with the Aragon Region were won by Dexia.

In Portugal, Dexia financed a EUR 150 million loan for EGREP, a State-owned entity in charge of building up and managing the national strategic oil stocks.

Regarding *Project Finance*, Dexia Sabadell Banco Local (DSBL) co-led the financing of many landmark transactions in the infrastructure and energy sectors: the Madrid subway rolling stock (EUR 1.2 billion), the first hospital PPP project in Spain (EUR 222 million), the first thermal solar power project financing outside the US (EUR 497 million) and two of the largest photovoltaic projects in the world (EUR 367 million). Five years after its creation, the remarkable achievements of 2005 and 2006 establish DSBL as a prominent actor in the Iberian infrastructure market.

Central and Eastern Europe

Dexia operates in this region via its subsidiary Dexia Kommunalkredit Bank (DKB), based in Vienna and held 75% by Dexia Crédit Local (directly and indirectly).

Long-term commitments were up 67.3% at EUR 5.1 billion and total originations kept steady at EUR 2.7 billion in a context of competition mainly with local banks.

In *Public Finance*, commitments stood at EUR 4.4 billion (+57.1%) and DKB was particularly active in the two most populated countries of the area, Poland and Romania. In Poland, DKB was especially active in the health sector as well as with local authorities. In Romania, the bank has been the lender of several major cities, among them Bucharest, and of the Finance Ministry with a EUR 34 million contract closed in September. The first developments of structured products in Slovakia and the Czech Republic were also commenced.

On the *Corporate and Project Financing* side, commitments reached EUR 0.7 billion from EUR 0.3 billion one year earlier. DKB arranged its first deal in the Czech Republic for a wind farm financing. In the transport segment, several transactions were closed with the national rail companies in Hungary (EUR 114 million), Poland (EUR 50 million) and Slovakia (EUR 42 million). DKB also granted a EUR 37 million loan for the construction of a power plant in Bulgaria.

America (excluding FSA)

America saw a contrasted market in 2006, with a very dynamic trend in *Project Finance* and a much less active market in the municipality bond issues. In this context, long-term commitments reached EUR 46.1 billion, up 8.6% in one year, but originations decreased by 4.8% to EUR 10.4 billion.

In the *Public Finance* sector, the market was weaker than the record year of 2005. Among numerous deals closed in 2006, the liquidity guarantees of the State of Mississippi (USD 224 million) and of the State of Georgia (USD 314 million) are to be noted. In the meantime, investments in the taxable and tax exempt (through the TOB program initiated in 2004) markets developed markedly.

In *Project Finance*, a large number of deals were closed, including the co-arrangement of the USD 4.1 billion Indiana Toll Road concession and the USD 320 million Buffalo Gap II wind farm. The Indiana Toll Road deal confirms Dexia's prominent positioning in the nascent but rapidly growing infrastructure financing market in the US. In the meantime, Dexia affirms its leading position in the renewable energy sector in the US.

Dexia's Canadian subsidiary, which only began its activity at the end of 2005, co-arranged CAD 1 billion financing in 2006 for the Golden Ears Bridge project near Vancouver, the biggest PPP closed in Canada to date and also the first loan credit enhanced by monoline insurers in North America. This appears as a very promising start in this new market.

Other countries and head office

The activity conducted in other countries and carried out from head office increased at a more than satisfying pace; outstanding commitments rose by 55.2% in 2006 to EUR 28.5 billion.

In *Switzerland*, in November 2006, Dexia opened a subsidiary in Geneva which has allowed the bank further to diversify transactions with its customers range, for instance with hospitals. One of the main transactions was a EUR 256 million loan for the Canton of Geneva.

Also in November 2006, Dexia was granted a banking license in *Japan*, allowing the bank to work directly with Japanese customers and make the best of the largest market in local public finance worldwide. At the end of December 2006, commitments in Japan amounted to EUR 704 million, excluding an amount of EUR 1.8 billion of Japanese bonds booked at international headquarters before obtaining the banking license.

In *Mexico*, Dexia's most recent subsidiary had a very promising start: long-term commitments reached EUR 486 million, compared to EUR 36 million one year ago.

Significant transactions were closed, among them a MXN 650 million loan to the State of Guerrero and a MXN 2,200 million loan to the City of Mexico. Also to be mentioned is the refinancing of the entire debt of the State of Queretaro, which is AA rated (local rating), for an amount of MXN 1,340 million on a 20-year term.

The *Corporate and Project Finance* activities also saw significant growth, with long-term commitments reaching EUR 11.6 billion. Important transactions were closed, among them the EUR 431 million dual wrapped bond/loan refinancing of the Hungarian M6 motorway and the WISE CBO, a GBP 1.47 billion securitization of wrapped PFI and utility bonds, the first transactions of their kind, combining Dexia's expertise in capital markets and project/infrastructure finance.

Germany

Long-term commitments reached EUR 31.0 billion, a 19.3% increase. The Frankfurt office of Dexia Kommunalbank Deutschland increased its originations by 23%, to EUR 3.8 billion, with a large attraction for structured products. Additionally, a credit portfolio purchase was made for a total amount of EUR 2.4 billion, compared to EUR 1.6 billion for the year 2005. Numerous deals have been made during the year 2006, among which the transactions with the City of Aachen (EUR 110 million). 2006 also witnessed the development of a new customer segment, the "private satellites" (*Stadtwerke* – i.e. non-profit organizations linked to the State), with a total origination of EUR 0.2 billion.

Debt Management

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Debt management activity was extremely buoyant in 2006, with a total amount of EUR 17.3 billion, one billion above the level of 2005, which was itself very high.

In *France*, the amount of managed debt was EUR 10.6 billion, up 30%. This performance, accentuated in the last quarter of the year, is all the more remarkable since the two previous years had already set records. This amount represents 18% of Dexia outstanding commitments in France and this activity now relates to all segments: local authorities and also the health and social housing sectors.

Debt management activity was also very satisfactory in *Belgium*, where it represented EUR 2.2 billion, a very good level for a pre-election year.

Italy also recorded a very good performance, reaching a level of EUR 3.9 billion, against EUR 1.3 billion one year ago by virtue, for instance, of the management of international bonds for an amount of EUR 821 million for the Piedmont or Abruzzi Regions.

Germany recorded a very promising start in this activity: EUR 431 million in 2006.

Short-term commitments

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Short-term commitments amounted to EUR 19.3 billion at the end of 2006, up 15% on 2005. They were mainly located in *France, Belgium* and *Germany* where Dexia has recently developed short-term structured loans.

Deposits and assets under management

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Deposits and assets under management increased at a steady pace of +17.7% given the level recorded at the end of last year and amounted to EUR 34.6 billion. This increase is particularly marked in *France* (+26% to EUR 5.8 billion, about half of it mutual funds) and in *Italy*, which more than doubled the level of commitments to EUR 1.8 billion. In *Belgium*, which represents 63% of the total Group amount, commitments were up 6%, with a notably good performance in the intermunicipal associations and regional segments.

Insurance services

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Dexia Sofaxis, the only French operator specializing in insuring the statutory obligations of local authorities and hospital establishments with regard to their staff, collected EUR 367 million in premiums (up 4%) as of December 31, 2006.

Dexia Insurance's premiums reached the 2005 level, with EUR 621 million premiums collected, of which EUR 350 million originated in France and EUR 271 million in Belgium.

Dexia Epargne Pension, in another dynamic year, collected EUR 271 million, up 4.5% on 2005. Dexia Epargne Pension is a life insurance subsidiary of Dexia Insurance Services, the company in charge of developing Dexia's insurance activities. It markets high quality and tailor-made collective life insurance products to local institutional clients (social housing bodies, semi-public companies, chambers of commerce and so on): end of career indemnities, supplementary pensions, save-as-you-earn schemes. It also offers an entire range of life-insurance products and capitalization contracts to private customers.

The social engineering products are distributed directly by Dexia Credit Local, whereas the classical life insurance products are distributed through partnerships with third parties. Of note, in 2006, Dexia Epargne Pension has signed about 15 new partnerships, reaching a total of around 60, among which two thirds were signed with private banks and fund management companies.

Financial Security Assurance

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Financial Security Assurance (FSA), acquired by Dexia in 2000, carries on the activities of credit enhancement for municipal bonds and asset-backed securities (ABS) in North America and also in Europe. Credit enhancement of municipal bonds consists of guaranteeing bonds issued primarily by municipalities. By giving the benefit of its excellent AAA rating, FSA enables them, by way of a premium, to access the bond market under the most advantageous conditions. Credit enhancement of asset-backed securities is a guarantee similar to that granted for bond issues refinancing different asset classes (consumer credits and so on).

Within the context of a 6% decrease of the overall volume of new issues and refunding in the municipal market and despite a highly competitive environment, in 2006 FSA managed to keep its market share at around 25%, and reach a still remarkable progression in the international market, with net par outstanding up 72%. On the asset-backed securities (ABS) side, given the competitive environment, FSA preferred not to sacrifice margins on volumes. On the whole, gross present value originations reached USD 910 million, down 10.2% compared to 2005, which was a record year.

In US municipal business, the level of insurance penetration in the market was lower (50% versus 57% one year ago), against a background of low risk environment and narrow spreads. FSA's gross present value was down 36.1%, a decrease also explained by the contribution of the Chicago Skyway transaction in 2005. Directly linked to the US interest rate environment, the level of refunding was down (-40% year-on-year).

Two transactions are worth being mentioned: the enhancement of the bond issued by the hospital Scottsdale Healthcare in Arizona, for a total amount of USD 200 million, and the enhancement of a USD 313 million bond issued by Philadelphia Gas Works.

FSA's international business saw a booming year with PV premiums originated at USD 318 million (+71.5% over the last twelve months). This performance is due to a number of large-scale transactions, among them the guarantee of an obligation issue of GBP 200 million by United Utilities Water plc in United kingdom and the enhancement of a AUD 482 million issue by Monetary Policy Committee Funding in Australia.

In the US asset-backed securities sector, the very high quality of the business originated and the tight spread environment led to a decrease of originations (-17%), to USD 234 million. FSA identified limited opportunities to deliver fair rates of return, although the trend seemed to start reversing slightly at the end of 2006. The market for car loans securitization has been very active, along with CDO (collateralized debt obligations) activity.

Finally, the amount of USD 4.8 billion guaranteed generated premiums of USD 19 million. FSA has continued to develop the HELOC type transactions (Home Equity Lines of Credit).

Outside the United States, FSA has been granted a license to open a subsidiary in Tokyo.

UNDERLYING [1] RESULTS

Net income – Group share for the full year amounted to EUR 1,140 million, a very solid 14.1% increase. Excluding the negative exchange rate impacts (EUR -9 million), the increase would have been 15.0%. This business line comes up with double-digit annual growth again this year, with progress made in all subsegments (the public sector, project finance and corporate activities, and credit enhancement), and successes experienced in almost every country. Dexia's ambitions of diversifying its revenues into countries outside its historic markets are being achieved year after year: net income - Group share originated in France and Belgium now represents 42% (44% in 2005); FSA presents 25% of the business line's earnings, and the banking activities outside France and Belgium amount to 33%.

(1) As described on page 70.

The **total income** of the business line, at EUR 2,478 million, was up EUR 222 million compared to 2005, i.e. +9.9% (+10.6% at a constant exchange rate). Those very good numbers stem from the conjunction of several factors: high originations this year, adding up to a very substantial book of assets constituted throughout the years in the different entities of Public/Project Finance, and funding costs continued to improve. FSA's income rose 9.7% (at EUR 543 million), a good performance in a contrasted environment leading to reduced ABS revenues in the USA, a lower level of refunding, and in the opposite direction, higher originations in public finance, solid revenues on financial products and some exchange gains (appearing as additional revenues only under the IFRS treatment). The business line, excluding FSA, experienced exactly the same positive trend with EUR 175 million (+9.9%) additional revenues compared to 2005, due to:

- a positive volume effect in many countries (i.e. France, UK, Spain, Central Europe, America...);
- the positive influence on margins of the debt management activity;
- a good level of commissions in view of the many transactions for which Dexia has lead-arranger mandates (inter alia in America, Spain and the UK);
- the increasing contribution of countries where Dexia has recently established offices (for instance in Central and Eastern Europe, Canada, Mexico and Japan). Particularly noteworthy were the progressions experienced in France and Belgium (6% more revenues), Italy (+9%), the USA (+16%), the UK (+67%), Iberia (+59%) and Central Europe (+82%) where the yearly revenues now stand at EUR 47 million. Of note, the contribution to the business line revenues of DenizBank was EUR 48 million (+46% on the fourth quarter of 2005 pro forma) bearing in mind that this came in only one quarter.

Costs were up EUR 47 million compared to 2005, a 6.1% increase (6.7% at a constant exchange rate), but still 3.8 percentage points lower than the revenues' increase. This progression is largely explained, as previously exposed, by the significant development of the franchise and book of assets worldwide. But among the other reasons for the increase, it should be noted that the cost base increased at FSA due to the fact that expenses on Credit Default Swaps (CDS) transactions can no longer be deferred (impact of EUR 7 million on the annual cost line), and that, on the other categories of products, the proportion of deferred costs keeps decreasing. In the other units of Dexia in America, costs progressed as a consequence of increasing staffing requirements linked to business expansion and developments, as it was the case in many other countries such as France, the United Kingdom and Italy. At headquarters level, costs also rose, in relation to the opening of Dexia Japan, Dexia Switzerland and the other international developments of the activity (i.e. representative office in China and India).

As a result, **gross operating income** amounted to EUR 1,669 million in 2006, an 11.8% increase compared to 2005, and +12.6% at a constant exchange rate. This has led to the continuing slightly declining trend of the business line **cost-income ratio**, from 33.8% in 2005 to 32.6% in 2006.

The **cost of risk** in 2006 amounted to EUR 56 million, above the level reached in 2005, but still at a low level. The increase is marginally related to the rising proportion of corporate and project finance transactions within the book, but also because there were a number of provision write-backs in 2005, and fewer in 2006.

Tax expense rose slightly (+1.7%) to EUR 426 million in 2006. It should be noted that this rather small progression in one year stems from various factors going in opposite directions:

- a more coordinated tax management at Group level;
- a better corporate tax environment in Belgium; and
- in the opposite direction, increased taxable earnings.

On the whole, the performance in Public/Project Finance and Credit Enhancement produced a very robust **return on economic equity (ROEE)** of 22.9%.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2005 (1)	2006	Variation
Income	**2,256**	**2,478**	**+9.9%**
of which net commissions	*160*	*191*	*+19.5%*
Costs	**(762)**	**(809)**	**+6.1%**
Gross operating income	**1,493**	**1,669**	**+11.8%**
Cost of risk	(30)	(56)	+88.6%
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(419)	(426)	+1.7%
Net income	**1,044**	**1,187**	**+13.6%**
Minority interests	45	47	+4.2%
Net income – Group share	**999**	**1,140**	**+14.1%**
Cost-income ratio	33.8%	32.6%	
ROEE (2)	23.4%	22.9%	
Total allocated equity (average)	4,384	5,199	

(1) Pro forma.
(2) Return on economic equity (net income – Group sahre/allocated equity – Group share).

PERSONAL FINANCIAL SERVICES

Personal Financial Services is an activity historically carried out in Belgium and in Luxembourg where Dexia is among the top two or three leading banks and has the necessary scale (4 million customers) to consolidate its position further. With the acquisition of DenizBank in Turkey in 2006 (1.9 million of retail and SME customers), Dexia has an additional dynamic platform from which to capture growth in one of the fastest growing markets: Turkey, with 71 million of inhabitants, has a high GDP growth prospect combined with fast-increasing banking penetration.
Personal Financial Services focuses on the distribution of own products and services as well as those developed in the Group's other business lines (mainly Dexia Asset Management, Dexia Insurance Services and also Treasury and Financial Markets for structured products) to a customer base predominantly consisting of individuals and households, but also private banking clients, self-employed persons and small and medium-sized enterprises.
Belgium is served by a broad retail distribution network: 1,019 branches, of which 80% are managed by self-employed agents and 20% by bank employees. In addition private clients are served by 9 private houses.
In Luxembourg, with 40 retail branches, Dexia BIL is active in retail banking and has an extensive private banking business both in Luxembourg and abroad.
In Turkey, DenizBank is the sixth privately-owned Turkish bank, with a wide territory covered by a network of 262 branches, 96 of which are located in Istanbul. DenizBank also has a branch presence in Russia, Germany and Austria.
Dexia is also present in Slovakia through Dexia banka Slovensko with its 52 branches, a bank active both in the local public sector and the retail market. Today, Dexia banka Slovensko has 200,000 retail customers.
Dexia is also established in Switzerland, through Dexia Private Bank Switzerland, which has representative offices in Bahrain and Montevideo.
Finally, Dexia has a 20% holding in Crédit du Nord in France, and a 40% holding in Popular Banca Privada in Spain, a joint venture with Banco Popular active in the field of private banking.

ACTIVITY

The overall positive climate in 2006 reinforced households confidence and their propensity for consumption, and their appetite for real estate which has sustained the production of mortgages. Within a context of low interest rates, customer assets were more oriented towards off-balance-sheet investments and insurance products. The trends prevailing in 2006 were:
- a remarkable dynamism of the off-balance-sheet products, which grew twice as quickly as the balance-sheet products and now represent 50% of the total customer assets (balance-sheet products decreased to 42% and insurance products remained stable at 8%);
- transfers from savings accounts towards term deposits;
- more adequate mortgages margins in the second half of the year, and
- extremely buoyant activity in the Private Banking sector.

Customer assets

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Retail Banking

Total customer assets amounted to EUR 83.0 billion at the end of 2006, a 1.7% progression in one year explained by contrasting evolutions.
Bonds issued by the Group and placed through over Dexia Retail Banking networks were up 14.7%, reaching EUR 7.5 billion as of December 31, 2006.
Savings accounts, in contrast, which amounted to EUR 24.9 billion at the end of 2006, were down 2.7% in a generally subdued environment as customers preferred term deposits following an upward trend in money market rates. Together, savings bonds and term deposits were up by a satisfying 4.8% to EUR 10.1 billion.
Mutual funds were stable, at EUR 20.8 billion. These products suffered from the retail market effect during the second quarter of the year and recovered slowly. In contrast, life insurance products and more precisely Branch 21 (guaranteed yield) products recorded a satisfying rise, sustained by an advertizing campaign in October. Life insurance technical reserves increased by +7.6%, to EUR 7.8 billion. Branch 23 products suffered, like the mutual funds, from adverse market trends from May. The negative effect of the introduction of a new tax on insurance products since January 1, 2006 has been partially offset by several commercial actions.
There were a number of successful commercial and innovative initiatives in 2006 such as:
- "Axion", the brand developed by Dexia Bank to attract young customers, allowed Dexia to be number one bank in Belgium, with a 31% market share in the 18-24-year-old segment, an absolute Market Leadership position;

MANAGEMENT REPORT

- the debit cards with personalized pictures were very successful: 200,000 applications since their launch in June 2006. Dexia's personalized cards were the first issued on the Belgian market.
- "Dexia Direct Net": more than 500,000 customers are now handling their banking transactions via the internet. The number of contracts has risen by 50% in 2006.

Since 2006 Dexia has been making intensive preparations for the forthcoming introduction of the unified payment system known as the Single Euro Payments Area (SEPA) in 2008.

Private Banking

2006 was again a good year for Private Banking. Total customer assets reached EUR 45.4 billion, up 12.5%, double digit growth being experienced in many products. For instance, the cash management activity was up 24.3% and the structured products were up 12.5%. Mutual funds were a little weaker as a consequence of the negative market effect in the second quarter of 2006, but nevertheless recorded a very satisfying 5.7% increase.

Customers particularly appreciated bond issues tailored to meet their needs in terms of duration and return rates.

A dedicated call center – "Dexia Direct Private" – for customers willing to manage their funds by themselves was put in place. This service provides access to accurate and up to date market information.

Customer liabilities

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With the overall positive climate of 2006 reinforcing household confidence, loans to retail and private customers saw a significant 11.8% increase, to EUR 30.9 billion. The rise in private banking was even greater (+21.5% to EUR 3.3 billion). Mortgage loan activity, which benefited from a stronger client appetite as a result of increasing confidence, rose by 13.6% to EUR 18.6 billion. The fourth quarter witnessed a return to a more normal competitive environment. Consumer loans amounted to EUR 2.5 billion at the end of 2006, a 9.8% growth.

CUSTOMER ASSETS & LIABILITIES [1] (in billions of EUR)	Dec. 31, 2005	Dec. 31, 2006	Variation
TOTAL CUSTOMER ASSETS & LIABILITIES	**149.5**	**159.2**	**+6.5%**
Total customer assets	**121.9**	**128.3**	**+5.3%**
of which			
Balance-sheet products	51.8	53.3	+2.9%
Off-balance-sheet products	60.5	64.5	+6.7%
Life Insurance technical reserves	9.6	10.5	+9.4%
of which in retail banking	81.5	83.0	+1.7%
Deposits	31.2	30.4	-2.5%
Savings bonds & term deposits	9.6	10.1	+4.8%
Bonds issued by the Group	6.5	7.5	+14.7%
Mutual funds	20.7	20.8	+0.4%
Life insurance technical reserves	7.2	7.8	+7.6%
of which in private banking	40.3	45.4	+12.5%
Total customer liabilities	**27.6**	**30.9**	**+11.8%**
of which in retail banking	25.0	27.6	+10.8%
Mortgage loans	16.3	18.6	+13.6%
Consumer loans	2.3	2.5	+9.8%
of which in private banking	2.7	3.3	+ 21.5%

(1) Pro forma as Banque Artesia Nederland left the Group in the fourth quarter of 2006.
The above amounts exclude DenizBank. As of December 31, 2006 the total assets of DenizBank amounted to EUR 3.1 billion and the total customer loans amounted to EUR 2.0 billion (including the retail, private and SME activities of DenizBank).

UNDERLYING (1) RESULTS

Personal Financial Services posted another satisfying year despite the competitive environment in Belgium, particularly around the middle of the year in the area of mortgages. Cost discipline, good commercial activity and the more advantageous effective tax rate altogether brought a satisfactory rise of **net income – Group share** (+13.1%). The additional EUR 58 million net earnings produced this year came mainly from Belgium (EUR 34 million or +11%), Luxembourg (EUR 18 million or +14%) and Turkey (EUR 4 million in one quarter only, i.e. +68% on the pro forma 2005).

Total income for the full year reached EUR 2,319 million, an increase of EUR 48 million or +2.1% on 2005. This increase came from a contrasted environment, both in terms of geography and nature of activities. Income grew in Luxembourg (EUR +31 million), in Turkey (EUR +13 million pro forma, bearing in mind that the contribution was for one quarter only), and countries other than Belgium (EUR +13 million), whilst it went down in Belgium (EUR -9 million). The slight decline in Belgium (-0.5% of the country's revenue base) was caused by the following factors:

- on the customer asset side, increased volumes generated higher revenues which have been slightly mitigated by a low margin reduction overall, some products becoming more profitable and others less;
- sight accounts performed very well, pulled both by volume increases and higher margins;
- on the loan side the situation deteriorated as a consequence of the negative effect of refunding on the average margin on mortgages outstanding, and also because of the narrow spreads on originations during the months of intense competition.

(1) As described on page 70.

Costs rose slightly to EUR 1,627 million, a EUR 19 million increase, or 1.2%, which in effect means negative growth in real terms. Dexia Bank Belgium continued to reduce the number of its branches, which now stand at 1,019 in Belgium, with 18 branches closed in the second half of the year. The positive effects of the integration of Artesia BC being now largely met and even exceeded, the bank is now seeking efficiency gains, mainly in back office operations. It should be noted that the sale of the London based private banking operations has caused a EUR 3 million cost increase which will disappear as from 2007.

Gross operating income reached EUR 692 million, up 4.4% in one year. The cost-income ratio continues to improve, from 70.8% in 2005 pro forma to 70.2% in 2006.

The **cost of risk** remained at a very low level, to EUR 32 million in 2006.

Tax expense was down 20.2%, to EUR 151 million, mainly thanks to the lower effective tax rate.

The **return on economic equity (ROEE)** continued to improve from 24.6% in 2005 to a very robust 28.8% for the full year 2006.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2005 (1)	2006	Variation
Income	**2,271**	**2,319**	**+2.1%**
of which net commissions	*752*	*764*	*+1.6%*
Costs	**(1,608)**	**(1,627)**	**+1.2%**
Gross operating income	**663**	**692**	**+4.4%**
Cost of risk	(26)	(32)	+22.8%
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(189)	(151)	-20.2%
Net income	**448**	**509**	**+13.7%**
Minority interests	1	4	x4.5
Net income – Group share	**447**	**505**	**+13.1%**
Cost-income ratio	70.8%	70.2%	
ROEE (2)	24.6%	28.8%	
Total allocated equity (average)	1,822	1,754	

(1) Pro forma.
(2) Return on economic equity (net income – Group share/allocated equity – Group share).

ASSET MANAGEMENT

Dexia Asset Management (Dexia AM) specializes in the management of collective funds and institutional and private mandates. Top-class asset manager at the European level, Dexia AM manages more than EUR 100 billion over a complete range of investment vehicles: trend following management, alternative funds and sustainable investments. Dexia AM operates management centers in Brussels, Luxembourg, Paris and Sydney, and spreads its marketing teams throughout continental Europe.

ACTIVITY

2006 was a very successful year for Asset Management activities, with the expansion of the international coverage, numerous awards won, volumes exceeding the EUR 100 billion threshold and the excellent performances and operating ratios.

Dexia Asset Management has carried out its international expansion in continental Europe with the opening of a branch in Germany, a springboard for further growth into Central and Eastern Europe. A representative office opened also in the Kingdom of Bahrain, as part of the strategy of growth in the Middle East region. The strong investment performances were once again rewarded by the attribution of many five and four stars to funds and some awards (i.e. "Dexia Sustainable European Balanced Low" was given two awards by Lipper in France, "Dexia Equities B EMU Value" won the Standard & Poor's award in Switzerland, "Dexia Bonds Euro Short Term" received an award by Lipper Europe and so on). Dexia Asset Management had 60% of its funds placed in the first two quartiles in Standard & Poor's ranking in 2006.

Concerning volumes, asse s under management reached EUR 105.2 billion at year end, up 16.1% (EUR 14.6 billion) in one year. Over the twelve months of 2006, the company collected EUR 10.0 billion net new cash (+11.0%) while EUR 4.6 billion (+5.1%) came from a positive market effect. Total assets under management stemming from institutional mandates reached EUR 28.6 billion, a 31.4% increase in one year, the new cash coming for a large part from pension schemes and insurance companies (EUR 5.5 billion out of the EUR 6.8 billion total increase). Similarly, the progression of institutional mutual funds has been very satisfactory, getting to EUR 24.6 billion, up 29.1% since December 31, 2005. The net new cash stemming from those was largely pulled by money market and event-driven funds (Merger & Acquisitions activities or equivalent). The volumes of the private mandates increased by 16.6%, while the growth of the retail funds was +3.2%. As of December 31, 2006 total assets under management distributed by Dexia Asset Management (Dexia AM) sales teams amounted to EUR 45.4 billion, a very strong EUR 11.1 billion increase during the year. France was the first contributor in terms of net new cash realized, followed by the

ASSETS UNDER MANAGEMENT [(1)] (in billions of EUR)	Dec. 31, 2005	Dec. 31, 2006	Variation
TOTAL	**90.6**	**105.2**	**+16.1%**
By type of management			
Mutual funds	64.2	71.2	+10.8%
Institutional funds	*19.1*	*24.6*	*+29.1%*
Retail funds	*45.2*	*46.6*	*+3.2%*
Private mandates	4.6	5.3	+16.6%
Institutional mandates	21.8	28.6	+31.4%
By type of mutual fund			
Equity funds	11.2	13.5	+20.8%
Bond funds	18.8	19.2	+2.1%
Money market funds	10.2	11.5	+13.2%
Alternative funds	5.8	8.0	+37.5%
Global balanced funds	9.7	10.8	+11.1%
Structured products	3.2	3.4	+5.7%
Other	5.3	4.8	-8.7%

(1) Assets under the management of Dexia Asset Management. Assets counted twice included.

Australian and the Italian teams. The money market and equities products represented more than 50% of Dexia AM net new cash in 2006.
Dexia AM continues to show a very good productivity ratio, with costs representing 13 basis points of assets under management, one of the lowest levels in the industry.
Today, Dexia AM covers a large number of asset classes via a significant number of very efficient investment processes. Fixed income and money market investments represented 41.1% of assets under management, equity investments 21.2% and alternative investments the balance. With 13.4% (or EUR 14.3 billion) of its total assets under management in Socially Responsible Investment (SRI), Dexia Asset Management was awarded the "Sustainable Asset Manager of the Decade" by *BANCO*, a Swiss asset management magazine, recognizing its leadership in sustainable investment in continental Europe over the last decade. As a pioneer in SRI, Dexia AM created in 2006 its SRI Advisory Board which will assist the continuous development of the SRI approach and analysis.

UNDERLYING (1) RESULTS

The Asset management business has experienced a very good year 2006, with **net income – Group share** amounting to EUR 104 million, up 31.7% compared to 2005.
The **total income** was up 28.2% (or EUR +55 million) to EUR 253 million, a very robust progression mainly stemming from:
- a continuous and steady increase of management fees (+22% year on year or EUR +36 million) reaching EUR 197 million in 2006; and
- relative performance fees going up to EUR 43 million in 2006 from EUR 17 million in 2005.

The revenue increase was even stronger quarter to quarter, as a consequence of the relative performance fees, the amount of which in Q4 06 was twice higher than that of Q4 05.
Costs were up (+24.9% in one year, or EUR 27 million), in conjunction with the strong development of the activity. In particular, new sales offices were opened (in Sweden, Germany and Bahrain) to develop business with institutional clients. Staff headcounts increased by 57 in 2006, adding to the recruitments made in 2005. Lastly, the variable compensation followed the trend of the relative performance fees. Despite the increase, the cost per unit of asset managed was kept at the low level of 13 basis points.

(1) As described on page 70.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2005 (1)	2006	Variation
Income	**198**	**253**	**+28.2%**
of which net commissions	*194*	*248*	*+28.0%*
Costs	**(111)**	**(138)**	**+24.9%**
Gross operating income	**87**	**115**	**+32.5%**
Cost of risk	0	0	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(7)	(9)	+21.3%
Net income	**80**	**106**	**+33.5%**
Minority interests	1	3	x2.8
Net income – Group share	**79**	**104**	**+31.7%**
Cost-income ratio	56.0%	54.5%	
ROEE (2)	90.8%	92.2%	
Total allocated equity (average)	87	112	

(1) Pro forma.
(2) Return on economic equity (net income – Group share/allocated equity – Group share).

INSURANCE SERVICES

This analytical segment only covers the results of the "factory" operations, therefore without the results from distribution activities, which are accounted for in the business lines where the insurance products are sold: mainly Personal Financial Services and Public/Project Finance.
For a more significant and complete reading of the contribution of the insurance activities throughout the Group, please refer to the Focus on insurance activities across the Group on pages 91-92.

UNDERLYING [(1)] RESULTS

Net income – Group share of the segment reached EUR 94 million in 2006 (+12.1% on one year). This EUR 11 million increase stemmed from a higher level of **income** (EUR +13 million in one year), due to different factors in opposite directions:

- higher financial revenues coming from increased outstanding amounts in Branch 21 products;
- higher technical provisions;
- increasing interests on attributed economic equity,
- less commissions received on Branch 23.

Given the infra-year volatility in this business segment, the 'year-to-date' reading is more appropriate than the quarterly reading.
Costs are increasing (+12.1%) and reached EUR 140 million at the end of 2006, due to an increase of members of staff in the French operations (linked to the strong business development of Dexia Epargne Pension) and more specifically to a new IT platform for the nonlife activity.

(1) As described on page 70.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2005 [(1)]	2006	Variation
Income	**215**	**228**	**+6.1%**
of which net commissions	*(169)*	*(190)*	*+12.4%*
Costs	**(125)**	**(140)**	**+12.1%**
Gross operating income	**90**	**88**	**-2.3%**
Cost of risk	0	(1)	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(4)	8	n.s.
Net income	**86**	**95**	**+10.8%**
Minority interests	2	1	-37.9%
Net income – Group share	**83**	**94**	**+12.1%**
Cost-income ratio	58.2%	61.5%	
ROEE [(2)]	12.4%	11.2%	
Total allocated equity (average)	678	835	

(1) Pro forma.
(2) Return on economic equity (net income – Group share/allocated equity – Group share).

FOCUS ON THE INSURANCE ACTIVITIES ACROSS THE GROUP (EXCLUDING FSA AND DEXIA SOFAXIS)

Dexia Insurance Services (DIS) consolidates the various insurance subsidiaries (with the exception of FSA and Dexia Sofaxis) and represents thereby 86% of the total insurance revenues generated at Group level.

DIS is active mainly in Belgium, Luxembourg and France, the core market being Belgium. Further development is awaited in Turkey as the insurance company Global Hayat was bought by DenizBank shortly after the acquisition by Dexia.

DIS supplies all the life and nonlife insurance products sold in the retail networks of the Group in those countries whether through own captive networks like in Belgium and Luxembourg or through partnerships like in France.

On the Belgian market, Dexia focuses on the distribution of insurance products in three networks:

- Dexia Bank Belgium branches which distributes life and nonlife products under Dexia brand;
- the exclusive DVV consultants under the well-known brand name of DVV;
- the direct insurer Corona Direct that provides life and nonlife products to families and private consumers without using intermediaries or through affinities with the car industry.

Dexia's market share in Belgium was 8.4% in 2005 on life insurance premiums and 4.2% on nonlife insurance premiums.

In Luxembourg, the distribution of the insurance products is mainly realized through Dexia-BIL's network, while in France, Dexia Epargne Pension (DEP) and Dexia Prévoyance (DP) handle their distribution respectively through partnerships with third party sales networks and own sales forces supported by a call center.

If insurance activities are carried out in both Public/Project Finance (PPF) and Personal Financial Services (PFS), they are for the time being included in these business lines for their "distribution function", whilst the "Insurance Services" segment handles the "manufacturing" functions, and generates essentially technical and financial revenues. As from January 1, 2007, the Insurance Services segment will be reallocated to the business lines concerned by the operations realized, introducing this way 100% of the insurance revenues to PPF and PFS.

Total gross premiums collected in 2006 through DIS reached EUR 3,774 million of which life insurance activity generated 89% and nonlife insurance activity originated 11%.

TOTAL GROSS WRITTEN PREMIUMS (in millions of EUR)	2005	2006	Variation
TOTAL PREMIUMS (BY TYPE)	**3,635**	**3,774**	**+3.8%**
Nonlife	**415**	**426**	**+2.8%**
Life	**3,221**	**3,347**	**+3.9%**
Branch 21 (classical life included)	*2,485*	*2,915*	*+17.3%*
Branch 23 (unit-linked contracts)	*646*	*332*	*-48.6%*
Branch 26 (guaranteed/public sector)	*90*	*101*	*+12.3%*
TOTAL PREMIUMS (BY BUSINESS LINE)	**3,635**	**3,774**	**+3.8%**
Public/Project Finance (PPF)	625	621	-0.5%
Personal Financial Services (PFS)	2,595	2,403	-7.4%
Insurance Services	415	750	+80.4%

Personal Financial Services, the leading collector of premiums in the Group, generated 64% of the total. Public/Project Finance and Credit Enhancement collected 16% of total premiums among the institutional clients, local authorities and other local public sector organizations. The remaining 20% came directly from the Insurance Services segment as it stands currently.
The commercial activity was essentially focused on life insurance premiums (up 3.9%), while nonlife premiums growth was more limited (+2.8%). Globally, Dexia produced more Branch 21 products premiums and less Branch 23 products (unit-linked contracts) premiums in 2006 compared to 2005. This trend has to be correlated to the active commercial campaigns realized throughout the year, the successful training programs conducted with the Dexia Bank Belgium agents and DEP very good performances.
Geographically, 61% of life insurance premiums have been collected in Belgium and 39% came essentially from France and Luxembourg. The percentage of premiums collected outside Belgium rose from 30% in 2005 to 39% in 2006, with volumes growing by more than 30% in one year. The progression was particularly strong in France, with the expansion of Dexia Epargne Pension (+64%).
The weight of Belgium in DIS life production generates a discrepancy when looking at both the premium and the revenue progression on 2005, because the Belgian business had to cope with the introduction of a new tax since January 1, 2006. For the same reason, the production in Personal Financial Services decreased by EUR 192 million compared to 2005, as clients anticipated the new 1.1% tax on insurance products, which has boosted the production in the fourth quarter of 2005. The commercial campaigns conducted at the end of 2006 were efficient but not sufficient to match the exceptional level of production of Q4 2005. The expansion of the nonlife production was mitigated by the sale of Flexia in the third quarter of 2006.

The premiums collected in Public/Project Finance remained stable compared to 2005. Consequently, it is in the Insurance Services segment itself that the increase in premiums was the highest (+80.4% or EUR 335 million). This is attributable to the peaking production of DEP thanks to its very successful partnership strategy.
In 2006, DIS generated EUR 394 million of total revenues, up 3.8% on 2005 despite the negative impact of the introduction of the new 1.1% on life insurances in Belgium which caused revenues to come down 4 percentage points (as the entry fees were lowered in addition to the incentives offered during commercial campaigns). Those revenues were further impacted by several factors in opposite directions of which:

- the strong outstanding increase of Branch 21 products and the favorable effects of customers' appetite for some products (e.g. Safe Invest Bonus);
- the positive influence of low nonlife claims;
- lower commission income on Branch 23 products as the outstanding amounts decreased in 2006;
- higher technical provisions in order to cover and guarantee the reserves dedicated to the discretionary participation features of the contracts, so as to be in line with competition – this last item explains the steep reduction of the income in the fourth quarter of 2006.

The increase of the costs reflects both higher staff numbers in the French operations, linked to the strong business developments made within Dexia Epargne Pension, and the various investment projects conducted through Dexia Insurance Belgium, notably a new IT platform in the nonlife activity. Taxes decreased in 2006 (EUR -11 million) partially due to the lower effective tax rate.
The net income – Group share reached EUR 142 million, a satisfying 10.3% progression in one year.

UNDERLYING RESULTS OF DEXIA INSURANCE SERVICES (in millions of EUR)	2005	2006	Variation
Revenues	379	394	+3.8%
Costs	(220)	(233)	+5.5%
Taxes and other	(31)	(20)	-35.3%
NET INCOME – GROUP SHARE	**128**	**142**	**+10.3%**

INVESTOR SERVICES

RBC Dexia Investor Services offers its expertise in global custody, fund and pension administration and shareholder services to institutions around the world. Established in January 2006, RBC Dexia Investor Services is a joint venture equally owned by Royal Bank of Canada and Dexia. The company ranks among the world's top 10 global custodians, with USD 2.3 trillion in client assets under administration. As a top-ten global custodian, RBC Dexia Investor Services has the capacity to service larger and multi-jurisdictional mandates. This scale offers a strong potential for efficiencies in subcustody networks, vendor management, IT, product development and operations.

RBC Dexia Investor Services has a deep rooted experience in institutional financial services. The company offers products and technology that meet clients' present and future needs in 14 global markets supported by a worldwide network of offices in 15 countries on four continents. Rated Aa3 (Moody's) and AA- (S&P), it has unparalleled European transfer agency capabilities and top ratings for clients services in industry client satisfaction surveys.

RBC Dexia Investor Services provides clients an extensive range of solutions including: global custody, fund and pension administration, shareholder services, distribution support, reconciliation services, transition management, investment analytics, compliance monitoring and reporting, securities lending and borrowing, treasury services and commission recapture.

RBC Dexia's strategy for the first 12 months of its joint venture was characterized by two dominant themes: 'Integration' and 'Growth'. The integration of the two companies has gone exceedingly well. The expanded range of products and services resulting from the joint venture continues to provide clients with new and innovative benefits. RBC Dexia is proud of the overwhelming client commitment demonstrated in year one.

ACTIVITY

RBC Dexia Investor Services's commitment to quality and consistency of service has generated numerous awards. In 2006, the company was named #1 global custodian in the World by Global Investor magazine for the third consecutive year, and #1 global custodian in the World for the second consecutive year by R&M Consultants. RBC Dexia was also awarded "Transfer Agent of the Year" and "Client Relationship Manager of the Year" at the ICFA European Awards. In terms of growth, new clients around the world such as Manulife Financial in Canada, and Great West Life in the UK, Ireland, Canada and Isle of Man have demonstrated their confidence in the unique brand of value created by the company.

Total assets under administration amounted to USD 2,290 billion as of December 31, 2006, a 27.5% increase over the previous year. This robust growth comes from both the appreciation of stock indices and strong growth from existing and new clients.

For the transfer agency, the number of shareholder accounts rose by 10.4% over the year due to both the wider range of products offered since the joint venture and also to the strong commercial activity. RBC Dexia has been selected by many large institutions to provide fund administration services, including Manulife Financial Corporation in Canada for its CAD 26 billion portfolio of funds.

The number of funds under administration has grown by 20.0% since the inception of the joint venture, due to strong commercial activity and new funds contributed by existing clients. For example, RBC Dexia's commitment to service excellence, led Goldman Sachs JBWere to choose the new company as fund administrator and transfer agent for its AUD 8 billion portfolio of funds in Australia.

INVESTOR SERVICES (1)	2005	2006	Variation
Assets under administration (2) (in billions of USD)	1,796	2,290	+27.5%
Number of funds under administration	3,898	4,679	+20.0%
Number of shareholder accounts in transfer agent (in thousands)	5,783	6,385	+10.4%

(1) Activity statistics of the joint venture RBC Dexia Investor Services which is effective since January 1, 2006. The 2005 figures are pro forma.
(2) i.e. assets under custody, administration and transfer agent.

UNDERLYING (1) RESULTS

For its full first year of existence, RBC Dexia recorded a very promising start. The **net income – Group share** reached EUR 81 million, up 51.4% or EUR 28 million over the 2005 pro forma results (the currency impact is not significant).
Total income was up 18.9%, to EUR 371 million despite a rather competitive environment. Those good results stem from the strong organic growth of the second and the third quarters and from the very dynamic commercial activity.
Costs were up 8.4% for the full year, a level much lower than the income growth rate and thus quite satisfactory, bearing in mind that investor services are staff and IT intensive activities.

(1) As described on page 70.

In particular, the winning of a large mandate in Australia has led to the setting up of the desirable infrastructure – hence expenditures without corresponding revenues for the time being. Moreover, the exceptionally good commercial performance coming so early has led to awarding well-deserved bonuses to the teams. The **cost-income ratio** thus improved, from 73.7% in 2005 to 67.2% in 2006, with income growing more than twice faster than costs, an achievement which exceeds the stated mid-term objective.
The **return on economic equity (ROEE)** also experienced a good progression, to a high 108.0% from 97.1% one year before, bearing in mind that this business is much less capital intensive than other financial services generally.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2005 (1)	2006	Variation
Income	**312**	**371**	**+18.9%**
of which net commissions	*223*	*245*	*+9.7%*
Costs	**(230)**	**(249)**	**+8.4%**
Gross operating income	**82**	**121**	**+48.3%**
Cost of risk	0	0	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(28)	(38)	+38.8%
Net income	**54**	**83**	**+52.8%**
Minority interests	1	3	x2.2
Net income – Group share	**53**	**81**	**+51.4%**
Cost-income ratio	73.7%	67.2%	
ROEE (2)	97.1%	108.0%	
Total allocated equity (average)	55	75	

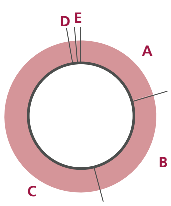
(1) Pro forma.
(2) Return on economic equity (net income – Group share/allocated equity – Group share).

TREASURY AND FINANCIAL MARKETS (TFM)

2006 was the first year of TFM's new organization, set on three business pillars:
• Fixed Income which is involved in all credit spread activities;
• Market Engineering and Trading which regroup all competences in the sectors of interest rates, forex and equities;
• Group Treasury which is in charge of the financial management of Dexia balance sheet.
This new organization aims at increasing the number of financial market products offered to the different customers of Dexia (public finance, retail and private banking), develop TFM's own clientele and manage Dexia Group and the entities balance sheets. Of note, Dexia Capital Markets has been rewarded for its efficiency in 2006 and has been designated as "best lead manager of regional/ municipal bonds" by its peers, in the *EuroWeek* magazine of January 2007. This award is good recognition of the increasing position of Dexia on intermediation's field, the quality of its products and the involved teams in TFM and PPF.
A new long-term strategy for TFM (TFM+) was launched with a view to increasing the contribution of this activity in Dexia revenue stream. TFM+ aims at using all of Dexia's strengths: its very good knowledge of certain asset classes, its origination capacity, and its know-how in balance sheet management. For this purpose, the IT system in all dealing rooms is in the process of being harmonized, allowing a better front-to-back approach and more integrated transactions.

ACTIVITY

Following the high level reached in 2006, Group Treasury activities were again very buoyant in 2006, supporting the growth of the Group's balance sheet. The long-term bonds issued represented a total of EUR 29.9 billion for the full year 2006 (against EUR 29.7 billion in 2005). EUR 18.6 billion bear the AAA signature of Dexia Municipal Agency (DMA) or Dexia Kommunalbank Deutschland. The private placements represented 50% of the total issuance volumes in 2006, of which 70% through the AAA issuers, despite a rather difficult market environment in the fourth quarter for the AA issuers. The public placement activity remained important in 2006, with almost 28% of the total issuances of the Group. In this area, DMA made a warmly welcomed comeback on USD transactions by top quality investors, leading to a second issue which was largely oversubscribed. The retail-oriented bond activity accounts for nearly 20% of the total issuances of the Group,

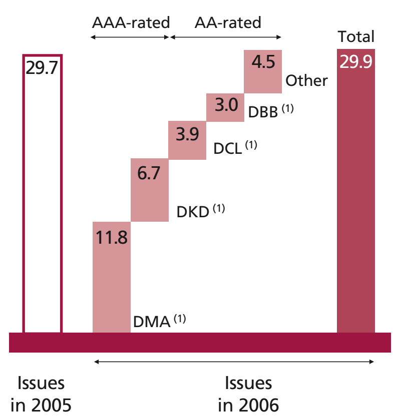


CREDIT SPREAD PORTFOLIO QUALITY (AS OF DECEMBER 31, 2006)

OUTSTANDING AMOUNT:
EUR 70.4 BILLION

A	A	20.6%
B	AA	26.0%
C	AAA	52.1%
D	BBB	1.2%
E	NON-INVESTMENT GRADE	0.1%

LONG-TERM ISSUES
(IN BILLIONS OF EUR)



(1) DMA: Dexia Municipal Agency; DKD: Dexia Kommunalbank Deutschland; DCL: Dexia Crédit Local; DBB: Dexia Bank Belgium.

of which Dexia Crediop represented more than 50% in a context marked with a new law relating to savings, imposing to provide a detailed prospectus for bank issues. The average cost of the long-term issuances in 2006 has decreased, around two basis points lower than in 2005, thanks to the good performance of the AAA Dexia issuers.

Regarding the cash & liquidity management activity – whose first objective it is to meet the Group short-term financing need through different instruments such as commercial paper, certificates of deposit, the inter-bank market... – 2006 was a good year, with volumes exceeding the 2005 heights. Short-term issuances decreased due to a lesser appetite from investors, while on the contrary, central bank deposits increased by more than 50% and the interbank activity was 28% up between June 2006 and December 2006.

The Fixed Income business encompasses mainly the Credit Spread Portfolio (CSP) activity, which benefited from very good market opportunities in 2006. The new investments represented EUR 21.7 billion, close to the 2005 record level. In 2006, investments were concentrated on sectors which are future Basel II winners such as covered bonds, AMS/MBS or Negative Basis Trades. The investment portfolio increased from EUR 62.9 billion at the end of 2005 to EUR 74.0 billion at the end of December 2006. About 99% of the portfolio is rated investment grade and 75% is rated AA- or better. In the CSP, the investment lines are essentially classified in the available-for-sale (93%) and hold-to-maturity (1%) categories, the remaining portion is classified in trading. Regarding the securitization activity in Europe, where Dexia acts as an advisor, arranger and/or underwriter, the business performed very well with 24 underwritings in 2006 compared to 16 in 2005. Dexia closed the first ever public securitization transaction of wrapped infrastructure bonds in 2006 (the "WISE" transaction) for an amount of EUR 2.2 billion; a transaction using the expertise of Dexia in the Public Finance sphere and in the financial markets. This transaction will allow reducing the amount of regulatory capital and allow Dexia to further enhance its leading position in financing the PFI/PPP and infrastructure sectors. In the United States, the securitization activities consist essentially in originating commercial mortgage loans before securitizing them. The production reached EUR 2 billion with 8 transactions, with attractive returns.

The Market Engineering and Trading regroups notably teams focusing on the supply of structured products to Personal Financial Services clients, institutional clients and public sector clients. Those activities were particularly successful in 2006. In Belgium, the appetite for structured Eurobonds was high, resulting in significant volumes. The structuring desk registered a record in terms of production volume focused on debt restructuring in France, in Germany and in the United Kingdom. Market Engineering and Trading also includes the Equities desks in Paris and Brussels and the Foreign Exchange activity line which support and work with the other business lines and the different entities of the Group.

Finally, it should be reminded that TFM is not only a strong revenue generator on its own, but also an important support unit for the other business lines and for the Group as a whole regarding balance-sheet management. As such, the amount of indirect revenues stemming from this close cooperation which are booked in the other business lines is estimated at EUR 469 million for 2006 (against EUR 359 million in 2005).

UNDERLYING [(1)] RESULTS

Treasury and Financial Markets (TFM) had once again a very good year in 2006. The **net income – Group share** reached EUR 308 million, up 11.2% on 2005, which was a record year. Fixed Income activities (of which mainly the Credit Spread Portfolio) was the main contributor to TFM's net income (73%), the balance being equally split between Market Engineering and Trading (MET) (13%) and Treasury (14%).

Total income for the full year 2006 amounted to EUR 561 million, up 11.5%. This very good progression stems mainly from the MET segment, with a EUR +54 million growth as compared to 2005. The Public Finance Market Engineering, the Personal Financial Services Engineering (PFSE), Foreign Exchange and Equities activities performed particularly well. Of note, a part of this income growth has to be analyzed in parallel with the increase of the tax expense, as explained below. The Fixed Income segment contributed for EUR +22 million with notably Credit Spread Portfolio achieving a very successful year. Finally, the Treasury segment experienced a negative contribution due to the interest rates movement during the year 2006.

Costs remained unchanged compared to 2005 to EUR 176 million. This very good achievement is related to the equity-brokerage activities in France, which were restructured in 2005, bringing down the cost base in 2006. It is worth mentioning that this activity came back to profitability in 2006. Without this effect, the costs would have increased slightly due to some IT expenses and recruitments. Thus, the underlying **cost-income ratio** decreased from 34.8% in 2005 to 31.5% in 2006.

(1) As described on page 70.

As a consequence, the **gross operating income** amounted to EUR 384 million, a very robust increase by 17.3%. Of note, the quarter-on-quarter trend is also very good with a 19.5% increase.

Cost of risk remained at a historic low level close to zero.

Tax expense amounted to EUR 71 million for the full year 2006, up 53.6% in one year. The rise is more than half explained by the increase of gross operating income, and for the largest remaining part by MET's arbitrage strategies. To recall, those strategies embed cash and derivative instruments whose value changes can cause simultaneously revenue and tax increases if they go in one direction, or revenue and tax reductions if they go in the opposite direction. The impacts in 2006 were a EUR 11 million tax progression linked to a EUR 17 million revenue increase within the Equities and PFSE activities.

The **return on economic equity (ROEE)** declined slightly to stand at the satisfactory level of 22.0%.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2005 [(1)]	2006	Variation
Income	**503**	**561**	**+11.5%**
of which net commissions	*16*	*20*	*+22.0%*
Costs	**(175)**	**(176)**	**+0.7%**
Gross operating income	**328**	**384**	**+17.3%**
Cost of risk	1	0	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(47)	(71)	+53.6%
Net income	**282**	**313**	**+10.9%**
Minority interests	5	5	-7.6%
Net income – Group share	**277**	**308**	**+11.2%**
Cost-income ratio	34.8%	31.5%	
ROEE [(2)]	25.8%	22.0%	
Total allocated equity (average)	1,090	1,416	

(1) Pro forma.
(2) Return on economic equity (net income – Group sahre/allocated equity – Group share).

GENERAL INFORMATION

1. AUTHORIZED CAPITAL (ARTICLE 608 OF THE COMPANY CODE)

The authorized capital was renewed by resolution of the Extraordinary Shareholders' Meeting held on May 10, 2006 for a further period of five years and up to a maximum EUR 4,887,500,000 (excluding issue premium), a resolution which entered into force on June 2, 2006. Until that date, it was the authorization relating to authorized capital adopted by resolution of the Extraordinary Shareholders' Meeting held on June 6, 2001 which was in force. During the 2006 financial year, the Board of Directors made use of the authorized capital on three occasions, the first two under the authorization of June 6, 2001 and the third under the authorization of May 10, 2006:

- at its meeting on May 23, 2006, the Board of Directors decided to issue a maximum 10,500,000 warrants within the context of the 2006 Dexia stock option plan ("ESOP 2006"), with a withdrawal of the shareholders' preferential subscription right in favor of Group members of staff who are beneficiaries of that plan. Of the maximum 10,500,000 warrants, 9,995,225 warrants were effectively issued;
- at its meeting on May 23, 2006, the Board of Directors decided to issue a maximum 16,000,000 new shares, with a withdrawal of the shareholders' preferential subscription right in favor of Group members of staff. Of the maximum 16,000,000 shares, 8,265,504 shares were finally issued;
- at its meeting on July 6, 2006, the Board of Directors decided to increase the capital of the Company by issuing a maximum of 80,000,000 new shares, on the condition and to the extent of the effective subscription of the new shares issued and withdrawal of the shareholders' preferential subscription right, within the context of an accelerated book build transaction. The capital increase was observed on September 11, 2006. Out of the maximum 80,000,000 shares, a total of 62,176,166 new shares were created. Taking account of an accounting par of EUR 4.50 per share, the available balance of authorized capital was taken to EUR 4,607,707,253.00 at the close of this transaction. This was the only transaction carried out in 2006 under the new authorization relating to authorized capital adopted by the aforementioned Extraordinary Shareholders' Meeting held on May 10, 2006.

Details of the conditions and consequences of these issues is included in the special reports of the Board of Directors of Dexia, copies of which are available on the Dexia Internet site under the heading "Legal Information".

2. ACQUISITION OF TREASURY SHARES (ARTICLE 624 OF THE COMPANY CODE)

REASON FOR ACQUISITIONS

Acquisitions of treasury shares by the company during the 2006 financial year arise essentially from an asset and financial management policy, including the optimization of equity funding.

SUMMARY OF TRANSACTIONS OF TREASURY SHARES

Period from December 31, 2005 to December 31, 2006	Number of shares in circulation (subscribed capital)	Treasury shares (Dexia SA and direct subsidiaries): Number of shares	Accounting par (EUR) as of Dec. 31, 2006	Average exchange value per share (EUR)	% in capital as of Dec. 31, 2005	% in capital as of Dec. 31, 2006
Situation at start of period	**1,107,469,030**	**20,546,944**	**4.50**	**18.198**	**1.86%**	
Acquisitions of the period		+2,369,120	4.50	21.106	+0.21%	
Cancellations for the period	-22,096,720	-22,096,720	4.50	18.756	-2.00%	
Transfers over the period		-340,004	4.50	12.680	-0.03%	
Issues over the period	+77,812,015					
Situation at end of period	**1,163,184,325**	**479,340**	**4.50**	**10.759**	**0.04%**	**0.04%**

In accordance with the procedure set out by the Company, the Extraordinary Shareholders' Meeting of Dexia SA held on May 10, 2006 decided to cancel 22,096,720 treasury shares held by the Company. The cancellation of these shares takes place without any reduction of the Company's share capital, which involves an increase in the accounting par of the remaining shares. After this cancellation, the Company made no more repurchases of treasury shares in 2006. The balance of the portfolio of treasury shares indicated in the table on the previous page corresponds to the number of Dexia shares still held by Dexia Crédit Local (direct subsidiary of Dexia SA within the meaning of Article 627 § 1 of the Company Code) as of December 31, 2006, within the context of a stock option plan put in place by that subsidiary. The movements indicated under the heading "Transfers over the period" in the table on the previous page result from the exercise of those options.

3. OVERVIEW OF THE DIRECT HOLDINGS OF DEXIA SA AS OF DECEMBER 31, 2006

The 13 direct holdings of Dexia SA as of December 31, 2006 are as follows:
- 100% in Dexia Bank SA (Belgium);
- 100% in Dexia Crédit Local SA (France);
- 57.66% in Dexia Banque Internationale à Luxembourg SA (Luxembourg);
- 100% in Dexia Management Services Ltd (United Kingdom);
- 99.99% in Dexia Employee Benefits SA (Belgium);
- 99.99% in Dexia Participations Luxembourg SA (Luxembourg), which holds 42.26 % of Dexia Banque Internationale à Luxembourg SA;
- 100% in Dexia Habitat SA (France);
- 10% in Dexia Holding Inc., a parent company of Financial Security Assurance Holdings Ltd (United States);
- 8.42% in Dexia Financière SA (Belgium);
- 100% in Dexia Nederland Holding NV (Pays-Bas);
- 100% in Dexia Funding Luxembourg SA (Luxembourg);
- 95% in Dexia Participation Belgique SA;
- 99.5% in Associated Dexia Technology Services SA (Luxembourg).

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

4. LITIGATIONS

4.1. DEXIA BANK NEDERLAND

Background

—

The difficulties linked to the share-leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NV; herein-after to be referred to as "DBnl") appeared at the time of the fast and severe fall of the Amsterdam stock market in late 2001. The value of the securities used as collateral against the loans granted by DBnl proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.

Reference is made to the detailed disclosures, as contained in the Dexia Accounts and Reports 2005 (especially pages 86 to 88) and in the Activity Reports published during the year 2006.

"Binding force" to the Duisenberg Arrangement

—

On April 29, 2005, the announcement was made that the mediation undertaken by Mr Wim Duisenberg had been successful. DBnl entered into a general settlement with the Foundations Leaseverlies and Eegalease, the Consumentenbond (Dutch Consumer's Association) and the Vereniging van Effectenbezitters (Dutch association of security holders), hereinafter to be referred to as "the Interest Groups".

After a positive response by an overwhelming majority of the share-leasing contract holders who joined the foundations Leaseverlies (82% of those replying) and Eegalease (78% of those replying), the settlement agreement between DBnl and the Interest Groups was signed on June 23, 2005. As a result of this Duisenberg Arrangement, the collective proceedings that had been filed by the Interest Groups against DBnl have been set aside.

DBnl has made it clear to all parties concerned that its willingness to enter into the Duisenberg Arrangement entails no admission of responsibility.

DBnl's costs and provisions arising from the Duisenberg Arrangement have been recalculated each quarter on the basis of prevailing market data and client conduct.

The Duisenberg Arrangement has been effective since October 2005. Its conditions as well as other information regarding this Arrangement may be found at *www.dexialease.nl*.

On December 31, 2006, more than 62,000 clients holding more than 105,000 contracts have accepted settlements based on the Duisenberg Arrangement. This figure does not include the approximately 200,000 contracts of clients which had already ended in another settlement, including a waiver, and of which some also potentially benefit from the Duisenberg Arrangement.

On November 18, 2005, DBnl and the Interest Groups have filed their joint petition to the Amsterdam Court of Appeal to grant binding force to the Duisenberg Arrangement, based on the newly introduced "Law on Collective Settlement of Mass-Damage".

In May 2006, the Amsterdam Court of Appeal held four days of public hearing in respect of this joint petition of DBnl and the Interest Groups to grant binding force to the Duisenberg Arrangement. Over 60 other interest groups and individual clients had put up a defence. On June 20, 2006 this court has rendered an intermediate decision, including an assignment to the Autoriteit Financiële Markten (AFM) – the Dutch regulator of the financial markets – to report on the issue whether DBnl has actually bought and held the shares necessary in respect of the share-leasing contracts. On November 9, 2006, AFM has issued the final report that was favorable for the position of DBnl. The Amsterdam Court of Appeal has rendered the definitive decision on January 25, 2007, granting binding force to the Duisenberg Arrangement, which means

that all relevant clients in respect of the Arrangement who will not "opt-out" within six months, will be bound automatically to the Arrangement. After mandatory advertisements were placed in national newspapers on January 31, 2007, the opt-out period has started on February 1, 2007, until and including July 31, 2007.
The court cases that have been suspended during this trial, will be resumed now, but only in case the plaintiffs will file an "opt-out".

Litigations in general

—

A number of disputes have arisen between Bank Labouchere and its clients with respect to share-leasing products. Dexia has reported on this matter in its earlier annual reports and quarterly activity reports.
As a successor to Bank Labouchere, DBnl is still faced with claims which are mainly based on alleged misleading information/error with respect to the share-leasing products; failure to ascertain whether the share-leasing product is suitable for a client in view of his investment experience and objectives and his financial situation ("duty of care"); failure to obtain the consent of the spouse of the client; false and misleading (oral) statements by intermediaries; cold calling; door-to-door sales; waivers related to the Dexia Offer not being binding; and violations of the Netherlands Consumer Credit Act.
The disputes are either with individual parties or collective foundations (Stichting Leaseleed). They are presented to different types of courts or arbitrators, mainly the sub-district and district courts, courts of appeal, the Dutch Securities Institute (DSI) and the Disputes Committee for the Banking Industry.
Over 100 clients have issued a complaint to the so-called Disputes Committee Duisenberg (Geschillencommissie Duisenberg). However, until now only a insignificant number of those complaints have resulted in an adjudication.
In past reports and press releases, Dexia has informed the public about significant evolutions. This information is applicable on the Dexia website at *www.dexia.com*.
On December 31, 2006, DBnl has been summoned in civil courts by clients having 13,976 contracts representing 4% of the contracts with realized or potential losses, a large majority of those in collective proceedings. In 39 of those cases some 1,700 clients are represented by Leaseproces BV, a profit-driven organization recruiting clients with a rather aggressive "no cure, no pay" offer. Approximately 22,000 clients summonned DBnl by means of Leaseproces BV without starting proceedings yet.

Dutch Securities Institute (DSI)

—

In total, approximately 2,500 clients filed complaints at the Grievance Committee DSI. According to the latest estimations of DBnl, the complaints of at least 2,100 clients will not be admitted because of the statute of limitation. The remaining number of, at maximum, 400 cases has been postponed. It is expected that these will not be heard before a number of months after the decision of the Amsterdam Court of Appeal of January 25, 2007 to grant binding force to the Duisenberg Arrangement.
At the end of 2006, no DBnl cases were under consideration of the Appeals Committee of DSI.

Depot Lease

—

The Duisenberg Arrangement is not applicable to a specific group of originally approximately 5,500 clients who have entered into share-leasing agreements in connection with securities deposit ("Depot Lease"). In April 2005, DBnl introduced for the Depot Lease clients a separate solution for the Depot Lease clients which has been accepted by more than 50% of the clients. However, nearly 700 clients with Depot Lease challenge the legality of this combination of products in court, among which some 390 clients united by the Stichting Leaseleed in a collective complaint.

Assessment

—

The purpose of the table on the next page is to give an update of the status of the portfolio, and to enable the readers to assess the risks linked to possible credit defaults, and outstanding and potential future litigations.

PORTFOLIO AS OF DECEMBER 31, 2006 (in millions of EUR, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL OUTSTANDING PORTFOLIO	**133,976**	**843.3**	**882.5**	**+39.1**
- Contracts with sufficient collateral	60,407	295.6	441.5	+145.9
of which:				
- Contracts with redemption or guaranteed capital	52,713	239.3	381.4	+142.1
- Contracts without redemption or guaranteed capital	7,694	56.2	60.1	+3.9
of which:				
- Accepted an agreement (1) (and signed a waiver)	4,822	34.1	36.3	+2.2
- Not accepted an agreement	2,872	22.1	23.8	+1.7
- Contracts with insufficient collateral	73,569	547.8	441.0	-106.8
of which:				
- Contracts with redemption or guaranteed capital	5,532	39.6	36.4	-3.2
- Contracts without redemption or guaranteed capital	68,037	508.1	404.6	-103.6
of which:				
- Accepted an agreement (1) (and signed a waiver)	41,697	305.8	243.6	-62.2
- Not accepted an agreement	26,340	202.3	160.9	-41.4

(1) Either the Dexia Offer, the Duisenberg arrangement or another kind of settlement.

4.2. LERNOUT & HAUSPIE

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof. Initially, plaintiffs acted in all US proceedings both against Dexia SA and Dexia Bank Belgium. Meanwhile, in all US proceedings a notice of dismissal without prejudice has been filed as far as Dexia SA is concerned. Consequently, the pending proceedings now only involve Dexia Bank Belgium. In the course of 2006 no new proceedings have been initiated, either against Dexia Bank Belgium (Dexia Bank) or Dexia SA.

4.2.1. Claim on Lernout & Hauspie Speech Products

—

Dexia Bank has a claim chargeable to the bankruptcy of LHSP for a principal sum of some EUR 30 million for which an impairment has been recorded for some EUR 25 million.
The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States.
Dexia Bank was claiming a pledge on the business assets of LHSP. In a ruling dated April 10, 2006, the Court of Appeal in Ghent refused to acknowledge this pledge. Dexia Bank renounced to lodge an appeal with the Supreme Court. This means that Dexia Bank is now, as an unsecured creditor, unlikely to receive any dividend from the Belgian liquidation of LHSP.

4.2.2. Claim on Lernout & Hauspie Investment Company

—

As of December 31, 2006, Dexia Bank has a claim on Lernout & Hauspie Investment Company (LHIC) for an amount of some EUR 62 million for which an impairment has been recorded for some EUR 57 million.
As part of the security for its claim, Dexia Bank has a pledge on a portfolio of securities owned by LHIC.

4.2.3. Indictment of Dexia Bank in Belgium in the criminal investigation against the LHSP directors

—

On June 24, 2003, Dexia Bank announced that it had been indicted in the criminal investigation relating to LHSP. The indictment of Dexia Bank concerns offences allegedly committed between July 2, 1999 and September 1, 2000 by Artesia Banking Corporation.
The investigation is now officially closed and the prosecutor has sent a "draft writ of summons" to the parties that are likely to be prosecuted, including Dexia Bank. According to the draft, Dexia Bank will be prosecuted for various offences, among which forgery in the annual financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and market manipulation (*koersmanipulatie/manipulation de cours*). The draft, which is subject to changes, alleges in substance that Artesia Banking Corporation has aided and abetted LHSP in the creation of fictitious revenue, by granting a USD 20 million loan to Messrs. Lernout, Hauspie and Willaert, whilst Artesia BC allegedly knew that the management of LHSP would utilize these funds for improper revenue recognition.

Dexia Bank considers having serious grounds for contesting these charges.

Several parties have introduced a claim for damages in the criminal proceedings. The largest civil party is Deminor, representing – according to its website – 11,000 shareholders of LHSP, with an aggregate amount of alleged damages of approximately USD 200 million in principal. There are about 400 other individuals that have reported themselves as civil parties. It is likely that not all of the potential applicants have already introduced their claim; those who have done so, have in most cases not yet stated and or provided evidence of the alleged losses.

It should be added that in January 2003, Dexia Bank has itself lodged a complaint with the examining magistrate against persons unknown, claiming compensation.

As yet it is very difficult to give an opinion on the likely outcome of the proceedings or on the level of the financial risk which Dexia Bank would face, if the charges brought against it were upheld. Dexia Bank underlines its innocence in this matter and contests the charges brought against it.

4.2.4. Civil proceedings against Dexia Bank in Belgium

—

4.2.4.1. LHSP receivers' claim

In July 2005, the receivers of LHSP filed an action against twenty-one parties, including Dexia Bank, for an indemnity against the net liabilities of LHSP in bankruptcy. According to the receivers' provisional assessment of the claim, the claim would amount to approximately EUR 439 million. This claim is not likely to have any development until after the end of the criminal proceedings because of the principle "*le criminel tient le civil en état*".

4.2.4.2. Claim by individuals

Certain civil claims have been filed by groups of investors in LHSP shares against various parties, including Dexia Bank. The main claim was filed by Deminor on behalf of 4,941 investors. The claimants seek damages for their losses, which have not been assessed yet. These claims, to a large extent duplicative of the claims introduced in the criminal proceedings, are not likely to have any development until after the end of the criminal proceedings because of the principle "*le criminel tient le civil en état*".

4.2.5. Civil proceedings against Dexia Bank in the United States

—

4.2.5.1. LHSP Litigation Trustee's claim

In 2005 the Litigation Trustee for the LHSP Litigation Trust filed an action against Dexia Bank. The Litigation Trustee seeks to recover damages from Dexia Bank for entering into loan transactions, which he claims amount to aiding and abetting breaches of fiduciary duty by the LHSP Management. He also seeks to disallow or subordinate Dexia's claims in the US bankruptcy proceedings. This action is, essentially, a duplication of the above-mentioned LHSP receivers' claim.

4.2.5.2. Claims by investors

Following the announcement of Dexia Bank's indictment in Belgium, several civil claims were introduced in the United States against Dexia SA and Dexia Bank arguing that Dexia Bank is liable for the losses suffered by LHSP shareholders. Dexia Bank disputes the merits of all of these claims.

a. Class actions

Two class actions have been brought on behalf of investors in LHSP shares against Dexia Bank and a host of other parties named in prior litigation, including the principals of LHSP.

• *NASDAQ class action*

The first class action was served on Dexia Bank in February and March 2004 in the name of three individuals acting for themselves as well as on behalf of a class of purchasers of LHSP shares on the NASDAQ stock market between August 19, 1998 and November 8, 2000.

Although Dexia Bank is of the opinion that none of the claims of the plaintiffs is well-founded, Dexia Bank has, in view of the large costs of defence and the uncertainty about the outcome of the proceedings, decided to conclude a settlement agreement with the NASDAQ class plaintiffs. To this end, a memorandum of settlement has been concluded on February 9, 2007, which in its principal terms provides for the payment by Dexia Bank of an amount of USD 60 million in exchange for an unconditional release of all claims against Dexia SA and Dexia Bank and any of their past or present affiliates, officers and employees, relating to purchases or sales of LHSP common shares on the NASDAQ Stock Market during the period from August 19, 1998 through and including November 8, 2000 (the "class period") or to purchases of call options to acquire LHSP common shares or sales of put options related to LHSP common shares on any United States-based options exchange during the class period by all investors who will participate in and/or be bound by the settlement agreement, without any recognition on behalf of Dexia SA or Dexia Bank of any wrongdoing or liability. This settlement is still subject to court approval.

• *EASDAQ class action*

In October 2005, a second class action was filed against Dexia Bank on behalf of a class of purchasers of LHSP shares on the EASDAQ stock market between April 28, 1998 and November 8, 2000.

On February 12, 2007, the District court of Massachusetts found that the US courts were not the appropriate forum to litigate this action and consequently dismissed the claim. The EASDAQ plaintiffs have thirty days from the date of the decision to lodge an appeal.

b. Transactional proceedings

Three separate claims for damages have been filed against Dexia Bank by US shareholders that had acquired LHSP shares through major corporate transactions. One claim was filed by Stonington, the former owner of Dictaphone, a US company acquired by LHSP in May 2000 in exchange for LHSP shares valued at the time at USD 490 million. The two other claims were filed by James and Janet Baker, who had received in the spring of 2000 LHSP shares valued at that time at approximately USD 220 million in exchange for their shares in Dragon Systems, and by TRA/Filler Trust, which represents the interests of another former shareholder of Dragon Systems, who has received LHSP shares valued at the time at approximately USD 170 million. The writs of summons for these claims do not mention the amounts claimed by the plaintiffs, as all of them have reserved the right to produce evidence of the extent of the alleged losses at a later date. TRA/Filler Trust has however specified that the extent of its losses total at least some USD 150 million.

In February 2007, the dispute with Stonington was brought to a final end through the conclusion of a settlement agreement. On December 31, 2006, the cases against James and Janet Baker and TRA/Filler Trust were still in the discovery phase (request for production of documents and deposition by parties of witnesses).

4.2.6. L&H Holding

—

On April 27, 2004, the bankruptcy receiver of L&H Holding summoned Messrs. Lernout, Hauspie and Willaert, along with Banque Artesia Nederland (BAN) and Dexia Bank, to pay the principal amount of USD 25 million.

This is connected with a USD 25 million loan granted to Mr. Bastiaens by BAN in July 2000 for the purposes of the acquisition by Mr. Bastiaens of LHSP shares owned by L&H holding. The former Artesia Bank issued a bank guarantee in favor of BAN for an amount of USD 10 million. The selling price of USD 25 million was credited to three personal accounts opened with BAN by Messrs. Lernout, Hauspie and Willaert. Taking the view that this money was due to L&H Holding, the L&H Holding bankruptcy receiver is claiming its repayment.

Dexia Bank vigorously contests the grounds for these applications.

4.2.7. Banque Artesia Nederland

—

In October 2006, Dexia Bank sold its affiliated company Banque Artesia Nederland (BAN). In the context of this operation, it has been agreed, in essence, that Dexia Bank will bear the financial consequences of the LHSP matter for BAN, capped at an amount equal to the price paid by the purchaser.

Most of the pending procedures relate to the loan granted by BAN to Mr. Bastiaens (see paragraph 4.2.6., above). They include the claim introduced by the receiver of L&H Holding both in the criminal investigation relating to LHSP (in the form of a *burgerlijke partijstelling/constitution de partie civile*) and before the civil court (see paragraph 4.2.6., above).

In addition, BAN is involved in a number of procedures pertaining to Parvest shares acquired by Messrs. Lernout, Hauspie and Willaert with the proceeds of the sale of the LHSP shares to Mr. Bastiaens. The investigating magistrate in the Belgium criminal case, L&H Holding and KBC Bank have all made claims in relation to these shares and proceeded to their provisional attachment in the hands of BAN. In addition, the Luxembourg Court of Appeals has issued a decision on July 12, 2006 at the request of Crédit Agricole Indosuez Luxembourg (CAIL) by which BNP Paribas Luxembourg has been ordered to deliver the Parvest shares to CAIL by June 30, 2007 or to pay to CAIL the countervalue of these Parvest shares on June 30, 2007 if the latter have not been delivered to CAIL prior to July 1, 2007. The Luxembourg Court of Appeals has condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation. As a consequence, BAN is at risk to have to pay BNP Paribas Luxembourg the countervalue of the Parvest shares, if the provisional attachments on these Parvest shares are not lifted prior to June 30, 2007.

BAN has lodged an appeal against the decision of the court of appeals of Luxembourg before the supreme court (*cour de cassation*).

4.2.8. Provisions and impairments

—

On December 31, 2006, the exposure of Dexia Bank on the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 101 million (see paragraphs 4.2.1., 4.2.2. and 4.2.7.). On the same date impairments for the Lernout & Hauspie file have recorded for a total amount of some EUR 90 million. Dexia Bank expects to be able to recover the difference in view of the securities provided.

The relevant provisions have been charged to the 2006 financial statements in order to cover the residual risks linked to the US cases for which no settlement has been concluded, as well as for costs and legal fees related to the whole of the L&H procedures mentioned in paragraphs 4.2.1. to 4.2.6. above. Dexia strongly challenges the validity and the merits of all these claims.

Dexia does not disclose

- the amount of the provisions relating to the LHSP US legal proceedings for which as yet no settlement has been concluded; and
- the settlement amount reached with Stonington, mentioned below in paragraph 4.2.5.2.b. Dexia believes that to do so could seriously prejudice the outcome of the still pending LHSP legal proceedings.

4.3. INHERITANCE DUTIES

The enquiry opened by the judicial authorities on September 28, 1999 into Dexia Bank and a possible fraud involving inheritance duties seems to have ended. Four former executives were accused at the end of March 2004. However that accusation did not imply the guilt of the persons concerned, in whom Dexia maintains its confidence. Dexia Bank confirms that the necessary internal audit and IT procedures have enabled it to abide by the directives issued in this regard by the Banking, Finance and Insurance Commission. There was no fundamental development in this file during 2006.

4.4. FINANCIAL SECURITY ASSURANCE – SUBPOENA

In November 2006,

• Financial Security Assurance Holdings Ltd. (FSA) received a subpoena from the Antitrust Division of the US Department of Justice (DOJ) in connection with an ongoing criminal investigation of bid rigging of awards of municipal guaranteed investment contracts (GICs); and

• Financial Security Assurance Inc. received a subpoena from the US Securities and Exchange Commission (SEC) in connection with an ongoing civil investigation of brokers of municipal GICs.

FSA issues municipal GICs through its financial products segment, but does not serve as a GIC broker. FSA understands that approximately two dozen firms have received subpoenas in connection with these investigations. The subpoenas request that FSA furnish to the DOJ and SEC records and other information with respect to FSA's municipal GIC business. FSA intends to cooperate fully with both investigations.

5. AGENDAS OF THE SHAREHOLDERS' MEETINGS

The agendas for the Ordinary Shareholders' Meeting and the Extraordinary Shareholders' Meeting to be held on Wednesday May 9, 2007 in Brussels are available on the Dexia SA Internet site: *www.dexia.com*.

6. SHARE CAPITAL

6.1. EVOLUTION OF CAPITAL OVER THE 2006 FINANCIAL YEAR

The evolution of capital is presented below in chronological order.

6.1.1. May 10, 2006: modification to the representation of capital as a consequence of the cancellation and destruction of treasury shares

—

The Extraordinary Shareholders' Meeting of the company was held on May 10, 2006 to decide on the cancellation and destruction of 22,096,720 treasury shares without any reduction of capital, thus modifying the representation of capital of EUR 4,887,585,073.42 by reducing the total number of shares from 1,107,469,030 to 1,085,372,310 after cancellation.

6.1.2. June 30, 2006: capital increase – exercise of subscription rights ("F1996", "F1997", "A1999", "A2000", "ESOP 2000", "ESOP 2001" and "ESOP 2002")

—

A first capital increase by the issue of 227,281 new shares with VVPR strips was observed by notarized deed dated June 30, 2006 and results from the exercise of the following categories of subscription rights.

a) 13,000 subscription rights of the category of "F1996" warrants at a price of EUR 5.95 and 825 subscription rights of the category of "F1997" warrants at a price of EUR 8.10. These options were issued by the Board of Directors of Dexia SA on July 6, 2000, from authorized capital, in favor of certain Group members of staff (issue of 76,350 "F1996" warrants exercisable at a price of EUR 59.45 and 99,425 "F1997" warrants exercisable at a price of EUR 81 and 100,190 "F1998" warrants exercisable at a price of EUR 112.67); (1)

b) 26,060 subscription rights of the category "A1999" warrants were exercised at a price of EUR 13.81 and 26,430 subscription rights of the category "A2000" warrants were exercised at a price of EUR 15.17.

These options had been issued by the Board of Directors of Dexia SA on March 14, 2002, within the context of a public offer of exchange, with a view to allowing the holders of options on shares issued in 1999 and 2000 by Artesia Banking Corporation SA (which had merged in the meantime with Dexia Bank Belgium), to exchange the options allocated to them in 1999 and/or 2000 by Artesia Banking Corporation SA for subscription rights issued by Dexia SA and divided into categories ("A1999" warrants in exchange for options issued by Artesia Banking Corporation during the financial year 1999 and "A2000" warrants in exchange for options issued by Artesia Banking Corporation during the financial year 2000).

c) 45,000 subscription rights of the category "ESOP 2000" warrants were exercised at a price of EUR 14.58. These options had been issued by the Board of Directors of Dexia SA on May 30, 2000 within the context of the Dexia stock option plan for the year 2000 in favor of certain members of staff (executives and management) of the Group.

d) 57,000 subscription rights of the category "ESOP 2001" warrants were exercised by their beneficiaries at a price of EUR 17.86. These options were issued by the Board of Directors of Dexia SA on May 22, 2001 particularly in favor of certain member of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

e) 58,966 subscription rights of the category "ESOP 2002" warrants were exercised by their beneficiaries at a price of EUR 11.88. These options were issued by the Board of Directors of Dexia SA on May 23, 2002 particularly in favor of certain members of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

As a consequence of that exercise, the amount of capital of the company went from EUR 4,887,585,073.42 to EUR 4,888,607,837.92 represented by 1,085,599,591 shares.

(1) Number and strike before division by 10.

6.1.3. September 11, 2006: capital increase – accelerated book building

—

A capital increase carried out as part of an accelerated book building transaction and giving rise to the issue of 66,176,166 new shares subscribed at a price of EUR 19.30 was observed by notarized deed dated September 11, 2006.

As a consequence of that exercise, the amount of capital of the Company went from EUR 4,888,607,837.92 to EUR 5,168,400,584.92 represented by 1,147,775,757 shares.

6.1.4. September 29, 2006: capital increase – exercise of subscription rights ("F1996", "F1997", "A1999", "A2000", "ESOP 2000", "ESOP 2001" and "ESOP 2002" warrants)

—

A capital increase by the issue of 638,709 new shares with VVPR strips was observed by notarized deed dated September 29, 2006 and results from the exercise of the following categories of subscription rights:

a) 26,000 subscription rights of the category "F1996" warrants were exercised within the context of the stock option plan described in point 6.1.2.a above by their beneficiaries at a price of EUR 5.95 and 5,000 subscription rights of the category "F1997" warrants were exercised at a price of EUR 8.10;

b) 88,840 subscription rights of the category "A1999" warrants were exercised within the context of the stock option plan described in point 6.1.2.b above by their beneficiaries at a price of EUR 13.81 and 34,250 subscription rights of the category "A2000" warrants were exercised at a price of EUR 15.17;

c) 36,700 subscription rights of the category "ESOP 2000" warrants were exercised within the context of the stock option plan described in point 6.1.2.c above by their beneficiaries at a price of EUR 14.58;

d) 83,500 subscription rights of the category "ESOP 2001" warrants were exercised within the context of the stock option plan described in point 6.1.2.d above by their beneficiaries at a price of EUR 17.86;

e) 364,419 subscription rights of the category "ESOP 2002" warrants were exercised within the context of the stock option plan described in point 6.1.2.e above by their beneficiaries including 118,219 at a price of EUR 11.88 (all beneficiaries except French beneficiaries) and 246,200 at a price of EUR 13.66 (French beneficiaries).

As a consequence of that exercise, the amount of capital of the Company went from EUR 5,168,400,584.92 to EUR 5,171,274,775.42 represented by 1,148,414,466 shares.

6.1.5. October 26, 2006: capital increase – exercise of subscription rights ("share plan net 2001 + Germany")

—

456,738 subscription rights of the category "share plan net 2001 + Germany" warrants were exercised by their beneficiaries at a price of EUR 17.23. These options were issued in accordance with the resolution dated June 6, 2001 passed by the Extraordinary Shareholders' Meeting of Dexia SA particularly in favor of members of staff of the branch network of Dexia Bank Belgium and members of staff of certain international subsidiaries and sub-subsidiaries of Dexia SA (Germany).

As a consequence of that exercise, the amount of capital of the Company went from EUR 5,171,274,775.42 to EUR 5,173,330,096.42 represented by 1,148,871,204 shares.

6.1.6. December 20, 2006: capital increase reserved for Dexia Group members of staff (stock option plan 2006) – exercise of subscription rights ("F1997", "F1998", "A1999", "A2000", "ESOP 2000", "ESOP 2001", "ESOP 2002" and "ESOP 2003" warrants)

—

The first part of the capital increase on December 20, 2006 falls within the context of the 2006 shareholding plan aimed at all members of staff and all employees of the Dexia Group, in accordance with terms similar to those for 2000, 2001, 2002, 2003, 2004 and 2005 Dexia shareholding plans. In all, 8,265,504 new Dexia shares with VVPR strips were subscribed and issued on December 20, 2006 within the context of the 2006 shareholding plan.

It is also to be noted that a total of 197,748 subscription rights (of a maximum 1,200,000 issued under suspensive condition by the Extraordinary Shareholders' Meeting of the company on May 10, 2006) were also issued on December 20, 2006 in favor of employees who had subscribed to the offer providing for the free grant of 6 subscription rights for 10 subscribed shares without discount (term of offer only made to employees of the self-employed network of branches of the Dexia Group in Belgium).

The second part of the capital increase observed by notarized deed dated December 20, 2006 related to the issue of 3,914,221 new shares accompanied by VVPR strips resulting from the exercise of the following categories of subscription rights:

a) 43,470 subscription rights of the category "F1997" warrants were exercised within the context of the stock option plan described in point 6.1.2.b above by their beneficiaries at a price of EUR 8.10 and 61,200 subscription rights of the category "F1998" warrants were exercised at a price of EUR 11.27;

b) 86,275 subscriptions rights of the category "A1999" warrants were exercised within the context of the stock option plan described in point 6.1.2.b above by their beneficiaries at a price of EUR 13.81 and 134,504 subscription rights of the category "A2000" warrants were exercised at a price of EUR 15.17;

c) 356,553 subscription rights of the category "ESOP 2000" warrants were exercised within the context of the stock option plan described in point 6.1.2.c above by their beneficiaries at a price of EUR 14.58;

d) 956,500 subscription rights of the category "ESOP 2001" warrants were exercised within the context of the stock option plan described in point 6.1.2.d above by their beneficiaries at a price of EUR 17.86;

e) 1,598,719 subscription rights of the category "ESOP 2002" warrants were exercised within the context of the stock option plan described in point 6.1.2.e above by their beneficiaries including 1,053,095 at a price of EUR 11.88 (all beneficiaries except French beneficiaries) and 545,624 at a price of EUR 13.66 (French beneficiaries);

f) 677,000 subscription rights of category "ESOP 2003" warrants were exercised by their beneficiaries at a price of EUR 11.37. These options were issued by the Board of Directors of Dexia SA on May 21, 2003 particularly in favor of certain members of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

As a consequence of the subscription to the increase of capital within the context of the 2006 stock option plan, a total of 8,265,504 new shares with VVPR strips were issued, and as a consequence of the exercise of subscription rights 3,914,221 new shares with VVPR strips were issued, on December 20, 2006, taking the capital of the company from EUR 5,173,330,096.42 to EUR 5,228,138,858.92 (the balance being allocated to an issue premium account) represented by 1,161,050,929 shares.

6.1.7. December 28, 2006: capital increase – exercise of subscription rights ("F1998", "A1999", "A2000", "ESOP 2000", "ESOP 2001", "ESOP 2002" warrants)

—

The last capital increase of the year 2006 observed by notarized deed dated December 28, 2006, results from the exercise, by their beneficiaries, of 2,133,396 subscription rights mentioned hereafter, through the creation of 2,133,396 new shares with VVPR strips:

a) 3,490 subscription rights of the category "F1998" warrants were exercised within the context of the stock option plan described in point 6.1.2.a above by their beneficiaries at a price of EUR 11.27;

b) 12,377 subscription rights were exercised by their beneficiaries within the context of the stock option plan described in point 6.1.2.b above, of which 4,760 at a price of EUR 13.81 ("A1999" warrants) and 7,577 at a price of EUR 15.71 ("A2000" warrants);

c) 49,400 subscription rights of the category "ESOP 2000" warrants were exercised within the context of the stock option plan described in point 6.1.2.c above by their beneficiaries at a price of EUR 14.58;

d) 73,969 subscription rights of the category "ESOP 2001" warrants were exercised within the context of the stock option plan described in point 6.1.2.d above by their beneficiaries at a price of EUR 17.86 ("ESOP 2001" warrants);

e) 1,994,200 subscription rights of the category "ESOP 2002" warrants were exercised within the context of the stock option plan described in point 6.1.2.e above by their beneficiaries including 1,976,750 at a price of EUR 11.88 (all beneficiaries except French beneficiaries) and 17,450 at a price of EUR 13.66 (French beneficiaries).

As a consequence of this capital increase, the company's share capital was increased to 5,237,739,140.92 (the balance being allocated to an issue premium account), represented by 1,163,184,325 shares.

It is finally to be noted that, by a resolution of the Board of Directors of the company passed on May 23, 2006, it was decided to issue under the suspensive condition of their effective attribution a maximum of 10,500,000 subscription rights ("ESOP 2006" warrants) within the context of the 2006 Dexia stock option plan reserved for members of staff (including members of the management bodies of the Group) of the company and its subsidiaries in Belgium and other countries. The subscription price of these options was fixed at EUR 18.62 per subscription right and EUR 20.71 per subscription right for options attributed to members of staff and executives who carry on their professional activity in the Group's subsidiaries in Turkey.

6.2. SUMMARY TABLE OF DEXIA SUBSCRIPTION RIGHTS ("WARRANTS") (AS OF DECEMBER 31, 2006)

	Exercise price (in EUR)	Exercise period from	to	Number of subscription rights allocated	Number of subscription rights exercised	Number of canceled subscription rights because void	Number of residual subscription rights
Subscription rights allocated in 2000							
"F1996" warrants	5.95	Sept. 3, 2001	Sept. 3, 2006	763,500	748,500	15,000	0
"F1997" warrants	8.10	May 27, 2002	May 27, 2007	994,250	848,071		146,179
"F1998" warrants	11.27	May 29, 2003	May 29, 2008	1,001,900	708,090		293,810
"ESOP 2000" warrants	14.58	Nov. 30, 2000 (1)	Dec. 31, 2010 (1)	5,915,000	2,567,953		3,347,047
"Share Plan Net 2000" warrants	15.88	June 30, 2005	June 30, 2005	1,377,180	1,345,810	31,370	0
Subscription rights allocated in 2001							
"ESOP 2001" warrants	17.86	June 30, 2004 (1)	Dec. 31, 2011 (1)	8,100,000	1,606,969		6,493,031
"Share Plan Net 2001 + Germany" warrants	17.23	Oct. 26, 2006	Oct. 26, 2006	469,524	456,738	12,786	0
Subscription rights allocated in 2002							
"ESOP 2002" warrants	13.66/11.88 (2)	Sept. 30, 2005 (1)	July 23, 2012 (1)	10,000,000	4,267,075		5,732,925
	13.66						1,640,726
	11.88						4,092,199
"Share plan Net 2002" warrants	10.97	Oct. 31, 2007	Oct. 31, 2007	495,096	0		495,096
"A1999 warrants	13.81	May 1, 2003 (1)	July 31, 2007 (1)	1,994,406	1,109,020		885,386
"A2000 warrants	15.17	May 1, 2004 (1)	July 31, 2008 (1)	1,597,184	477,431		1,119,753
Subscription rights allocated in 2003							
"ESOP 2003" warrants	11.37	Sept. 30, 2006 (1)	July 24, 2013 (1)	10,000,000	677,000		9,323,000
"Share Plan Net 2003" warrants	13.37	Oct. 31, 2008	Oct. 31, 2008	299,676	0		299,676
Subscription rights allocated in 2004							
"ESOP 2004" warrants	13.56	Sept. 30, 2007 (1)	July 24, 2014 (1)	10,000,000	0		10,000,000
"Share Plan Net 2004" warrants	15.77	Oct. 30, 2009	Oct. 30, 2009	184,074	0		184,074
Subscription rights allocated in 2005							
"ESOP 2005" warrants	18.03	June 30, 2008 (1)	June 29, 2015 (1)	9,994,950	0		9,994,950
"Share Plan Net 2005" warrants	18.20	Oct. 29, 2010	Oct. 29, 2010	189,972	0		189,972
Subscription rights allocated in 2006							
"ESOP 2006" warrants	18.62	June 30, 2009 (1)	June 29, 2016 (1)	9,760,225	0		9,760,225
"ESOP 2006" warrants DenizBank	20.71	Dec. 15, 2009	Dec. 14, 2016	235,000	0		235,000
"Share Plan Net 2006" warrants	21.25	Oct. 29, 2011	Oct. 29, 2011	197,748	0		197,748

(1) Excluding specific conditions.
(2) EUR 13.66: France/EUR 11.88: other countries.

MANAGEMENT REPORT

6.3. SHARE CAPITAL AS OF DECEMBER 31, 2006

As of December 31, 2006, the share capital amounted to EUR 5,237,739,140.92 represented by 1,163,184,325 shares with no nominal value, of which 359,271,947 registered shares and 803,912,378 bearer shares. The shares are listed on Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange.

6.4. NOTIFICATIONS UNDER THE LEGISLATION ON TRANSPARENCY

Under the terms of the law of March 2, 1989 on the publication of large holdings in companies listed on the Stock Exchange and on the basis of article 5 of the Articles of Association of Dexia SA, shareholders are obliged to notify their holding to the Banking, Finance and Insurance Commission and to Dexia, if their equity interest reaches a threshold of 3%, then 5% or a multiple of 5%.

For the calculation of holding percentages, the numerator consists of the number of effective voting rights and the number of future voting rights, potential or not (resulting from conversion rights and undertakings in, or subscription rights to securities to be issued), held by the person making the declaration. The denominator consists of the number of effective voting rights and the number of future voting rights, potential or not (resulting from conversion rights and undertakings in, or subscription rights to securities to be issued) of Dexia SA.

This notification is also obligatory in the following cases:

- in the event of takeover or sale of a company which must itself submit a declaration;
- in the event of a decrease in voting rights to below one of the aforementioned thresholds.

Moreover, in application of the "Protocol on the prudential supervision of the Dexia Group" (see chapter Corporate Governance on page 51), Dexia SA has asked its large shareholders to inform the company and the Banking, Finance and Insurance Commission as soon as possible prior to any of the aforementioned transactions.

A declaration was introduced on the basis of aforementioned provisions. The equity interest of Caisse des dépôts et consignations exceeded on June 7, 2006 the threshold of 10% (10.027%).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006

CONSOLIDATED BALANCE SHEET

ASSETS (in millions of EUR)		Notes	Dec. 31, 2005	Dec. 31, 2006
I.	Cash and balances with central banks	7.2.	3,444	3,365
II.	Due from banks	7.3.	75,053	78,215
III.	Loans and advances to customers	7.4.	192,402	226,502
IV.	Loans and securities held for trading	7.5.	15,655	15,385
V.	Loans and securities designated at fair value	7.6.	13,865	17,184
VI.	Loans and securities available for sale	7.7.	166,204	188,378
VII.	Securities held to maturity	7.8.	3,217	2,260
VIII.	Positive value of derivatives	9.1.	28,632	24,032
IX.	Fair value revaluation of portfolio hedge		1,659	759
X.	Investments in associates	7.9.	778	826
XI.	Tangible fixed assets	7.10.	2,185	2,188
XII.	Intangible assets and goodwill	7.11.	735	2,393
XIII.	Tax assets	7.12. - 9.2.	602	749
XIV.	Other assets	7.13. - 9.3.	4,294 (1)	3,552
XV.	Non current assets held for sale	7.14.	36	955
	TOTAL ASSETS		**508,761**	**566,743**

(1) Cash collaterals have been reclassified in 2005, see note Accounting principles.

The notes on pages 119 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

LIABILITIES

(in millions of EUR)		Notes	Dec. 31, 2005	Dec. 31, 2006
I.	Due to banks	8.1.	134,793	174,754
II.	Customer borrowings and deposits	8.2.	97,738	109,484
III.	Liabilities held for trading	8.3.	3,813	578
IV.	Liabilities designated at fair value	8.4.	18,022	21,311
V.	Negative value of derivatives	9.1.	37,652	30,489
VI.	Fair value revaluation of portfolio hedge		966	239
VII.	Debt securities	8.5.	175,685	184,726
VIII.	Subordinated and convertible debt	8.6.	4,985	4,365
IX.	Technical provisions of insurance companies		9,846	12,288
X.	Provisions and other obligations	8.7.	1,320	1,468
XI.	Tax liabilities	8.8. - 9.2.	1,377	1,276
XII.	Other liabilities	8.9. - 9.3.	6,864 (1)	6,545
XIII.	Liabilities included in disposal groups held for sale	8.10.	0	785
TOTAL LIABILITIES			**493,061**	**548,308**

(1) Cash collaterals have been reclassified in 2005, see note Accounting principles.

EQUITY

(in millions of EUR)		Notes	Dec. 31, 2005	Dec. 31, 2006
XIV.	Subscribed capital	9.7.	4,888	5,238
XV.	Additional paid-in capital		9,137	10,229
XVI.	Treasury shares		(356)	(1)
XVII.	Reserves and retained earnings		(4,219)	(3,783)
XVIII.	Net income for the period		2,038	2,750
CORE SHAREHOLDERS' EQUITY			11,488	14,433
XIX.	Gains and losses not recognised in the statement of income		2,596	1,866
TOTAL SHAREHOLDERS' EQUITY			14,084	16,299
XX.	Minority interests		1,183	1,710
XXI.	Discretionary participation features of insurance contracts		433	426
TOTAL EQUITY			**15,700**	**18,435**
TOTAL LIABILITIES AND EQUITY			**508,761**	**566,743**

The notes on pages 119 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

	(in millions of EUR)	Notes	Dec. 31, 2005	Dec. 31, 2006
I.	Interest income	11.1.	56,049	73,057
II.	Interest expense	11.1.	(52,399)	(69,128)
III.	Dividend income	11.2.	129	152
IV.	Net income from associates	11.3.	89	102
V.	Net trading income and net result of hedge accounting	11.4.	154	319
VI.	Net income on investments	11.5.	502	1,164 (1-2)
VII.	Commission income	11.6.	1,397	1,560
VIII.	Commission expense	11.6.	(225)	(253)
IX.	Technical margin of insurance activities	11.7. - 9.3.	208	100
X.	Other net income	11.8.	72	(61)
	INCOME		5,976	7,012
XI.	Staff expense	11.9.	(1,586)	(1,722)
XII.	General and administrative expense	11.10.	(975)	(1,105)
XIII.	Network costs		(366)	(352)
XIV.	Depreciation & amortization	11.11.	(247)	(252)
XV.	Deferred acquisition costs		(55)	(50)
	COSTS		(3,229)	(3,481)
	GROSS OPERATING INCOME		2,747	3,531
XVI.	Impairment on loans and provisions for credit commitments	11.12.	(52)	(124)
XVII.	Impairment on tangible and intangible assets	11.13.	0	0
XVIII.	Impairment on goodwill	11.14.	0	0
	NET INCOME BEFORE TAX		2,695	3,407
XIX.	Tax expense	11.15.	(602)	(569)
	NET INCOME		2,093	2,838
	Attributable to minority interest		55	88
	Attributable to equity holders of the parent		2,038	2,750
	in EUR			
	Earnings per share	11.16.		
	- basic		1.87	2.49
	- diluted		1.85	2.45

(1) of which EUR 280 million result on the sale of Banque Artesia Nederland.
(2) of which EUR 236 million result on Dexia's net asset contribution to the joint venture RBC Dexia Investor Services.
The notes on pages 119 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

CORE SHAREHOLDERS' EQUITY (in millions of EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS OF DEC. 31, 2004 IFRS	**4,825**	**8,993**	**0**	**(3,421)**	**1,822**	**12,219**
Impacts of first-time application of IAS 32&39 and IFRS 4	0	0	(584)	681	(1,822)	(1,725)
AS OF JAN. 1, 2005	**4,825**	**8,993**	**(584)**	**(2,740)**	**0**	**10,494**
Movements of the period						
- Issuance of subscribed capital	63	144	0	(2)	0	205
- Acquisition of treasury shares	0	0	(600)	0	0	(600)
- Sale and cancellation of treasury shares	0	0	828	(814)	0	14
- Dividends	0	0	0	(677)	0	(677)
- Share based payments: value of employee services	0	0	0	26	0	26
- Variation of scope of consolidation	0	0	0	(10)	0	(10)
- Net income for the period	0	0	0	0	2,038	2,038
- Other	0	0	0	(2)	0	(2)
AS OF DEC. 31, 2005	**4,888**	**9,137**	**(356)**	**(4,219)**	**2,038**	**11,488**

GAINS AND LOSSES NOT RECOGNIZED IN THE STATEMENT OF INCOME (in millions of EUR)	Gains and losses not recognized in the statement of income				Cumulative Translation Adjustments (CTA)	Total gains and losses – Group share
	Subsidiary held for sale	securities (AFS)	derivatives (CFH)	associates (AFS, CFH and CTA)		
AS OF DEC. 31, 2004 IFRS	**0**	**0**	**0**	**0**	**(103)**	**(103)**
Impacts of first-time application of IAS 32&39 and IFRS 4	0	1,770	(88)	4	11	1,697
AS OF JAN. 1, 2005	**0**	**1,770**	**(88)**	**4**	**(92)**	**1,594**
Movements of the period						
- Net change in fair value through equity – Available for sale investments	0	991	0	3	0	994
- Net change in fair value through equity – Cash flow hedges	0	0	(8)	0	0	(8)
- Translation adjustments	0	29	0	0	169	198
- Variation of scope of consolidation	0	(36)	0	0	0	(36)
- Cancellation of FV following AFS disposals	0	(146)	0	0	0	(146)
AS OF DEC. 31, 2005	**0**	**2,608**	**(96)**	**7**	**77**	**2,596**

The notes on pages 119 to 212 are an integral part of these consolidated financial statements.

MINORITY INTERESTS (in millions of EUR)	Core equity	Gains and losses not recognized in the statement of income	Minority interests	DISCRETIONARY PARTICIPATION FEATURES OF INSURANCE CONTRACTS
AS OF DEC. 31, 2004 IFRS	**491**	**(7)**	**484**	**0**
Impacts of first-time application of IAS 32&39 and IFRS 4	(57)	12	(45)	224
AS OF JAN. 1, 2005	**434**	**5**	**439**	**224**
Movements of the period				
- Increase of capital	717	0	717	0
- Dividends	(25)	0	(25)	0
- Net income for the period	55	0	55	0
- Net change in fair value through equity – Available for sale investments	0	36	36	209
- Translation adjustments	0	6	6	0
- Variation of scope of consolidation	(45)	0	(45)	0
AS OF DEC. 31, 2005	**1,136**	**47**	**1,183**	**433**

Core shareholders' equity	11,488
Gains and losses not recognized in the statement of income attributable to equity holders of the parent	2,596
Minority interests	1,183
Discretionary participation features of insurance contracts	433
TOTAL EQUITY AS OF DEC. 31, 2005	**15,700**

CORE SHAREHOLDERS' EQUITY (in millions of EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income of the period	Core shareholders' equity
AS OF DEC. 31, 2005	**4,888**	**9 137**	**(356)**	**(4,219)**	**2 038**	**11,488**
Movements of the period						
- Issuance of subscribed capital	350	1,092	0	(6)	0	1,436
- Acquisition of treasury shares	0	0	(50)	0	0	(50)
- Trading activities on treasury shares	0	0	(14)	(1)	0	(15)
- Sale and cancellation of treasury shares	0	0	419	(414)	0	5
- Transfers to reserves	0	0	0	2,038	(2,038)	0
- Dividends	0	0	0	(770)	0	(770)
- Share based payments: value of employee services	0	0	0	30	0	30
- Variation of scope of consolidation (1)	0	0	0	(441)	0	(441)
- Net income for the period	0	0	0	0	2,750	2,750
AS OF DEC. 31, 2006	**5,238**	**10,229**	**(1)**	**(3,783)**	**2,750**	**14,433**

(1) Mainly purchase of minority interests in DenizBank group for EUR 408 million - see note 9.6., Acquisitions and disposals of consolidated companies.

The notes on pages 119 to 212 are an integral part of these consolidated financial statements.

GAINS AND LOSSES NOT RECOGNIZED IN THE STATEMENT OF INCOME (in millions of EUR)	Gains and losses not recognized in the statement of income				Cumulative Translation Adjustments (CTA)	Total gains and losses – Group share
	Subsidiary held for sale	securities (AFS)	derivatives (CFH)	associates (AFS, CFH and CTA)		
AS OF DEC. 31, 2005	**0**	**2,608**	**(96)**	**7**	**77**	**2,596**
Movements of the period						
- Net change in fair value through equity – Available for sale investments	0	(161)	0	8	0	(153)
- Net change in fair value through equity – Cash flow hedges	0	0	120		0	120
- Net change in fair value due to transfers to income – Cash Flow hedges	0	0	(14)		0	(14)
- Translation adjustments	0	(14)	0		(196)	(210)
- Variation of scope of consolidation	0	(16)	0		1	(15)
- Cancellation of FV following AFS disposals	0	(459)	0		0	(459)
- Transfert	1	0	0		0	1
AS OF DEC. 31, 2006	**1**	**1,958**	**10**	**15**	**(118)**	**1,866**

MINORITY INTERESTS (in millions of EUR)	Core equity	Gains and losses not recognized in the statement of income	Minority interests	DISCRETIONARY PARTICIPATION FEATURES OF INSURANCE CONTRACTS
AS OF DEC. 31, 2005	**1,136**	**47**	**1,183**	**433**
Movements of the period				
- Increase of capital [(1)]	513	0	513	0
- Dividends	(44)	0	(44)	0
- Net income for the period	88	0	88	0
- Net change in fair value through equity	0	(1)	(1)	(7)
- Translation adjustments	(1)	3	2	0
- Variation of scope of consolidation	(28)	(3)	(31)	0
AS OF DEC. 31, 2006	**1 664**	**46**	**1 710**	**426**

Core shareholders' equity	14,433
Gains and losses not recognized in the statement of income attributable to equity holders of the parent	1,866
Minority interests	1,710
Discretionary participation features of insurance contracts	426
TOTAL EQUITY AS OF DEC. 31, 2006	**18,435**

(1) Issuance of Perpetual Non-cumulative Guaranteed Securities for EUR 500 million.

The notes on pages 119 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in millions of EUR)	Dec. 31, 2005	Dec. 31, 2006
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	2,093	2,838
Adjustment for:		
- Depreciation, amortization and other impairment	258	266
- Impairment on bonds, equities, loans and other assets	(44)	(90)
- Net gains on investments	(295)	(914)[1]
- Charges for provisions (mainly insurance provision)	2,945	2,708
- Unrealized gains or losses	(30)	(41)
- Income from associates	(89)	(102)
- Dividends from associates	42	39
- Deferred taxes	64	42
- Other adjustments	242[2]	30
Changes in operating assets and liabilities	11,883	11,532
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**17,069**	**16,308**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(625)	(374)
Sales of fixed assets	115	169
Acquisitions of unconsolidated equity shares	(1,415)	(1,030)
Sales of unconsolidated equity shares	1,341	1,286
Acquisitions of subsidiaries and of business units	(70)	(1,132)[3]
Sales of subsidiaries and of business units	21	343
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(633)**	**(738)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new share	933	1,953
Issuance of subordinated debt	7	288
Reimbursement of subordinated debt	(328)	(581)
Purchase of treasury shares	(600)	(50)
Sale of treasury shares	4	4
Dividends paid	(703)	(813)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(687)**	**801**
NET CASH PROVIDED	**15,749**	**16,371**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**27,956**	**43,797**
Cash flow from operating activities	17,069	16,308
Cash flow from investing activities	(633)	(738)
Cash flow from financing activities	(687)	801
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	92	(2,227)[4]
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**43,797**	**57,941**
ADDITIONAL INFORMATION		
Income tax paid	(513)	(520)
Dividends received	171	191
Interest received	54,174	73,601
Interest paid	(51,284)	(70,805)

(1) Includes EUR 236 million result on Dexia's net asset contribution to the joint venture RBC Dexia Investor Services. It is a non cash item. Includes also EUR 280 million due to the sale of Banque Artesia Nederland.
(2) Includes EUR 218 million paid by Aegon.
(3) Acquisition of DenizBank group for EUR 1,066 million.
(4) Includes impact on cash and cash equivalents of joint venture RBC Dexia Investor services: EUR -1 740 million.
The notes on pages 119 to 213 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES AND RULES OF CONSOLIDATED FINANCIAL STATEMENTS

These financial statements include the disclosures required by the European Accounting Regulation published up to December 31, 2006. Additional accounting policies and disclosures may be required in order to comply with local laws, accounting standards and stock exchange regulations.

GENERAL INFORMATION

Dexia provides financial services to the local public sector, and is one of the world's largest players in Public/Project Finance and Credit Enhancement. In Europe, Dexia offers retail and private banking services and also asset management and insurance services. Since the beginning of 2006, the custodian activity (Investor Services) is served on a worldwide basis.
The parent company of the Group is Dexia, which is a limited liability company and is incorporated and domiciled in Belgium. The address of its registered office is: Place Rogier 11 — B-1210 Brussels (Belgium).
Dexia is listed on the Euronext Stock Exchange in Paris and in Brussels and on the Luxembourg Stock Exchange.
These financial statements have been approved for issue by the Board of Directors on March 1, 2007.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.
The common used abbreviations below are:
ARC: Accounting Regulatory Committee
EFRAG: European Financial Reporting Advisory Group
EU GAAP: International Financial Reporting Standards as adopted by the European Union (EU)
IASB: International Accounting Standards Board
IFRIC: International Financial Reporting Interpretations Committee
IFRS: International Financial Reporting Standard

1. ACCOUNTING POLICIES

1.1. BASIS OF ACCOUNTING

The consolidated financial statements of Dexia are prepared in accordance with all IFRSs as adopted by the EU.
The European Commission published Regulation EC 1606/2002 on July 19, 2002, requiring listed groups to apply IFRS as from January 1, 2005. This regulation has been updated several times since 2002, validating the various texts published by the IASB with the exception of certain rules included in IAS 39.
The European Commission carved out some paragraphs of IAS 39 with the objective of enabling European companies to reflect appropriately in their consolidated financial statements the economic hedges they make in the management of their interest rate risk exposure.
Dexia's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to December 31, 2006, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.
In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect amounts reported. While management believes they have considered all available information in developing these estimates, actual results could differ from such estimates and the differences could be material to the financial statements.

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

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

1.2.1. New IFRS standards, IFRIC interpretations and amendments

—

The IASB published a new standard:
- IFRS 8 Operating segments, which will supersede IAS 14 Segment reporting and will be applicable as from January 1, 2009. The impact of this standard is under analysis.

The IFRIC published 5 new interpretations in 2006:
- IFRIC 8 Scope of IFRS 2, which has no impact on Dexia Group;
- IFRIC 9 Reassessment of embedded derivatives; Dexia already applies the principle given by this interpretation;
- IFRIC 10 Interpretation on Interim Financial reporting and impairment; Dexia already applies this rule;
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions, which has no impact on Dexia;
- IFRIC 12 Service concession arrangements, which has no impact on Dexia.

1.2.2. IASB and IFRIC texts endorsed by the European Commission

—

The European Commission endorsed IFRS 7 Financial Instruments disclosure and several amendments to existing standards and interpretations in 2006:
- An amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards;
- An amendment to IAS 1 Presentation of Financial Statements — Capital disclosures;
- An amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts — Financial Guarantee Contracts;
- Amendments to IAS 21 The effects of changes in foreign exchanges rates;
- IFRIC 7 applying the restatement approach under IAS 29 Financial Reporting in hyperinflationary economy;
- IFRIC 8 scope of IFRS 2;
- IFRIC 9 Reassessment of embedded derivatives.

Dexia applies all of these texts in 2006, except the amendment to IAS1 and IFRS 7, which will be applicable as from January 1, 2007. Dexia however already gives information on capital disclosures and will include most of the requirements of IFRS 7 in its annual financial statements, but not all of them.
Dexia does not expect that these new amendments may have a significant impact on the financial situation of the Group.

1.2.3. Change in presentation

—

Cash collaterals

In order to harmonize the accounting presentation within Dexia, cash collaterals of some companies of the Group have been reclassified from "Other assets" to "Due from Banks" in December 31, 2005 balance sheet for an amount of EUR 4,52 billion while an amount of EUR 359 million was restated from "Other liabilities" to "Customer borrowings and deposits". The impact only affected the balance sheet and no reclassification in profit and loss was required.

1.3. CONSOLIDATION

1.3.1. Subsidiaries

—

The consolidated financial statements include those of the parent company, its subsidiaries and special purpose entities (SPE). Subsidiaries and SPE are those entities in which Dexia, directly or indirectly, has the power to exercise control over financial and operating policies.

Subsidiaries are consolidated from the date on which effective control is transferred to Dexia and are no longer consolidated as from the date on which Dexia's control ceases. Intercompany transactions, balances and unrealized gains and losses on transactions between Dexia's companies have been eliminated. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. When necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia.

Equity and net income attributable to minority interests are shown separately in the balance sheet and statement of income respectively.

1.3.2. Jointly controlled entities

—

A joint venture (JV) is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for via the proportionate consolidation method. In the financial statements, joint ventures are integrated by combination of their share of the assets, liabilities, income and expenses on a line-by-line basis.

The same consolidation treatment, as for subsidiaries, is applied for intercompany transactions. When necessary, the accounting policies of jointly controlled entities have been amended to ensure consistency with the policies adopted by Dexia.

1.3.3. Associates

—

Investments in associates are accounted for using the equity method of accounting. Associates are investments where Dexia has significant influence, but does not exercise control. This is usually the case, when Dexia owns between 20% and 50% of the voting rights. The ownership share of net income for the year is recognized as income from associates and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets including net goodwill.

Unrealized gains on transactions between Dexia and its "equity method investments" are eliminated to the extent of Dexia's interest. Unrealized losses are also eliminated unless the transaction shows evidence of an impairment of the asset transferred. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia has incurred or guaranteed obligations in respect of the associates' undertakings. Where necessary, the accounting policies of the associates have been amended to ensure consistency with the policies adopted by Dexia.

1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset (and consequently, the net amount is only reported) Dexia has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

The consolidated financial statements are stated in EUR (functional and presentation currency), the currency in which Dexia is incorporated.

1.5.1. Foreign currency translation

—

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from Dexia's presentation currency are translated into Dexia's presentation currency (EUR) at average exchange rates for the year or the period and their assets and liabilities are translated at respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and associates and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

1.5.2. Foreign currency transactions

—

For individual Dexia entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies at period or year-end are translated at period or year-end exchange rates for monetary items and non-monetary items carried at fair value. Historical rates are used for non-monetary items carried at cost. The resulting exchange differences from monetary items are recorded in the consolidated statement of income; for non-monetary items carried at fair value, the exchange differences follow the same accounting treatment as for fair value adjustments.

1.6. TRADE DATE AND SETTLEMENT DATE ACCOUNTING

All "regular way" purchases and sales of financial instruments are recognized and derecognized on the settlement date, which is the date of delivery to or by Dexia. However, financial instruments held for trading are recognized and derecognized at trade date.
For financial assets and liabilities measured at initial recognition at fair value through P&L, Dexia recognizes from the trade date any unrealized gains or losses arising from revaluing the contract to fair value at the reporting date. These unrealized gains and losses are recognized in the statement of income unless the transactions have been assigned to cash-flow hedge relationships or are related to an available-for-sale asset.

1.7. REALIZED GAINS AND LOSSES ON SALES OF FINANCIAL ASSETS

For financial assets not revalued through the statement of income, realized gains or losses on disposals is the difference between the proceeds received (net of transaction costs) and the cost or amortized cost of the investment.

1.8. IMPAIRMENTS ON FINANCIAL ASSETS

Dexia records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, in accordance with IAS 39 § 58-70. The impairments represent the management's best estimates of losses at each balance-sheet date.
An interest bearing financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.
The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate or current effective interest rate determined under the contract for variable-rate instruments. The recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.
Allowances for impairment losses are recorded on assets within "Due from banks", and "Loans and advances to customers", in the following way:

- Specific impairments – The amount of the impairment on specifically identified assets is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted using the effective interest rate at the time of impairment. Assets with small balances (including retail loans) that share similar risk characteristics are generally aggregated in this measurement.
- Collective impairments – Loss impairments cover incurred losses where there is no specific impairment but objective evidence that losses are present in segments of the portfolio or other lending related commitments at the balance-sheet date. These have been estimated based upon historical patterns of losses in each segment, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate. Dexia develops for that purpose credit risk models using an approach that combines appropriate default probabilities and loss given defaults that are subject to regular back testing and are based on Basel II data and risk models.
- Country risk component – Included within specific and collective impairment.

When an asset is determined by management as being uncollectable, it is written off against its related impairment; subsequent recoveries are against to the "Impairment on loans and provisions for credit commitments" in the statement of income, in the heading "Impairment on loans and provisions for credit commitments". If the amount of the impairment subsequently decreases due to an event occurring after the write-down of the initial impairment, the release of the impairment is credited to the "Impairment on loans and provisions for credit commitments".
"Available for sale" (AFS) assets are only subject to specific impairment.
"Available for sale" quoted equities are measured at fair value through "Gain and losses on securities not recognized in the statement of income" or within the statement of income in the case of impairment. Dexia analyses all equities that have declined by more than 25% of their quoted price over a quarter or when a risk is identified by management and takes the decision to impair and assess whether there is an objective evidence of impairment according to IAS 39. A prolonged decline in the fair value below its cost is also objective evidence of impairment. Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.
Reversal impairment on debt securities is addressed on a case-by-case basis in accordance with the standard.
When AFS securities are impaired, the related accumulated fair value adjustments are included in the statement of income as "Net income on investments". Impairments on loans included in AFS are reported in the heading "Impairments on loans and provisions for credit commitment".

1.9. INTEREST INCOME AND EXPENSE

Interest income and expense are recognized in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the purchase price (including transaction costs).
Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or liability and are included the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.
Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for measuring the recoverable amount.

1.10. COMMISSION INCOME AND EXPENSE

Commissions and fees are recognized in accordance with IAS 18. According to this standard, most of the commissions arising from Dexia's activities are recognized on an accrual basis over the life of the underlying transaction.
For significant acts such as commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognized based on the stage of completion of the underlying transaction, when the underlying transaction has been completed.
For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognized as earned when the service is provided. Performance fees are recognized when they are definitively acquired, i.e. when all underlying conditions are met.
Loan commitment fees are recognized as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry if no loan is granted.

1.11. INSURANCE AND REINSURANCE ACTIVITIES

1.11.1. Insurance
—
Dexia is mainly active in banking products. Some insurance products sold by insurance companies have been requalified as financial instruments as they do not meet the requirements of insurance products under IFRS 4.
IFRS 4 allows the possibility to continue to account for its insurance products under local GAAP if they qualify as such under IFRS 4. Hence, Dexia has decided to use the local accounting policies to measure the technical provisions for contracts that fall under IFRS 4 and investment contracts with discretionary participation features (DPF). A contract that complies with the conditions of an insurance contract remains an insurance contract until all rights and obligations cease to exist or expire. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
A contract can start as an investment contract and become an insurance contract when containing significant insurance components as time passes.
Life and nonlife claims and changes in technical reserves are also recorded in the "Technical margin of insurance activities", whereas losses and changes in provisions for credit enhancement activities, which are similar to banking activities, are reported under "Impairment on loans and provision for credit commitments".
All items arising from insurance activities are classified according to their nature in the balance sheet, except for technical provisions, which are identified on a separate heading.
Insurance activities of Dexia are mainly performed by Dexia Insurance Services (DIS) for life and nonlife products and by Financial Security Assurance (FSA) in the USA for credit enhancement of municipal and corporate bonds.

DIS activities: life and nonlife
Insurance products of DIS are recorded under local GAAP. This group is mainly constituted by Belgian entities, for which Belgian GAAP (Royal Decree of November 17, 1994) are applicable, if they are qualified as such under IFRS 4. However, provisions for catastrophe and equalizations are reversed.
The Life insurance portfolio features:
• Insurance contracts including reinsurance contracts and the accepted reinsurance treaties with exception of the in-house defined employee benefit plans
• Financial instruments issued with a discretionary profit sharing (discretionary participation feature (DPF))
• Unit-linked (UL) contracts stipulating that the policyholder can switch at all times, without costs, to an investment product with guaranteed interest rate and a probable profit sharing.

Classification
Classification is done policy by policy, whereas for group insurances, classification is done on the employer's level.
Life insurance products are classified following Belgian GAAP into the hereunder categories:
• Type 1: branch 21: guaranteed insurance products with or without DPF
• Type 2: branch 21: investment products with profit sharing
• Type 3: branch 21: investment products without profit sharing
• Type 4: branch 23: investment products with risk-UL products
• Type 5: branch 23: investment products without risk
• Type 6: branch 23: investment products convertible to a branch 21 investment product with risk (class 23)
• Type 7: branch 23: investment products convertible to a branch 21 investment product with profit sharing
The nonlife insurance portfolio features includes only insurance contracts that contain a significant insurance risk.

Shadow accounting
An insurer is permitted, but not required, to change its accounting policies so that a recognized but unrealized gain or loss on an asset affects those measurements in the same way that a realized gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) shall be recognized in equity if, and only if, the unrealized gains or losses are recognized directly in equity.
Dexia Group decided to apply shadow accounting, "if under legal and/or contract conditions the realization of gains on an insurer's assets have a direct effect on the measurement of some or all of its insurance contracts and investment contracts with discretionary participation features (DPF)."

Shadow loss adjustment

To determine the need for a shadow loss adjustment Dexia determines if additional liabilities would be required, assuming current market investment yields rather than the estimated return of the assets. If the level of liabilities required is higher than total liabilities, then the deficiency should decrease the unrealized gains recorded in equity and increase liabilities through a shadow premium deficiency adjustment.

This requires the liability adequacy test (see Liability Adequacy Test) to be performed after all shadow adjustments - if any. Should there be insufficient unrealized capital gains left in equity to accommodate the shadow loss adjustment, the additional liability increase should be charged to income (P/L).

Discretionary participation feature (DPF)

Discretionary participation feature is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

All unrealized gains and losses coming from investments backing insurance contracts and investment contracts with DPF are categorized proportionally for the part related to the insurance contracts and investment contracts with discretionary participation features in a separate line of the equity.

Proportional calculation happens on the basis of the carried reserves and by separated management of the assets.

Insurance contracts with deposit component (unbundling)

All unit-linked products that contain both an insurance contract and a deposit component will be unbundled. Accounting policies for insurance contracts are applied for the insurance component; accounting policies for financial instruments are applied for the deposit component.

The unit-linked products that can be converted into a guaranteed investment product (branch 21) with profit sharing fall under IFRS 4 (investment with DPF) and will not be unbundled.

Embedded derivatives

IAS 39 applies to derivatives embedded in an insurance contract unless the embedded derivative is itself an insurance contract. The requirements for insurance contracts with DPF also prevail for financial instruments with DPF elements.

As an exception to the requirement in IAS 39, an insurer need not separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host insurance liability. However, the requirement in IAS 39 does apply to a put option or cash surrender option embedded in an insurance contract if the surrender value varies in response to the change in a financial variable (such as an equity or commodity price or index), or a non-financial variable that is not specific to a party to the contract.

DPF in financial instruments

If the issuer classifies part or that entire feature as a separate component of equity, the liability recognized for the whole contract shall not be less than the amount that would result from applying IAS 39 to the guaranteed element.

Dexia reviews at each reporting date whether this minimum requirement is met and in case of an insufficiency, the corresponding liabilities are adjusted accordingly.

Liability Adequacy Tests

An insurer applies a liability adequacy test (LAT) for its insurance products and investment contracts with DPF. Dexia assesses at each reporting date whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

If that assessment (based on the entire life and nonlife insurance portfolios separately) shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss.

For life insurance, LAT uses the following parameters, which are based on the Royal Decree of November 14, 2003 with respect to the life business :

- premiums: collected inventory premiums plus contractual provided inventory premiums;
- interest rate for actualization cash flows: yields of the assets backing insurance liabilities;
- mortality table: experience table of the country (Assuralia for Belgium);
- costs : calculation based on the last updated tariff costs and the booked costs;
- tariff costs take into account the inventory surcharges, commercial surcharges and fixed sums;
- real assigned costs take into account management expenses, claims handling expenses and commissions. These costs are stipulated by product group and are indexed. Considering lapses, death and expiration period the annual delta is stipulated between the costs in the tariff and real assigned costs. Deltas are then actualised to the LAT-rate.

For nonlife insurance, the LAT that examines if the premium and claim provisions are sufficient to settle definitely the opened claim files and the claims that will occur within the contractual duration of the contracts to open and to settle definitively.

A LAT is carried out for all products. The test is subdivided into two parts. During the first part Dexia examines if the build up reserves for claim files already opened are sufficient, and in a second part Dexia makes an estimation of the expected loss burden for insurance portfolios and examine if the unearned premium reserves are sufficient.

Regarding reserves for the files already opened Dexia performs runoff calculations, using estimates for the claims handling expenses.
For the assessment of loss burden for the insurance portfolio, Dexia conducts a reasoning that is based on percentages (average loss burden of the last 5 years and administrative expenses of the last year).

FSA activities

Financial guaranty insurance generally provides an unconditional and irrevocable guaranty that protects the holder of a financial obligation against non-payment of principal and interest when due. Upon a payment default on an insured obligation, Dexia is generally required to pay the principal, interest or other amounts due in accordance with the obligation's original payment schedule or, at its option, to pay such amounts on an accelerated basis. The contract may be considered a derivative or an insurance contract depending on certain legal characteristics.
Gross and ceded premiums received in upfront payouts are earned in proportion to the amount of risk outstanding over the expected period of coverage. Deferred premium revenue and prepaid reinsurance premiums represent the portion of premium that is applicable to coverage of risk to be provided in the future on policies in force.
Dexia establishes provisions for losses liabilities based on its estimate of specific and non-specific losses. Dexia also establishes provisions for loss adjustment expenses (LAE), consisting of the estimated cost of settling claims, including legal and other fees and expenses associated with administering the claims process. Dexia calculates a loss and loss adjustment expenses liability based upon identified risks inherent in its entire insured portfolio. If an individual policy risk has a probable loss as of the balance sheet date, a specific reserve is established. For the remaining policy risks in the portfolio, a non-specific reserve is established to account for the inherent credit losses that can be statistically estimated.
Dexia establishes a specific reserve for the present value of the estimated loss, net of subrogation recoveries, when, in management's opinion, likelihood of a future loss on a particular insured obligation is probable and reasonably estimable at the balance sheet date. When an insured obligation has met the criteria for establishing a specific reserve and that the transaction pays a premium in installments, those premiums, if expected to be received prospectively, are considered a form of recovery and are no longer earned as premium revenue.
A specific reserve is determined using cash flow or similar models that represent Dexia's estimate of the net present value of the anticipated shortfall between:
• scheduled payments on the insured obligation plus anticipated loss adjustment expenses; and
• anticipated cash flow from and proceeds to be received on sales of any collateral supporting the obligation and other anticipated recoveries.
The estimated loss, net of recovery, on a transaction is discounted using the risk-free rate appropriate for the term of the insured obligation at the time the reserve is established.
Dexia records a non-specific reserve to reflect the credit risks inherent in its portfolio. Non-specific reserves in addition to specific reserves represent Dexia's estimate of the total reserves. Generally, when an insured credit deteriorates to a point where claims are expected, a specific reserve is established.
The non-specific reserve amount established considers all levels of protection (e.g., reinsurance and over-collateralization). Net par outstanding for policies originated in the current period is multiplied by loss frequency and severity factors.
The loss factors used for calculation are the product of default frequency rates obtained from Moody's and severity factors obtained from S&P. Moody's is chosen due to its credibility, large population, statistical format and reliability of future update. Dexia applies an experience factor to the results of the statistical calculation.

Liability Adequacy Test

An insurer applies a Liability Adequacy Test for its insurance products, in accordance with IFRS 4. Dexia assesses at each reporting date whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. This test is applied to all insurance contracts.
For nonlife insurance, the Liability Adequacy Test is a sufficiency test within IFRS 4 that examines if the premium and provisions are sufficient to cover any open claim files and claims that are expected to occur within the contractual duration of the contracts.

1.11.2. Reinsurance

—

Dexia's reinsurance contracts with third parties that contain enough characteristics to be classified as an insurance contract continue to be accounted for in accordance with local GAAP.
A reinsurance asset is impaired if, and only if:
• there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
• that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.
To measure the solvency of a reinsurer, Dexia refers to its attributed credit rating and the impairment rules.

1.12. NETWORK COSTS

This heading records commission paid to intermediaries associated by exclusive sales mandate for bringing in transactions with customers.

1.13. DEFERRED ACQUISITION COSTS

Deferred acquisition costs are only applicable to FSA activities and are comprised of expenses related to the production of insurance contracts, including commissions paid on reinsurance assumed, compensation and related costs of underwriting and marketing personnel, certain rating agency fees, premium taxes and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers.
Deferred acquisition costs are amortized over the period in which the related premiums are earned. Amortization of deferred acquisition costs is presented on a separate heading within operating costs.
When an insured issue is retired or defeased prior to the end of the expected period of coverage, the remaining deferred acquisition cost is recognized. Recoverability of deferred acquisition costs is determined by:
• considering deferred premium revenue and premiums related to early repayments;
• and the present value of anticipated losses and loss adjustment expenses.

1.14. LOANS AND ADVANCES DUE FROM BANKS AND CUSTOMERS

Loans categorized as "loans and advances", being those not included within trading, designated at fair value through P/L and AFS, are carried at amortized cost, being the outstanding principal amount, net of any deferred fees and material direct costs on loans and net of any unamortized premiums or discounts.

1.15. FINANCIAL ASSETS OR FINANCIAL LIABILITIES HELD FOR TRADING OR FINANCIAL ASSETS OR LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

1.15.1. Loans and securities held for trading
—
Loans held for trading purposes are included in "Financial assets held for trading" and are carried at fair value, with unrealized gains and losses recorded in earnings as "Net trading income". Interest income is accrued using the effective interest rate method and is recorded under "Net interest income".
Trading securities are securities acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at fair value and subsequently re-measured at fair value. All related realized and unrealized gains and losses are included in "Net trading income". Interest earned during the period of holding the trading assets is reported as "Interest income". Dividends received are included in "Dividend income".
All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized at settlement date. Other trading transactions are treated as derivatives until settlement occurs (see also Paragraph 1.6. "Trade date and settlement date accounting").

1.15.2. Liabilities held for trading
—
Liabilities held for trading follow the same accounting rules as those for loans and securities held for trading.

1.15.3. Loans and securities designated at fair value through profit and loss
—
Loans and securities designated at fair value through statement of income follow the same accounting rules as those for loans and securities held for trading.
Under the fair value option, a financial asset, a financial liability or a group of financial instruments can be designated by the entity as "at fair value through profit or loss", provided that doing so results in more relevant information or increases measurement reliability. The fair value option simplifies the application of IAS 39. It is used:
• when such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise,
• when a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy,
• when an instrument contains a non-closely related embedded derivative.
The use of the fair value option is an accounting policy choice which should be made for the entire financial instrument, at initial recognition and when certain conditions of documentation are fulfilled.
In order to avoid volatility in its equity and results, Dexia has designated the assets and liabilities of unit-linked contracts (branch 23) at fair value through the statement of income.

1.15.4. Liabilities designated at fair value through profit and loss
—
The above comments on the fair value option are also valid for the liabilities.

1.16. LOANS AND SECURITIES AVAILABLE FOR SALE AND SECURITIES HELD TO MATURITY

Management determines the appropriate classification of its investments at initial recognition.
Quoted securities with fixed maturity are classified as held-to-maturity (HTM) when management has both the intent and the ability to hold the assets to maturity.
Securities and loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale (AFS).
Securities and loans and receivables are initially recognized at fair value (which includes transaction costs). Interest is rec-

ognized based on the effective interest rate method and is recognized within net interest income.
Available-for-sale financial assets are subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash-flow models. Unrealized gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized within equity. When securities are disposed of, the related accumulated fair value adjustments are included in the statement of income as "Net income on investments".
Held-to-maturity investments are carried at amortized cost using the effective interest method, less any allowance for impairment.

1.17. POSITIVE/NEGATIVE VALUE OF DERIVATIVES

Derivative financial instruments generally include foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps and currency and interest rate options (both written and purchased). All derivatives are initially recognized in the balance sheet at fair value and are subsequently remeasured at fair value. Fair values are obtained from quoted market prices, discounted cash flow models or pricing models as appropriate.
Derivatives are reported as assets when fair value is positive and as liabilities when fair value is negative.
The amount reported on these lines of the balance sheet includes the premium paid/received net of amortization, the revaluation to fair value and the accrued interest, the sum of all elements representing the fair value of the derivative.
Certain derivatives embedded in other financial instruments, are treated as separate derivatives when:
• their risks and characteristics are not closely related to those of the host contract; and
• the hybrid contract is not carried at fair value with unrealized gains and losses reported in the statement of income.

1.18. HEDGING DERIVATIVES

On the date a derivative contract is entered into, Dexia may designate certain derivatives as either:
(1) a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
(2) a hedge of a future cash flow attributable to a recognized asset or liability or a forecasted transaction (cash flow hedge); or
(3) a hedge of a net investment in a foreign entity (net investment hedge).
If a derivative is not designated in a hedging relationship, it is to be deemed held for trading or part of a fair value option strategy.
Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.
The criteria for a derivative instrument to be accounted for as a hedge include inter alia:
• formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship prepared before hedge accounting is applied;
• the hedge is documented showing that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
• the hedge is effective at inception and on an ongoing basis.
Entities of Dexia use internal derivative contracts (internal hedging) mainly to cover their interest rate risk. Those internal contracts are offset with external parties. If the contracts cannot be offset with third parties, the hedging criteria are not met. Internal derivative contracts between separate divisions within the same legal entity and between separate entities within the consolidated Group can qualify for hedge accounting in the consolidated financial statements only if the internal contracts are offset by derivative contracts with a party external to the consolidated group. In this case, the external contract is regarded as the hedging instrument.
Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the statement of income, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to that specific hedged risk.
If the hedge no longer meets the criteria for hedge accounting (fair value hedge model), the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to net profit or loss over the period to maturity through an adjustment of the yield of the hedged item.
Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and are highly effective in relation to the hedged risk, are recognized in the hedging reserve in equity as "Gains and losses not recognized in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). The non-effective portion of the changes in the fair value of the derivatives is recognized in the statement of income. Where the forecast transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.
Certain derivative transactions, while providing effective economic hedges under Dexia's risk management positions, do not qualify for hedge accounting under the specific rules in IFRS and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

1.19. HEDGE OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO

Dexia has decided to apply IAS 39 as adopted by the EU because it better reflects the way Dexia manages its activities.

The objective of the hedge relationships is to reduce the interest rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.
The entity performs a global analysis of interest rate risk exposure. It consists of assessing fixed rate exposure taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities are monitored on an activity-by-activity basis. The entity selects assets and/or liabilities to be entered into the hedge of interest rate risk exposure of the portfolio. The entity defines at inception the risk exposure to be hedged, the length of the time-bucket, the way and the frequency it performs tests. The entity constantly applies the same methodology for selecting assets and liabilities entering in the portfolio. Assets and liabilities are included on a cumulative basis in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact.
The entity may choose which assets and/or liabilities it wishes to classify into the portfolio provided they are included in the global analysis. Demand deposits and savings accounts may be included in the portfolio based on behavioral study for estimating expected maturity date. The entity may designate as qualifying hedged items different categories of assets or liabilities such as "available for sale" assets or loan portfolios.
The hedging instruments are a portfolio of derivatives. Such a portfolio of derivatives may contain offsetting positions. The hedging items are recognized at its fair value (including accrued interest expense or income) with adjustments accounted for in the statement of income.
Effectiveness tests consist of verifying that the hedging objective, i.e. reducing the interest rate risk exposure, is fulfilled. Inefficiency can come only from overhedging due to noncontractual events occurring within the categories of assets or liabilities.
Hedged interest rate risk revaluation of elements carried out at amortized cost is included in the line "Fair value revaluation of portfolio hedges". In case of hedging of AFS, the revaluation is part of the heading "Loans and securities AFS".

1.20. TANGIBLE FIXED ASSETS

Tangible fixed assets include property, plant and equipment and investment properties.
All property, plant and equipment are stated at its cost less accumulated depreciation and impairments.
Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.
The main service lives are as follows:
- buildings (including acquisition costs and non deductible taxes): 20 to 50 years;
- computer equipment: 3 to 6 years;
- leasehold improvements, equipment and furniture: 2 to 12 years;
- vehicles: 2 to 5 years.

The exchange losses on liabilities for the acquisition of an asset as well as the interest on specific or general borrowings to finance the construction of qualifying assets are expensed immediately.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included in Other net income. Expenditure that enhances or extends the benefits of real estate or fixed assets is capitalized and subsequently depreciated.
Investment properties are those properties held to earn rentals or for capital appreciation. Dexia may also partly use certain investment properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property is an investment property only if Dexia holds an insignificant portion for its own use.
Investment properties are recorded at its cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation of buildings given in operating leases is recorded in "Depreciation", whereas depreciation on other assets given in operating lease is booked in "Other net income".

1.21. INTANGIBLE ASSETS

Intangible assets mainly consist of internally generated and acquired software. Costs associated with maintaining computer software programs are recognized as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives from the time the software is available for use. This amortization period is usually between 3 and 5 years.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included in "Other net income". Expenditure that enhances or extends the benefits is capitalized and subsequently depreciated.

1.22. GOODWILL

1.22.1. Positive goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Dexia's share of the net assets of the acquired subsidiary or associated undertaking at the date of acquisition. Goodwill on acquisition occurring on or after January 1, 2004 is reported in the balance sheet as an intangible asset. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Cash-generating units may be

a legal entity, or may be designed based on criteria of, geographic area and business segment.
Variations in percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore, neither fair value adjustments nor goodwill adjustments are made, when percentage increases or decreases take place without change in the consolidation method. The difference between purchase or sale of net asset and the purchase or sale price is directly recorded in equity.

1.22.2. Impairment of goodwill

—

The carrying amount of goodwill is reviewed at year-end when circumstances or events indicate that there may be uncertainty over the carrying amount. It is written down for impairment when the recoverable amount of the business is insufficient to support the carrying value.

1.23. OTHER ASSETS

Other assets mainly comprise accrued income (non-interest related), prepayments and other accounts receivable. They also include insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are recorded at amortized cost less any allowance for impairment if applicable or following the applicable standard. Plan assets are recognized in accordance with IAS 19 requirements.

1.24. LEASES

1.24.1. A Dexia company is the lessee

—

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.
Dexia principally enters into operating leases for the rental of equipment or real estate. Lease rentals are recognized in the statement of income on a straight-line basis over the period of the lease.
When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.
If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalized. At inception the asset is recorded at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

1.24.2. A Dexia company is the lessor

—

When assets held are subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

1.25. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") remain in the financial statements recognized as financial assets held for trading, financial assets available for sale or financial assets held to maturity. The corresponding liability is included in "Due to banks" or "Customer borrowings and deposits" as appropriate. The asset is reported as pledged in the notes.
Securities purchased under agreements to resell ("reverse repos") are recorded as:
• an obligation to return securities within off-balance sheet items; and
• "Interbank loans and advances" or "Loans to customers" as appropriate.
The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparts are retained in the financial statements.
Securities borrowed are not recognized in the financial statements.
If they are sold to third parties, the gain or loss is included in "Net trading income" and the obligation to return them is recorded at fair value in "Financial liabilities — trading securities".

1.26. BORROWINGS

Borrowings are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest rate method.
Debts are included in the financial statements, based on the substance of their underlying contracts more than their legal form.

1.27. DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post retirement benefits, provisions for loan and other impairments and tax losses carried forward;

and, in relation to acquisitions, from the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance-sheet date are used to determine deferred income tax.
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the statement of income together with the deferred gain or loss.

1.28. EMPLOYEE BENEFITS

Employee benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of corporate bonds rated AA, which have terms to maturity approximating to the terms of the related liability and taking into consideration also actuarial and demographic assumptions.
Qualified internal and external actuaries carry out valuations of these obligations. All valuations, assumptions and results are reviewed and validated by an external actuary for Dexia that ensures that all calculations are harmonized and calculated in conformity with IAS 19.

1.28.1. Pension obligations

—

Dexia operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate insurance companies. The pension plans are generally funded by payments from employees and by the relevant Dexia companies.

1.28.1.1. Defined benefit plans

For defined benefit plans, pension costs are assessed using the projected units credit method.
Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of employees. Net cumulative unrecognized actuarial gains and losses exceeding the corridor (greater than 10% of the present value of the gross defined benefit obligation or 10% of the fair value of any plan assets) are recognized in income over the average remaining life of the plan.
The defined obligation is presented net of plan assets as a liability unless the assets are held by a Group entity in which case the assets are recorded gross in the related lines of the assets.

1.28.1.2. Defined contribution pension plans

Dexia's contributions to defined contribution pension plans are charged to the statement of income in the year to which they relate. The obligation of Dexia is limited to the contributions that Dexia agrees to pay into the fund on behalf of the employee.

1.28.2. Other post-retirement obligations

Some Dexia companies provide post-retirement health care benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

1.28.3. Other long-term benefits

—

This mainly includes provisions for jubilee premiums that will be received by employees when they become entitled to this right.

1.28.4. Termination benefits

—

A termination benefit provision is only recorded when Dexia is committed to terminate the employment before the normal date of retirement or provide benefits as a result of an offer made in order to encourage voluntary redundancy. Dexia must have a detailed formal plan and no realistic possibility of withdrawal.

1.28.5. Equity compensation benefits

—

Share options are granted to directors and to some employees. The cost of the option is recognized within expense based on services received. The fair value of the option is calculated based on valuation techniques (Black and Scholes adjusted for departure of employees) and on market data.
Dexia also offers a discount for the capital increases reserved for its personnel. This discount is taken into expense taking into account the fact that those equity securities are blocked for a certain period of time.

1.28.6. Employee entitlements

—

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

1.29. PROVISIONS

According to IAS 37, a provision is a liability of uncertain timing or amount.
Provisions are recognized based on their discounted value when:
• Dexia has a present legal or constructive obligation as a result of past events;
• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

• a reliable estimate of the amount of the obligation can be made.

For provisions on loans commitments, the above presumptions are applied through the same methodology as applied for impairment of financial assets measured at amortized cost as in IAS 39.

1.30. SHARE CAPITAL AND TREASURY SHARES

1.30.1. Share issue costs

—

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity net of any related income tax.

1.30.2. Dividends on ordinary shares

—

Dividends on ordinary shares are recognized in equity in the period in which they are declared (authorized and no longer at the discretion of the entity). Dividends for the year that are declared after the balance-sheet date are disclosed in the subsequent events note.

1.30.3. Preferred shares

—

Preferred shares that are non-redeemable and upon which dividends are declared at the discretion of the directors, are classified as equity.

1.30.4. Treasury shares

—

Where Dexia or its subsidiaries purchase Dexia's share capital or obtains rights to purchase its share capital, the consideration paid including any attributable transaction costs net of income taxes is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account in equity.

1.30.5. Insurance discretionary participation features

—

The unrealized gains and losses relating to assets classified as available for sale and backing insurance contracts with discretionary participation feature are classified by the Group as follows:

• as a liability to the extent of the return guaranteed to the contract holders;

• as a separate component of equity to the extent of that feature.

1.31. FIDUCIARY ACTIVITIES

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where Dexia acts in a fiduciary capacity such as nominee, trustee or agent.

1.32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Market prices are used to determine fair value, where an active market (such as a recognized stock exchange) exists, as it is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Dexia. Therefore, for financial instruments where no market price is available, the fair values have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance-sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions made concerning both the amounts and timing of future cash flows and the discount rates.

Financial instruments classified as trading assets or liabilities, assets or liabilities designated at fair value through P/L, available for sale, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items.

For trading and AFS, when quoted prices are not available, the pricing models try to reflect as precisely as possible the market conditions at the calculation date as well as the changes in the credit quality of the financial instruments. For unquoted and immaterial positions, some simplifying hypotheses are applied:

(a) the carrying amount of financial instruments maturing within 12 months can be assumed to approximate to their fair value;

(b) the fair value of variable-rate financial instruments is assumed to be approximated by their carrying amounts.

In addition to the above assumptions, the following remarks could be made regarding the fair value of loans and receivables:

(a) the fair value of fixed-rate loans and mortgages are estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans;

(b) cap, floor and prepayment options are included in determining the fair value of loans and receivables;

(c) for most of the loans and receivables the credit spread remains stable over the lifetime. However, based on experience, it is noted that in a number of portfolios the credit spread changes over the time. For those, we included the most recent credit spreads available for calculating the fair value.

1.33. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months remaining maturity included within cash and balances with central banks, interbank loans and advances, loans and advances to customers, financial assets held for trading, financial assets available for sale and financial assets of the fair value portfolio.

1.34. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by Dexia and held as treasury shares.
For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

2. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Group is Dexia, incorporated in Belgium. Relations with equity-accounted companies are reported, as well as relations with the directors.

3. SEGMENT REPORTING

A segment is a distinguishable component of Dexia that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10 per cent or more of all the segments that are reported separately.

3.1. BUSINESS SEGMENTS (PRIMARY SEGMENT REPORTING)

Dexia' s reportable segments are defined by using the "management approach". These segments reflect Dexia's internal organisational structure and are used by the management to make business decisions.
Dexia is organized as follows:
• Public/Project Finance and Credit Enhancement;
• Personal Financial Services;
• Asset Management, Insurance and Insurance Services;
• Treasury and Financial Markets;
• Non allocated.
The "non allocated" part is mainly composed of:
• equities portfolio not attributable to other segments;
• exceeding share capital;
• building property, other tangible and intangible fixed assets not attributable to other business lines;
• share leasing activities in the Netherlands;
• items non attributable to other segments.
Dexia caters for two types of clients: institutions and individual customers. All distribution activities related to these two markets are covered by a specific business line (first and second business lines). Moreover, some activities are transversal by nature and common to all commercial business lines. These activities (Asset Management, Fund Services and Insurance) are grouped as a "production and service centers" function (third business line). Finally, Dexia has a treasury and financial markets sector (fourth business line), covering all trading room and associated activities, both for Group business lines and external counterparties.
Relations between business lines and especially between commercial business lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, governed by service level agreements based on normal commercial terms and market conditions.
The results of each business line also include:
• the earnings from commercial transformation, including the management costs of this transformation and the Group equity allocated to this activity on the basis of medium and long-term outstanding;
• interest on economic capital: economic capital is allocated to the business lines for internal purposes and the return on economic capital is used to measure the performance of each business line;
• funding cost.
Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet but excluding items such as tax assets and liabilities.
The Chief Operations Officer (COO) manages main tangible and intangible assets. Therefore, these are allocated to "Non Allocated" except when they are directly managed by a commercial or financial business line.
The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

3.2. GEOGRAPHIC SEGMENTS (SECONDARY SEGMENT REPORTING)

Although Dexia's business segments are managed on a worldwide basis, they operate in four main geographic areas as follows:
• euro zone (countries using the euro currency);
• rest of Europe (European countries which do not belong to the euro zone);
• USA;
• rest of the world.

4. RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

This section presents information about Dexia's exposure to, and its management and control of risks, in particular the primary risks associated with its use of financial instruments:
- market risk is exposure to observable market variables such as interest rates, exchange rates and equity markets;
- credit risk is the risk of loss resulting from client or counterpart default and arises on credit exposure in all forms, including settlement risk;
- funding and liquidity risk is the risk of being unable to meet its payment when due, or to be unable, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate Dexia's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations of the underlying interest, foreign exchange, equity or credit risks relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
Assumptions and techniques have been developed to provide a consistent measurement of fair value for Dexia's assets and liabilities. However, because other institutions may use different methods and assumptions, fair value disclosures cannot necessarily be compared from one financial institution to another.
This section also presents Group's regulatory capital position.

4.1. MARKET RISK

4.1.1. Overview

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, exchange rates and equity markets.
The risk of price movements on securities resulting from general credit and country risk factors and events specific to individual issuers is also considered to be market risk.
Market risk is incurred in Dexia primarily through trading activities, which are centered in the Treasury and Financial Markets business line (TFM). It arises from market making, client facilitation and own positions in equities, fixed income and interest rate products and foreign exchange.
TFM assumes non-trading risk positions that arise from short-term balance sheet and capital management activities. Market risks arise, but to a much lesser extent, in other business lines primarily from the facilitation of customer business.
Group Risk Management (GRM) defines risk rules, framework and controls and acts as an independent risk control unit for market risks, credit risks and operational risks. Each main Dexia entity has its own risk unit applying operationally Group risk rules.

Market risk measures are applied to all trading activities, to foreign exchange exposures wherever they arise, and to interest rate risk in the banking books of all business lines including TFM.

The principal risk measures and controls on market risk are value at risk (VaR) and stress test. VaR expresses the potential loss on the current portfolio from adverse market movements assuming a specified time horizon before positions can be adjusted (holding period of 10 days), and measured to a specified level of confidence (99%), based on historical market changes. Stress test is assessed against a set of forward-looking scenarios using stress moves in market variables, which are regularly reviewed. Complementary controls are also applied, where appropriate, to prevent undue concentrations, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or exchange rates, and positions in the securities of individual issuers ("issuer risk").

4.1.2. Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates. It is controlled primarily through the limit structure described in 4.1.1. above. Exposure to interest rate movements is expressed for all interest rate sensitive positions, whether marked to market or subject to accrual accounting, as the impact on their fair values of a one basis point (0.01%) change in interest rates. Interest rate sensitivity is one of the inputs to the VaR model.

Non-trading

Interest rate risk is inherent in many of Dexia's businesses and arises from factors such as differences in timing between contractual maturity or re-pricing of assets, liabilities and derivative instruments.

Most short term non-trading interest rate risk is captured at the point of business origination and transferred to a management unit — primarily the treasury trading unit of the Treasury and Financial Markets business line — where it is managed within the market risk limits described in 4.1.1. The long-term non-trading interest rate risk is managed in the assets and liabilities department (ALM).

The margin risks embedded in retail products remain with, and are subject to additional analysis and control by, the originating business units. Many client products have no contractual maturity date or directly market-linked rate. Their interest rate risk is transferred on a pooled basis through "replication" portfolios — portfolios of revolving transactions between the originating business unit and Treasury and Financial Markets business line or ALM department at market rates designed to estimate their average cash flow and repricing behavior. The structure and parameters of the replication portfolios are set in accordance with long-term observations of market and client behavior, and are reviewed periodically.

CONSOLIDATED FINANCIAL STATEMENTS

4.1.3. Currency risk

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Currency risk is the risk of loss resulting from changes in exchange rates.

Trading

Dexia is an active participant in currency markets and carries currency risk from these trading activities, conducted primarily in the Treasury and Financial Markets business line. These trading exposures are subject to VaR, stress and concentration limits as described in 4.1.1.

Non-trading

Dexia's reporting currency is the euro but its assets, liabilities, income and expense are denominated in many currencies with significant amounts in USD. Reported profits or losses are translated at each closing date into euros, reducing volatility in Dexia's earnings from changes in exchange rates. Dexia also, from time to time, proactively hedges significant expected foreign currency earnings/costs (mainly in USD) in accordance with the instructions of the Dexia Management Board.

4.1.4. Equity risk

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Equity risk is the risk of loss resulting from changes in the levels of equity indices and values of individual shares. The Treasury and Financial Markets business line is a player in major equity markets and carries equity risk from these activities. These exposures are subject to VaR, stress and concentration limits as described in 4.1.1 and, in the case of individual shares, to issuer risk controls as described in 4.1.5.

4.1.5. Issuer risk

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The values of tradable assets — equities, bonds and other debt instruments held for trading — are affected by factors specific to individual issuers as well as general market moves. These may include short-term factors influencing price but also more fundamental causes including severe financial deterioration.

As an active trader in equities and bonds, the Treasury and Financial Markets business line holds positions in tradable assets, which are not only included in VaR, but which are also subject to concentration limits on individual issuers, including positions arising from derivatives as well as physical holdings.

4.1.6. Price risk

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The price risk is the risk that the fair value or future cash-flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments of its issuer, or factors affecting all similar financial instruments traded in the market.

4.2. CREDIT RISK

Credit risk represents the loss, which Dexia would suffer if a client or counterpart failed to meet its contractual obligations. It is inherent in traditional banking products — loans, lending commitments and other contingent liabilities, such as letters of credit — and in traded products — derivative contracts such as forwards, swaps and options, and repo and securities borrowing and lending transactions.

Reductions in the market values of tradable assets (securities and other obligations in tradable form held for trading) resulting from changes in the credit quality of individual obligations are considered as market risk. This is explained in 4.1.1. above.

To ensure a consistent and unified approach, with appropriate checks and balances, all entities with material credit risk have independent credit risk control functions. They are responsible for counterpart ratings and credit risk assessment. Credit risk authority, including authority to establish allowances and provisions for credit loss, is ultimately exercised by credit committees at Group level.

Dexia manages and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups and to industries and countries. Dexia sets limits on its credit exposure to both individual counterparties and counterparty groups. Exposure is measured for banking products as the face value amount.

For all traded products, credit exposure is measured for internal risk control purposes based not only on the current replacement value of contracts but also on potential future changes in replacement value (based on an add-on by product type and maturity), and credit limits are applied on this basis. Securities borrowing and lending transactions are represented on the balance sheet by the values of cash collateral placed with or received from counterparties while repo/reverse repo transactions are represented by the amounts of the forward commitments. Dexia is an active user of credit derivatives to hedge credit risk in banking and traded products.

Dexia also makes use of master netting agreements where possible in its OTC derivatives trading and, in line with general market trends, has also entered into bilateral collateral agreements with market participants. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Stress measures are therefore applied to assess the impact of variations in bankruptcy rates and asset values, taking into account risk concentrations in each portfolio.

Dexia classifies a receivable as impaired if the book value of the receivable exceeds the present value of the cash flows actually expected in future periods — loan interest payments and scheduled principal repayments, or other payments due, for example on guarantees, and including liquidation of collateral where available. Loans are further classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days or when insolvency proceedings have commenced or obligations have been restructured on concessionary terms. The occurrence of actual credit losses is erratic in both timing and amount and those that arise usually relate to transactions entered into in previous accounting periods. In order to account for average credit loss over time and to encourage risk-adjusted pricing, Dexia uses the concept of "expected loss" for management purposes. Expected loss is a statistically based measurement intended to reflect the annual costs that will arise, on average, over time, from positions that become impaired, and is a function of the probability of default (given by the counterparty rating), current and likely future exposure to the counterparty and the likely severity of the loss should default occur.

4.3. LIQUIDITY RISK

Liquidity risk is the risk of the bank not being able to meet its current and future payment commitments or not being able to do so on time (solvency or refinancing risk).
Dexia's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without compromising its ability to respond quickly to strategic market opportunities.
Given the size of Dexia's balance sheet, the balance between its resources and their use is carefully managed. In practice, attention is paid to two main concerns:

- the adequacy of expected new lending production (in terms of maturity and amount) with the available resources;
- the Group's liquidity needs, even in troubled times.

The first question is addressed in the annual planning process. Each year, the forecasts for the new lending production are compared with the funding capacity. The purpose is to preserve an acceptable liquidity gap profile for the Group. Besides, the Group has decided to improve its analytical accounting process, in order to reflect more accurately the finding cost of the transactions originated by the business lines, whether they require funding or bring funding. The purpose of this kind of "internal market" for liquidities is to provide the right incentive to the business line to achieve a natural match between the lending and the funding capacities.
The second question is addressed by way of various scenarios representing highly-stressed situations. These scenarios are then translated into a set of limits and ratios. They are designed so that Dexia can withstand for one year, thanks to its liquidity reserve (notably for Credit Spread Portfolio) a total squeeze of funding and a stress on deposits while maintaining its lending activity. The liquidity position is monitored and controlled from one day up to twelve months. Hence, great care is given to the forecast of the expected liquidity needs in the main currencies as well as to the estimate of the liquidity reserve. Special attention is also paid to off-balance-sheet liquidity commitments of the Group.
Given the importance, all the main issues regarding the liquidity of the Group are directly managed by the Group's ALM committee, which includes all the members of the Management Board.

4.4. CAPITAL ADEQUACY

The adequacy of Dexia's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"). The ratios of the Bank of International Settlements (BIS) compare the amount of eligible capital (in Total and Tier 1) with the total of Risk-Weighted Assets (RWAs). While Dexia monitors and reports its capital ratios under BIS rules, it also has to report to the CBFA (Banking, Financial and Insurance Commission) the capital requirements underpinning Dexia's business following the banking prudential rules and the prudential rules of conglomerates.
Dexia has complied with all regulatory capital rules for all periods reported.

BIS eligible capital
BIS eligible capital consists of two parts:

- Tier 1 capital which comprises share capital, share premium, retained earnings including current year profit, hybrid capital, foreign currency translation and minority interests, less intangible assets, accrued dividends, net long positions in own shares and goodwill;
- Tier 2 capital which includes eligible part of subordinated long-term debt, less subordinated debt from and equities in financial institutions.

Tier 1 capital is required to be at least 4% and Total eligible capital at least 8% of RWAs.

BIS risk-weighted assets (RWAs)
Three elements make up total RWAs — credit risk, other assets and market risk, each of which is described below.
The credit risk component consists of on- and off-balance-sheet claims, measured according to the regulatory formulae outlined below and, weighted according to the type of counterparty and collateral at 0%, 20%, 50% or 100%. The least risky claims, such as claims on OECD governments and claims collateralized by cash, are weighted at 0%, meaning that no capital support is required, while the claims deemed most risky, including unsecured claims on corporate and private customers, are weighted at 100%, meaning that 8% capital support is required. Securities not held for trading are included as claims, based on the net long position in the securities of each issuer, including both physical holdings and positions derived from other transactions such as options.
Claims arising from derivative transactions include not only the current positive replacement value (shown in the table below under balance-sheet assets), but also an "add-on" to reflect their potential future exposure.
Capital is required to support market risk arising in all positions held for trading in interest rate instruments, foreign exchange and equities, including risks on individual equities, and traded debt obligations such as bonds. Dexia computes this risk using a Value at Risk (VaR) model endorsed by the CBFA, from which the market risk capital requirement is derived. Unlike the calculations for credit risk and other assets, this produces the capital requirement itself rather than the RWA amount. In order to compute a total capital ratio, the market risk capital requirement is converted to a "RWA equivalent" so that the

capital requirement is 8% of this RWA equivalent, i.e. the market risk capital requirement is multiplied by 12.5.

As from January 1, 2005, Dexia is publishing its financial statements under IFRSs as adopted by the EU. The CBFA has required calculating the ratio based on IFRS amounts, with the main following adjustments applicable for Dexia:

- AFS reserves on bonds and cash flow hedge reserves are not part of equity;
- AFS reserves on shares are added to Tier 2 equity if positive, with a haircut, or deducted from Tier 1 equity if negative;
- some IFRS adjustments on subordinated debts, minority interests and debts must be reversed to reflect the characteristics of absorption of loss of those instruments;
- other elements (SPV, deferred taxes, etc) are also adjusted based on CBFA requirements.

Moreover, as from January 1, 2007, according to the CRD regulation (Capital Requirement Directive), the CBFA will adapt its definition of the regulatory capital. The most important point which could impact Dexia is the elements which are currently deducted from the total regulatory capital (banks accounted for by the equity method, participations in financial companies or subordinated loans issued by such a financial company) that will be deducted for 50 % from Tier 1 capital and for 50 % from total regulatory capital. For these elements dealing with insurance companies, the new deduction rule will be implemented as from 2012.

However, about the solvency ratio publication, Dexia will use the flexibility allowed by the Directive and the CBFA in the way that the publication obligations (pillar III) are not applied when the bank has just begun to use the new methods of calculation (Basel II). Hence, to ensure continuity in the applied method, Dexia will use this option in 2007 and will continue to publish its ratios based on the former rule, which allows deducting participations from total regulatory capital.

As from January 1, 2008, Dexia will calculate its capital adequacy according to Basel II regulation and its regulatory capital will be calculated consequently.

2. SIGNIFICANT CHANGES IN SCOPE OF CONSOLIDATION AND LIST OF MAIN SUBSIDIARIES AND AFFILIATED ENTERPRISES OF THE GROUP DEXIA

2.1. SIGNIFICANT CHANGES IN SCOPE OF CONSOLIDATION COMPARED WITH 2005

Dexia and Royal Bank of Canada combine their institutional investor services businesses in a joint venture equally owned by both of them, named RBC Dexia Investor Services.
Dexia consolidate 50% of the joint venture by proportional method as from January 1, 2006.
As of October 17, 2006 Dexia closed a share purchase agreement with Zorlu Holding concerning the acquisition of approximately 75% stake in DenizBank Financial Services Group.
The shares were transferred from Zorlu Holding A.S. to Dexia Participation Belgique SA — a 100% subsidiary of Dexia — for an amount of USD 2,43 billion.
DenizBank is therefore fully consolidated in Dexia financial statements since October 17, 2006. More details about the transaction are presented in note 9.6. "Acquisitions and disposals of consolidated companies".
As prescribed by Turkish law, Dexia Participation Belgique SA launched a mandatory tender offer for the remaining ordinary shares held by the minority shareholders (24.15%) listed on the Istanbul Stock Exchange.
This offer launched on December 4 was closed on December 22, 2006 at a price per share in TRY equivalent to that offered to Zorlu Holding.
As at December 31, 2006, the shareholding of Dexia in DenizBank stood at 99.74%.
The companies Banksys and Bank Card Company which were accounted for by the equity method were sold and Banque Artesia Nederland NV left the scope of the Group following the closing of the sale.
Dexia Banque Privée France has been transferred in noncurrent assets held for sale.

2.2. MAIN SUBSIDIARIES AND AFFILIATED ENTERPRISES OF THE GROUP DEXIA [1]

Name	Head Office	% of capital held	Consolidation method	Activity
DIRECT PARTICIPATIONS OF DEXIA SA				
Associated Dexia Technology Services SA (ADTS)	69, route d'Esch L-2953 Luxembourg	100	fully	IT
Dexia Employee Benefits SA	Avenue Livingstone 6 B-1000 Bruxelles	100	fully	financial engineering
Dexia Funding Luxembourg SA	69, route d'Esch L-2953 Luxembourg	100	fully	funding
Dexia Habitat SA	7 à 11, quai André Citroën F-75015 Paris	100	fully	investment company
Dexia Management Services Ltd	Shackleton House, 4 Battle Bridge Lane UK-London SE1 2RB	100	fully	other
Dexia Nederland Holding NV	Beethovenstraat 300 NL-Amsterdam	100	fully	investment company
Dexia Participations Belgique SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	fully	investment company
Dexia Participations Luxembourg SA	69, route d'Esch L-2953 Luxembourg	100	fully	investment company
Group Denizbank A.S.	Büyükdere Cad. No: 106, T-34394 Esentepe/Istanbul	99.74	fully	credit institution
Group Dexia Bank Nederland NV	Piet Heinkade 55, PB 808 NL-1019 GM Amsterdam	100	fully	credit institution
MAIN SUBSIDIARIES AND AFFILIATED ENTERPRISES OF THE SUBGROUP "DEXIA BANK BELGIUM SA"				
Crédit du Nord SA	59, Boulevard Haussmann F-75008 Paris	10	equity method	credit institution
Dexia Bank Belgium SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	fully	credit institution
Dexia Crédits Logement SA	Boulevard Pacheco 44 B-1000 Bruxelles	100	fully	home loans

(1) Complete list available on request.

Name	Head Office	% of capital held	Consolidation method	Activity
Dexia Financial Services Ireland Unltd	6 George's Dock IRL-IFSC Dublin 1	100	fully	mutual funds
Dexia Insurance Belgium Invest NV	Rue Joseph II 96, B-1000 Bruxelles	100	fully	other services financial sector
Dexia Insurance Belgium SA	Avenue Livingstone 6 B-1000 Bruxelles	99.63	fully	general insurance
Dexia Investment Company NV	Boulevard Pacheco 44 B-1000 Bruxelles	100	fully	investment company
Dexia Investments Ireland SA	6 George's Dock IRL-IFSC Dublin 1	100	fully	financing
DVV Finance SA	2, rue Nicolas Bové L-1253 Luxembourg	100	fully	development capital
Eurco RE Ltd	6 George's Dock IRL-IFSC Dublin 1	99.94	fully	general insurance
Parfipar SA	Boulevard du Régent 40, B-1000 Bruxelles	100	fully	credit institution
MAIN SUBSIDIARIES AND AFFILIATED ENTERPRISES OF THE SUBGROUP "DEXIA BANQUE INTERNATIONALE À LUXEMBOURG SA"				
Darton Investments S.à.r.l.	180, rue des Aubépines L-1145 Luxembourg	99.92	fully	investment company
Dexia Asset Management Belgium SA	Rue Royale 180 B-1000 Bruxelles	100	fully	asset management
Dexia Asset Management France SA	Washington Plaza 40, rue de Washington F-75008 Paris Cedex 08	100	fully	asset management
Dexia Asset Management Luxembourg SA(1)	283, route d' Arlon L-1150 Luxembourg	100	fully	asset management
Dexia Banque Internationale à Luxembourg	69, route d'Esch L-2953 Luxembourg	99.93	fully	credit institution
Group Dexia Banque Privée Suisse AG	Beethovenstrasse 48 CH-8039 Zürich	100	fully	credit institution
RBC Dexia Investor Services Bank SA	5, rue Thomas Edison L-1445 Strassen	50	proportionally	fund services
RBC Dexia Investor Services Trust Ltd	77 King Street West – 35th floor Royal Trust Tower Toronto, ON, Canada M5W-1P9	50	proportionally	fund services
MAIN SUSIDIARIES AND AFFILIATED ENTERPRISES OF THE SUBGROUP "DEXIA CRÉDIT LOCAL SA"				
Crédit du Nord SA	59, Boulevard Haussmann F-75008 Paris	10	equity method	credit institution
Dexia Crediop Spa	Via Venti Settembre 30 I-00187 Roma	70	fully	credit institution
Dexia Crédit Local SA	7-11, quai André Citroën F-75015 Paris	100	fully	credit institution
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82 D-10969 Berlin	100	fully	credit institution
Dexia Kommunalkredit Bank AG	Türkenstrasse 9 A-1092 Wien	50.84	fully	credit institution
Dexia Municipal Agency SA	7 à 11, quai André Citroën F-75015 Paris	100	fully	credit institution
Dexia Sabadell Banco Local	Paseo de las 12 Estrellas 4 Campo de las Naciones, E-28042 Madrid	60	fully	credit institution
Dexia Sofaxis	F-18020 Bourges Cedex	100	fully	other service activities
Financial Security Assurance Holding Ltd	350, Park Avenue New York, NY 10022 – USA	98.1	fully	investment company
Group Kommunalkredit Austria AG	Türkenstrasse 9 A-1092 Wien	49	equity method	credit institution
SISL SA	69, route d' Esch L-2953 Luxembourg	100	fully	investment company

(1) 49% by Dexia Bank Belgium, 51% by Dexia Banque Internationale à Luxembourg.

3. BUSINESS AND GEOGRAPHIC REPORTING

BUSINESS REPORTING (in millions of EUR)	Public/Project Finance and Credit Enhancement	Personal Financial Services	Asset Management, Insurance and Investor Services	Treasury and Financial Markets	Non allocated - Central Assets	Dexia
AS OF DECEMBER 31, 2005						
Income	2,288	2,289	701	487	211	5,976
of which Net income from associates	*23*	*46*	*2*	*0*	*18*	*89*
Net income before tax	1,502	657	275	312	(51)	2,695
Assets						
Subtotal assets [(1)]	236,557	47,942	17,346	141,245	8,360	451,450
of which investments in associates	*261*	*491*	*19*	*0*	*7*	*778*
Liabilities						
Subtotal liabilities [(2)]	161,685	67,376	21,852	159,343	7,805	418,061
Other segment information						
Capital expenditures	(111)	0	0	0	(427)	(538)
Depreciation and amortization		0	0	0	(246)	(246)
Impairments [(3)]	(49)	(25)	26	26	17	(5)
Other non cash expenses [(4)]	(14)	(35)	(4)	(9)	(4)	(66)
AS OF DECEMBER 31, 2006						
Income	2,566	2,460	1,110	563	313	7,012
of which net income from associates	*20*	*60*	*3*	*0*	*19*	*102*
Net income before tax	1,701	799	580	387	(60)	3,407
Assets						
Subtotal assets [(1)]	247,332	35,383	20,809	199,918	7,142	510,584
of which investments in associates	*270*	*528*	*21*	*0*	*7*	*826*
Liabilities						
Subtotal liabilities [(2)]	149,799	58,779	22,250	248,484	1,935	481,247
Other segment information						
Capital expenditures	0	0	0	0	(272)	(272)
Depreciation and amortization	0	0			(252)	(252)
Impairments [(3)]	(52)	(31)	32	20	(8)	(39)
Other non cash expenses [(4)]	(15)	(35)	(5)	(4)	(8)	(67)

(1) Includes Due from banks, Loans and advances to customers, Loans and securities held for trading, Loans and securities available for sale, Investments in associates, Other assets specific to insurance companies.
(2) Includes Due to banks, Customer borrowing and deposits, Debt securities, Technical provisions of insurance companies.
(3) Includes Impairments on tangible and other intangible assets, Impairments on securities, Impairments on loans and provisions for credit commitments, Impairments on goodwill.
(4) Includes IFRS2 costs, net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19, capital losses on exchange of assets.

Relations between business lines, and especially between commercial business lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, governed by service level agreements based on normal commercial terms and market conditions. The results of each business line also include:

- The earnings from commercial transformation, including the management costs of this transformation and the Group equity allocated to this activity on the basis of medium and long-term outstanding;
- Interest on economic capital: economic capital is allocated to the business lines for internal purposes and the return on economic capital is used to measure the performance of each business line;
- Funding cost.

Tangible and intangible assets are allocated to "Non allocated – Central assets" except when they are directly managed by a commercial or financial business line.

GEOGRAPHIC REPORTING (in millions of EUR)	Eurozone [1]	Rest of Europe	USA	Rest of the world	Intra geographical zone transactions	Dexia
AS OF DECEMBER 31, 2005						
Net income before tax	2,074	63	520	38	0	2,695
Total assets	478,016	24,338	58,350	9,469	(61,412)	508,761
Capital expenditures	(510)	0	(28)	0	0	(538)
AS OF DECEMBER 31, 2006						
Net income before tax	2,565	102	595	145	0	3,407
Total assets	531,165	12,701	58,186	19,288	(54,597)	566,743
Capital expenditures	(248)	(2)	(3)	(19)	0	(272)

(1) Countries using the euro currency.
(2) Including Turkey as from 2006.

Geographic reporting is done based on booking centers, being the country of the company having recorded the transaction, and not the country of the customers.

4. SIGNIFICANT ITEMS INCLUDED IN THE NET INCOME

Reported amounts are significant unusual transactions and not only large transactions. They therefore do not include results on sales of securities nor provisions thereon or on customers.
The main items regarding the year 2006 are:
• In Q1 2006 Dexia recorded a profit as a result of the constitution of the joint venture RBC Dexia Investor Services, equally owned by Dexia and by Royal Bank of Canada.
In accordance with IFRS, the contribution to the joint venture has been done at fair value, leading to a profit of EUR 236 million, the recording of a goodwill on the net contribution done by Royal Bank of Canada of EUR 121 million and a decrease of 50 % of the net goodwill on Dexia Fund Services activities, amounting to EUR 21 million.
• A capital gain of EUR 280 million is recorded in Q4 2006 pursuant to the sale of Banque Artesia Nederland NV.
• As explained in note 6. "Litigations", a provision related to the Lernout & Hauspie case is recognized in the 2006 Financial Statements in order to cover the residual risks linked to the settlements as well as the costs and legal fees related to the whole US procedures.
All non-operating items are reported on page 73.

5. POST-BALANCE-SHEET EVENTS

A gross dividend of EUR 0.81 per share will be proposed at the Annual Shareholders' Meeting on May 9, 2007. The payment date of the dividend is May 24, 2007.

BNP Paribas and Dexia signed an agreement regarding the sale of Dexia Banque Privée France (DBPF), a wholly-owned subsidiary of Dexia BIL, which offers private banking services to private clients and not-for-profit organizations.
The transaction is subject to approval from the relevant supervisory authorities. A net profit in a range of EUR 42 million will be recorded in 2007.

As of December 31, 2006 Dexia Banque Privée France is recorded in "Noncurrent assets held for sale" for EUR 0.9 billion and in "Liabilities included in disposal groups held for sale" for EUR 0.8 billion.

6. LITIGATIONS

6.1. DEXIA BANK NEDERLAND

6.1.1. Background

—

The difficulties linked to the share-leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NV; hereinafter to be referred to as "DBnl") appeared at the time of the fast and severe fall of the Amsterdam stock market in late 2001. The value of the securities used as collateral against the loans granted by DBnl proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.
Reference is made to the detailed disclosures, as contained in the Dexia Accounts and Reports 2005 (especially pages 86 to 88) and in the Activity Reports published during the year 2006.

6.1.2. "Binding force" to the Duisenberg arrangement

—

On April 29, 2005, the announcement was made that the mediation undertaken by Mr Wim Duisenberg had been successful. DBnl entered into a general settlement with the Foundations Leaseverlies and Eegalease, the Consumentenbond (Dutch Consumer's Association) and the Vereniging van Effectenbezitters (Dutch association of security holders), hereinafter to be referred to as "the Interest Groups".
After a positive response by an overwhelming majority of the share-leasing contract holders who joined the foundations Leaseverlies (82% of those replying) and Eegalease (78% of those replying), the settlement agreement between DBnl and the Interest Groups was signed on June 23, 2005. As a result of this Duisenberg Arrangement, the collective proceedings

that had been filed by the Interest Groups against DBnl have been set aside.

DBnl has made it clear to all parties concerned that its willingness to enter into the Duisenberg Arrangement entails no admission of responsibility.

DBnl's costs and provisions arising from the Duisenberg Arrangement have been recalculated each quarter on the basis of prevailing market data and client conduct.

The Duisenberg Arrangement has been effective since October 2005. Its conditions as well as other information regarding this Arrangement may be found at *www.dexialease.nl*.

On December 31, 2006, more than 62,000 clients holding more than 105,000 contracts have accepted settlements based on the Duisenberg Arrangement. This figure does not include the approximately 200,000 contracts of clients which had already ended in another settlement, including a waiver, and of which some also potentially benefit from the Duisenberg Arrangement.

On November 18, 2005, DBnl and the Interest Groups have filed their joint petition to the Amsterdam Court of Appeal to grant binding force to the Duisenberg Arrangement, based on the newly introduced "Law on Collective Settlement of Mass-Damage."

In May 2006, the Amsterdam Court of Appeal held four days of public hearing in respect of this joint petition of DBnl and the Interest Groups to grant binding force to the Duisenberg Arrangement. Over 60 other interest groups and individual clients had put up a defence. On June 20, 2006 this court has rendered an intermediate decision, including an assignment to the Autoriteit Financiële Markten (AFM) – the Dutch regulator of the financial markets – to report on the issue whether DBnl has actually bought and held the shares necessary in respect of the share-leasing contracts. On November 9, 2006, AFM has issued the final report that was favorable for the position of DBnl. The Amsterdam Court of Appeal has rendered the definitive decision on January 25, 2007, granting binding force to the Duisenberg Arrangement, which means that all relevant clients in respect of the Arrangement who will not "opt-out" within six months, will be bound automatically to the Arrangement. After mandatory advertisements were placed in national newspapers on January 31, 2007, the opt-out period has started on February 1, 2007, until and including July 31, 2007.

The court cases that have been suspended during this trial, will be resumed now, but only in case the plaintiffs will file an "opt-out".

6.1.3. Litigations in general

—

A number of disputes have arisen between Bank Labouchere and its clients with respect to share-leasing products. Dexia has reported on this matter in its earlier annual reports and quarterly activity reports.

As a successor to Bank Labouchere, DBnl is still faced with claims which are mainly based on alleged misleading information/error with respect to the share-leasing products; failure to ascertain whether the share-leasing product is suitable for a client in view of his investment experience and objectives and his financial situation ("duty of care"); failure to obtain the consent of the spouse of the client; false and misleading (oral) statements by intermediaries; cold calling; door-to-door sales; waivers related to the Dexia Offer not being binding; and violations of the Netherlands Consumer Credit Act.

The disputes are either with individual parties or collective foundations (Stichting Leaseleed). They are presented to different types of courts or arbitrators, mainly the sub-district and district courts, courts of appeal, the Dutch Securities Institute (DSI) and the Disputes Committee for the Banking Industry.

Over 100 clients have issued a complaint to the so-called Disputes Committee Duisenberg (Geschillencommissie Duisenberg). However, until now only a insignificant number of those complaints have resulted in an adjudication.

In past reports and press releases, Dexia has informed the public about significant evolutions. This information is applicable on the Dexia website at *www.dexia.com.*

On December 31, 2006, DBnl has been summoned in civil courts by clients having 13,976 contracts representing 4% of the contracts with realized or potential losses, a large majority of those in collective proceedings. In 39 of those cases some 1,700 clients are represented by Leaseproces BV, a profit driven organization recruiting clients with a rather aggressive "no cure, no pay" offer. Approximately 22,000 clients summoned DBnl by means of Leaseproces BV without starting proceedings yet.

6.1.4. Dutch Securities Institute (DSI)

—

In total, approximately 2,500 clients filed complaints at the Grievance Committee DSI. According to the latest estimations of DBnl, the complaints of at least 2,100 clients will be not admitted because of the statue of limitation. The remaining number of, at maximum, 400 cases has been postponed. It is expected that these will not be heard before a number of months after the decision of the Amsterdam Court of Appeal of January 25, 2007 to grant binding force to the Duisenberg Arrangement.

At the end of 2006, no DBnl cases were under consideration of the Appeals Committee of DSI.

6.1.5. Depot Lease

—

The Duisenberg Arrangement is not applicable to a specific group of originally approximately 5,500 clients who have entered into share-leasing agreements in connection with securities deposit ("Depot Lease"). In April 2005, DBnl introduced for the Depot Lease clients a separate solution for the Depot Lease clients which has been accepted by more than 50% of the clients. However, nearly 700 clients with Depot Lease challenge the legality of this combination of products in court, among which some 390 clients united by the Stichting Leaseleed in a collective complaint.

6.1.6. Assessment

—

The purpose of the table on the next page is to give an update of the status of the portfolio, and to enable the readers to assess the risks linked to possible credit defaults, and outstanding and potential future litigations.

PORTFOLIO AS OF DECEMBER 31, 2006 (in millions of EUR, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL OUTSTANDING PORTFOLIO	**133,976**	**843.3**	**882.5**	**+39.1**
- Contracts with sufficient collateral	60,407	295.6	441.5	+145.9
of which:				
- Contracts with redemption or guaranteed capital	52,713	239.3	381.4	+142.1
- Contracts without redemption or guaranteed capital	7,694	56.2	60.1	+3.9
of which:				
- Accepted an agreement [1] (and signed a waiver)	4,822	34.1	36.3	+2.2
- Not accepted an agreement	2,872	22.1	23.8	+1.7
- Contracts with insufficient collateral	73,569	547.8	441.0	-106.8
of which:				
- Contracts with redemption or guaranteed capital	5,532	39.6	36.4	-3.2
- Contracts without redemption or guaranteed capital	68,037	508.1	404.6	-103.6
of which:				
- Accepted an agreement [1] (and signed a waiver)	41,697	305.8	243.6	-62.2
- Not accepted an agreement	26,340	202.3	160.9	-41.4

(1) Either the Dexia Offer, the Duisenberg arrangement or another kind of settlement.

CONSOLIDATED FINANCIAL STATEMENTS

6.2. LERNOUT & HAUSPIE

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof. Initially, plaintiffs acted in all US proceedings both against Dexia SA and Dexia Bank Belgium. Meanwhile, in all US proceedings a notice of dismissal without prejudice has been filed as far as Dexia SA is concerned. Consequently, the pending proceedings now only involve Dexia Bank Belgium. In the course of 2006 no new proceedings have been initiated, either against Dexia Bank Belgium (Dexia Bank) or Dexia SA.

6.2.1. Claim on Lernout & Hauspie Speech Products

—

Dexia Bank has a claim chargeable to the bankruptcy of LHSP for a principal sum of some EUR 30 million for which an impairment has been recorded for some EUR 25 million.

The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States.

Dexia Bank was claiming a pledge on the business assets of LHSP. In a ruling dated April 10, 2006, the Court of Appeal in Ghent refused to acknowledge this pledge. Dexia Bank renounced to lodge an appeal with the Supreme Court. This means that Dexia Bank is now, as an unsecured creditor, unlikely to receive any dividend from the Belgian liquidation of LHSP.

6.2.2. Claim on Lernout & Hauspie Investment Company

—

As of December 31, 2006, Dexia Bank has a claim on Lernout & Hauspie Investment Company (LHIC) for an amount of some EUR 62 million for which an impairment has been recorded for some EUR 57 million.

As part of the security for its claim, Dexia Bank has a pledge on a portfolio of securities owned by LHIC.

6.2.3. Indictment of Dexia Bank in Belgium in the criminal investigation against the LHSP directors

—

On June 24, 2003, Dexia Bank announced that it had been indicted in the criminal investigation relating to LHSP. The indictment of Dexia Bank concerns offences allegedly committed between July 2, 1999 and September 1, 2000 by Artesia Banking Corporation.

The investigation is now officially closed and the prosecutor has sent a «draft writ of summons» to the parties that are likely to be prosecuted, including Dexia Bank. According to the draft, Dexia Bank will be prosecuted for various offences, among which forgery in the annual financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and market manipulation (*koersmanipulatie/manipulation de cours*). The draft, which is subject to changes, alleges in substance that Artesia Banking Corporation has aided and abetted LHSP in the creation of fictitious revenue, by granting a USD 20 million loan to Messrs. Lernout, Hauspie and Willaert, whilst Artesia BC allegedly knew that the management of LHSP would utilize these funds for improper revenue recognition.

Dexia Bank considers having serious grounds for contesting these charges.

Several parties have introduced a claim for damages in the criminal proceedings. The largest civil party is Deminor, representing – according to its website – 11,000 shareholders of LHSP, with an aggregate amount of alleged damages of approximately USD 200 million in principal. There are about 400 other individuals that have reported themselves as civil parties. It is likely that not all of the potential applicants have already introduced their claim; those who have done so, have in most cases not yet stated and or provided evidence of the alleged losses.

It should be added that in January 2003, Dexia Bank has itself lodged a complaint with the examining magistrate against persons unknown, claiming compensation.

As yet it is very difficult to give an opinion on the likely outcome of the proceedings or on the level of the financial risk which Dexia Bank would face, if the charges brought against it were upheld. Dexia Bank underlines its innocence in this matter and contests the charges brought against it.

6.2.4. Civil proceedings against Dexia Bank in Belgium

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6.2.4.1. LHSP receivers' claim

In July 2005, the receivers of LHSP filed an action against twenty-one parties, including Dexia Bank, for an indemnity against the net liabilities of LHSP in bankruptcy. According to the receivers' provisional assessment of the claim, the claim would amount to approximately EUR 439 million. This claim is not likely to have any development until after the end of the criminal proceedings because of the principle *le criminel tient le civil en état*.

6.2.4.2. Claim by individuals

Certain civil claims have been filed by groups of investors in LHSP shares against various parties, including Dexia Bank. The main claim was filed by Deminor on behalf of 4,941 investors. The claimants seek damages for their losses, which have not been assessed yet. These claims, to a large extent duplicative of the claims introduced in the criminal proceedings, are not likely to have any development until after the end of the criminal proceedings because of the principle *le criminel tient le civil en état*.

6.2.5. Civil proceedings against Dexia Bank in the United States

—

6.2.5.1. LHSP Litigation Trustee's claim

In 2005 the Litigation Trustee for the LHSP Litigation Trust filed an action against Dexia Bank. The Litigation Trustee seeks to recover damages from Dexia Bank for entering into loan transactions, which he claims amount to aiding and abetting breaches of fiduciary duty by the LHSP Management. He also seeks to disallow or subordinate Dexia's claims in the US bankruptcy proceedings. This action is, essentially, a duplication of the above-mentioned LHSP receivers' claim.

6.2.5.2. Claims by investors

Following the announcement of Dexia Bank's indictment in Belgium, several civil claims were introduced in the United States against Dexia SA and Dexia Bank arguing that Dexia Bank is liable for the losses suffered by LHSP shareholders. Dexia Bank disputes the merits of all of these claims.

a) Class actions

Two class actions have been brought on behalf of investors in LHSP shares against Dexia Bank and a host of other parties named in prior litigation, including the principals of LHSP.

• NASDAQ class action

The first class action was served on Dexia Bank in February and March 2004 in the name of three individuals acting for themselves as well as on behalf of a class of purchasers of LHSP shares on the NASDAQ stock market between August 19, 1998 and November 8, 2000.

Although Dexia Bank is of the opinion that none of the claims of the plaintiffs is well-founded, Dexia Bank has, in view of the large costs of defence and the uncertainty about the outcome of the proceedings, decided to conclude a settlement agreement with the NASDAQ class plaintiffs. To this end, a memorandum of settlement has been concluded on February 9, 2007, which in its principal terms provides for the payment by Dexia Bank of an amount of USD 60 million in exchange for an unconditional release of all claims against Dexia SA and Dexia Bank and any of their past or present affiliates, officers and employees, relating to purchases or sales of LHSP common shares on the NASDAQ Stock Market during the period from August 19, 1998 through and including November 8, 2000 (the "class period") or to purchases of call options to acquire LHSP common shares or sales of put options related to LHSP common shares on any United States-based options exchange during the class period by all investors who will participate in and/or be bound by the settlement agreement, without any recognition on behalf of Dexia SA or Dexia Bank of any wrongdoing or liability. This settlement is still subject to court approval.

• EASDAQ class action

In October 2005, a second class action was filed against Dexia Bank on behalf of a class of purchasers of LHSP shares on the EASDAQ stock market between April 28, 1998 and November 8, 2000.

On February 12, 2007, the District court of Massachusetts found that the US courts were not the appropriate forum to litigate this action and consequently dismissed the claim. The EASDAQ plaintiffs have thirty days from the date of the decision to lodge an appeal.

b) Transactional proceedings

Three separate claims for damages have been filed against Dexia Bank by US shareholders that had acquired LHSP shares through major corporate transactions. One claim was filed by Stonington, the former owner of Dictaphone, a US company acquired by LHSP in May 2000 in exchange for LHSP shares valued at the time at USD 490 million. The two other claims were filed by James and Janet Baker, who had received in the spring of 2000 LHSP shares valued at that time at approximately USD 220 million in exchange for their shares in Dragon Systems, and by TRA/Filler Trust, which represents the interests of another former shareholder of Dragon Systems, who has received LHSP shares valued at the time at approximately USD 170 million. The writs of summons for these claims do not mention the amounts claimed by the plaintiffs, as all of them have reserved the right to produce evidence of the extent of the alleged losses at a later date. TRA/Filler Trust has however specified that the extent of its losses total at least some USD 150 million.

In February 2007, the dispute with Stonington was brought to a final end through the conclusion of a settlement agreement. On December 31, 2006, the cases against James and Janet Baker and TRA/Filler Trust were still in the discovery phase (request for production of documents and deposition by parties of witnesses).

6.2.6. L&H Holding

—

On April 27, 2004, the bankruptcy receiver of L&H Holding summoned Messrs. Lernout, Hauspie and Willaert, along with Banque Artesia Nederland (BAN) and Dexia Bank, to pay the principal amount of USD 25 million.

This is connected with a USD 25 million loan granted to Mr. Bastiaens by BAN in July 2000 for the purposes of the acquisition by Mr. Bastiaens of LHSP shares owned by L&H holding. The former Artesia Bank issued a bank guarantee in favor of BAN for an amount of USD 10 million. The selling price of USD 25 million was credited to three personal accounts opened with BAN by Messrs. Lernout, Hauspie and Willaert. Taking the view that this money was due to L&H Holding, the L&H Holding bankruptcy receiver is claiming its repayment.

Dexia Bank vigorously contests the grounds for these applications.

6.2.7. Banque Artesia Nederland

—

In October 2006, Dexia Bank sold its affiliated company Banque Artesia Nederland (BAN). In the context of this operation, it has been agreed, in essence, that Dexia Bank will bear the financial consequences of the LHSP matter for BAN, capped at an amount equal to the price paid by the purchaser.

Most of the pending procedures relate to the loan granted by BAN to Mr. Bastiaens (see paragraph 6.2.6., above). They include the claim introduced by the receiver of L&H Holding both in the criminal investigation relating to LHSP (in the form of a *burgerlijke partijstelling/constitution de partie civile*) and before the civil court (see paragraph 6.2.6., above).

In addition, BAN is involved in a number of procedures pertaining to Parvest shares acquired by Messrs. Lernout, Hauspie en Willaert with the proceeds of the sale of the LHSP shares to Mr. Bastiaens. The investigating magistrate in the Belgium criminal case, L&H Holding and KBC Bank have all made claims in relation to these shares and proceeded to their provisional attachment in the hands of BAN. In addition, the Luxembourg Court of Appeals has issued a decision on July 12, 2006 at the request of Crédit Agricole Indosuez Luxembourg (CAIL) by which BNP Paribas Luxembourg has been ordered to deliver the Parvest Shares to CAIL by June 30, 2007 or to pay to CAIL the countervalue of these Parvest shares on June 30, 2007 if the latter have not been delivered to CAIL prior to July 1, 2007. The Luxembourg Court of Appeals has condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation. As a consequence, BAN is at risk to have to pay BNP Paribas Luxembourg the countervalue of the Parvest shares, if the provisional attachments on these Parvest shares are not lifted prior to June 30, 2007.

BAN has lodged an appeal against the decision of the court of appeals of Luxembourg before the supreme court (*cour de cassation*).

6.2.8. Provisions and impairments

—

On December 31, 2006, the exposure of Dexia Bank on the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 101 million (see paragraphs 6.2.1., 6.2.2. and 6.2.7.). On the same date impairments for the Lernout & Hauspie file have recorded for a total amount of some EUR 90 million. Dexia Bank expects to be able to recover the difference in view of the securities provided.

The relevant provisions have been charged to the 2006 financial statements in order to cover the residual risks linked to the US cases for which no settlement has been concluded, as well as for costs and legal fees related to the whole of the L&H procedures mentioned in paragraphs 6.2.1. to 6.2.6. above. Dexia strongly challenges the validity and the merits of all these claims.

Dexia does not disclose

- the amount of the provisions relating to the LHSP US legal proceedings for which as yet no settlement has been concluded and
- the settlement amount reached with Stonington, mentioned below in paragraph 6.2.5.2.b).

Dexia believes that to do so could seriously prejudice the outcome of the still pending LHSP legal proceedings.

6.3. INHERITANCE DUTIES

The enquiry opened by the judicial authorities on September 28, 1999 into Dexia Bank and a possible fraud involving inheritance duties seems to have ended. Four former executives were accused at the end of March 2004. However that accusation did not imply the guilt of the persons concerned, in whom Dexia maintains its confidence. Dexia Bank confirms that the necessary internal audit and IT procedures have enabled it to abide by the directives issued in this regard by the CBFA. There was no fundamental development in this file during 2006.

6.4. FINANCIAL SECURITY ASSURANCE – SUBPOENA

In November 2006,

• Financial Security Assurance Holdings Ltd. (FSA) received a subpoena from the Antitrust Division of the US Department of Justice (DOJ) in connection with an ongoing criminal investigation of bid rigging of awards of municipal guaranteed investment contracts (GICs) and

• Financial Security Assurance Inc. received a subpoena from the US Securities and Exchange Commission (SEC) in connection with an ongoing civil investigation of brokers of municipal GICs.

FSA issues municipal GICs through its financial products segment, but does not serve as a GIC broker. FSA understands that approximately two dozen firms have received subpoenas in connection with these investigations. The subpoenas request that FSA furnish to the DOJ and SEC records and other information with respect to FSA's municipal GIC business. FSA intends to cooperate fully with both investigations.

7. NOTES ON THE ASSETS OF THE CONSOLIDATED BALANCE SHEET (IN MILLIONS OF EUR)

7.1. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days remaining duration:

A. Analysis by nature

	Dec. 31, 2005	Dec. 31, 2006
Cash and balances with central banks	3,435	3,357
Interbank loans and advances	36,298	49,029
Loans and securities available for sale	3,081	5,127
Loans and securities held for trading	965	396
Loans and securities designated at fair value	18	0
Non current assets held for sale	0	32
TOTAL	**43,797**	**57,941**

B. Of which restricted cash

	Dec. 31, 2005	Dec. 31, 2006
Mandatory reserves (1)	1,259	2,154
Other	6	3
TOTAL	**1,265**	**2,157**

(1) Mandatory reserves: minimum reserve deposits credit institutions must have with ECB or with other central banks.

7.2. CASH AND BALANCES WITH CENTRAL BANKS

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	4	8
Acquisition cost	3,440	3,357
TOTAL	**3,444**	**3,365**

Analysis by nature (acquisition cost)

	Dec. 31, 2005	Dec. 31, 2006
Cash in hand	485	586
Balances with central banks other than mandatory reserve deposits	1,696	617
Mandatory reserve deposits	1,259	2,154
TOTAL	**3,440**	**3,357**
of which included in cash and cash equivalents	3,435	3,357

7.3. DUE FROM BANKS

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest on not impaired interbank loans and advances	599	1,167
Accrued interest on impaired interbank loans and advances	0	0
Fair value hedge adjustment	620	321
Reimbursement amount, premium discount and impairments (1)	73,834	76,727
TOTAL	**75,053**	**78,215**

(1) In order to harmonize the accounting presentation within Dexia, cash collaterals of some companies of the Group have been reclassified from "Other assets" to "Due from banks" in December 31, 2005 balance sheet for an amount of EUR 4,522 million.

A. Analysis by nature (reimbursement amount, premium discount and impairments)

	Dec. 31, 2005	Dec. 31, 2006
Nostro accounts	6,851	13,603
Reverse repurchase agreements	42,746	40,110
Loans and other advances	24,236	23,014
Impaired loans	1	0
TOTAL	**73,834**	**76,727**
of which included in cash and cash equivalents	36,298	49,029

B. Analysis of quality

See note 7.16. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

D. Analysis of the fair value

See note 12.1.

7.4. LOANS AND ADVANCES TO CUSTOMERS

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest on not impaired loans to customers	1,595	1,975
Accrued interest on impaired loans to customers	3	5
Fair value hedge adjustment	2,683	1,322
Reimbursement amount, premium discount and impairments	188,121	223,200
TOTAL	**192,402**	**226,502**

A. Analysis by counterpart (reimbursement amount, premium discount and impairments)

	Dec. 31, 2005	Dec. 31, 2006
Public sector	112,275	121,407
Others	75,799	101,733
Impaired loans	1,473	1,359
Less:		
Specific impairment on impaired loans (1)	(1,018)	(942)
Collective impairment (2)	(408)	(357)
TOTAL	**188,121**	**223,200**
of which included in finance lease	3,132	3,692

(1) Includes respectively EUR 178 million and EUR 188 million relating to share leasing of DBnl as of Dec. 31, 2005 and Dec. 31, 2006.
(2) Includes respectively EUR 174 million and EUR 56 million relating to share leasing of DBnl as of Dec. 31, 2005 and Dec. 31, 2006.

B. Analysis of quality

See note 7.16. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

D. Analysis of the fair value

See note 12.1.

7.5. LOANS AND SECURITIES HELD FOR TRADING

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest on loans and securities held for trading	66	113
Fair value adjustment	(35)	119
Reimbursement amount and premium discount	15,624	15,153
TOTAL	**15,655**	**15,385**

A. Analysis by counterpart (reimbursement amount and premium discount)

	Dec. 31, 2005	Dec. 31, 2006
Public sector	2,900	1,294
Banks	9,275	5,367
Other	3,449	8,492
TOTAL	**15,624**	**15,153**
of which included in cash and cash equivalents	965	396

B. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005		Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted
Loans	0	1,022	0	540
Bonds issued by public bodies	2,737	9	1,114	104
Other bonds and fixed-income instruments	9,881	922	10,388	2,560
Equity and variable-income instruments	1,053	0	447	0
TOTAL	**13,671**	**1,953**	**11,949**	**3,204**

C. Treasury bills and other eligible bills for refinancing to the central banks

	Dec. 31, 2005	Dec. 31, 2006
Treasury bills and other eligible bills for refinancing to the central banks	1,042	124

D. Securities pledged under repurchase agreements with other banks

	Dec. 31, 2005 Market value	Dec. 31, 2006 Market value
Included in bonds issued by public bodies	0	40
Included in other bonds and fixed-income instruments	901	1,323

E. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

F. Analysis of the fair value

See note 12.1.

7.6. LOANS AND SECURITIES DESIGNATED AT FAIR VALUE

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest on loans and securities designated at fair value	50	89
Fair value adjustment	(164)	80
Reimbursement amount and premium discount	13,979	17,015
TOTAL	**13,865**	**17,184**

A. Analysis by counterpart (reimbursement amount and premium discount)

	Dec. 31, 2005	Dec. 31, 2006
Public sector	582	285
Banks	329	396
Other	13,068	16,334
TOTAL	**13,979**	**17,015**
of which included in cash and cash equivalents	18	0

B. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005		Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted
Loans	0	243	0	181
Bonds issued by public bodies	398	184	107	129
Other bonds and fixed-income instruments	5,111	2,284	7,762	2,740
Equity and variable-income instruments	0	0	20	0
Unit linked products Insurance	5,758	1	6,054	22
TOTAL	**11,267**	**2,712**	**13,943**	**3,072**

C. Treasury bills and other eligible bills for refinancing to the central banks

	Dec. 31, 2005	Dec. 31, 2006
Treasury bills and other eligible bills for refinancing to the central banks	75	131

Figures as at Dec.31, 2005 have been restated.

D. Securities pledged under repurchase agreements with other banks

	Dec. 31, 2005 Market value	Dec. 31, 2006 Market value
Included in bonds issued by public bodies	0	0
Included in other bonds and fixed-income instruments	1,449	2,312

E. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

F. Analysis of the fair value

See note 12.1.

The FVO for financial assets is mainly used in the following situations:
1) where liabilities contain a discretionary participation feature that pay benefits based on realized/unrealized investment returns of a specified pool of insurer's assets;
2) the FVO is used as an alternative method in order to reduce volatility in profit or loss when, at inception, there is a risk that the hedge accounting requirements will not be met.

To determine the fair value for non-listed financial instruments classified under the fair value option, the pricing tools used and procedures followed are determined by Group Risk Management. The pricing tool is a discounted cash flow model whereby the net present value is determined by an interest rate based on available market rates applicable for similar securities and for issuers with a similar credit rating.

7.7. LOANS AND SECURITIES AVAILABLE FOR SALE

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest on not impaired loans and securities available for sale	1,900	2,276
Accrued interest on impaired loans and securities available for sale	0	0
Fair value adjustment	8,240	4,679
Reimbursement amount, premium discount and impairments	156,064	181,423
TOTAL	**166,204**	**188,378**

A. Analysis by counterpart (reimbursement amount, premium discount and impairments)

	Dec. 31, 2005	Dec. 31, 2006
Public sector	61,122	65,697
Banks	46,485	57,219
Others	48,070	58,270
Impaired loans	0	0
Impaired bonds issued by public bodies	0	0
Impaired other bonds and fixed-income instruments	124	29
Impaired other equity and variable-income instruments	592	440
REIMBURSEMENT AMOUNT AND PREMIUM DISCOUNT	156,393	181,655
Less:		
Specific impairment on impaired loans and securities available for sale	(329)	(232)
TOTAL	**156,064**	**181,423**
of which included in cash and cash equivalents	3,081	5,127

B. Analysis of quality

See note 7.16. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

D. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005		Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted
Loans	0	391	0	373
Bonds issued by public bodies	48,553	2,216	52,797	2,556
Other bonds and fixed-income instruments	84,242	17,429	99,534	22,656
Equity and variable-income instruments	2,980	582	3,252	487
TOTAL	**135,775**	**20,618**	**155,583**	**26,072**

E. Transfers between portfolios

Nil.

F. Convertible bonds included in the available-for-sale portfolio

No position greater than EUR 50 million.

G. Analysis of the fair value

See note 12.1.

7.8. SECURITIES HELD TO MATURITY

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest on not impaired securities held to maturity	91	54
Accrued interest on impaired securities held to maturity	0	0
Fair value adjustment	0	0
Reimbursement amount, premium discount and impairments	3,126	2,206
TOTAL	**3,217**	**2,260**

A. Analysis by counterpart (reimbursement amount, premium discount and impairments)

	Dec. 31, 2005	Dec. 31, 2006
Public sector	1,900	1,379
Banks	451	382
Other	775	445
Impaired bonds issued by public bodies	0	0
Impaired other bonds and fixed-income instruments	0	0
REIMBURSEMENT AMOUNT AND PREMIUM DISCOUNT	3,126	2,206
Less:		
Specific impairment on securities held to maturity	0	0
Collective impairment	0	0
TOTAL	**3,126**	**2,206**

B. Analysis of quality

See note 7.16. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

D. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005		Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted
Bonds issued by public bodies	999	7	976	112
Other bonds and fixed-income instruments	1,415	705	566	552
TOTAL	**2,414**	**712**	**1,542**	**664**

E. Analysis of the fair value

See note 12.1.

7.9. INVESTMENTS IN ASSOCIATES

A. Carrying value

	2005	2006
CARRYING VALUE AS OF JAN. 1	**769**	**778**
Acquisitions	2	35
Disposals	(40)	(10)
Change in scope of consolidation (out)	0	(45)
Share of result before tax	126	143
Share of tax	(36)	(41)
Dividend paid	(42)	(39)
Changes in goodwill (see below)	0	0
Share of gains and losses not recognized in the income statement	2	8
Translation adjustments	10	(2)
Other	(13)	(1)
CARRYING VALUE AS OF DEC. 31	**778**	**826**

B. Positive goodwill included in carrying value

	2005	2006
ACQUISITION COST AS OF JAN. 1	**231**	**229**
Transfers	(2)	0
ACQUISITION COST AS OF DEC. 31 (A)	**229**	**229**
ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT AS OF JAN. 1	**(48)**	**(46)**
Transfers	2	0
ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT AS OF DEC. 31 (B)	**(46)**	**(46)**
NET BOOK VALUE AS OF DEC. 31 (A)+(B)	**183**	**183**

C. List of major associates

Associates	Book value 2005	Fair value of investment 2005	Book value 2006	Fair value of investment 2006	Website
Crédit du Nord	441	746	484	733	www.groupe-credit-du-nord.com
Kommunalkredit Austria	118	402	175	251	www.kommunalkredit.at
SLF Finance SA (non listed)	63	63	64	64	
XL Finance Assurance (non listed)	47	47	na	na	
Groupe Popular Banca Privada	38	77	41	115	www.popularbancaprivada.es
TOTAL	**707**	**1,335**	**764**	**1,163**	

CONSOLIDATED FINANCIAL STATEMENTS

7.10. TANGIBLE FIXED ASSETS

A. Net book value

	Land and buildings		Office furniture and other equipment			Investment Property	Total
	Own use Owner	Own use Finance Lease	Own use Owner	Own use Finance Lease	Operating lease		
ACQUISITION COST AS OF JAN. 1, 2005	**1,234**	**2**	**1,259**	**2**	**35**	**1,133**	**3,665**
Acquisitions	413	0	89	0	16	20	538
Disposals	(78)	0	(42)	0	(5)	(1)	(126)
Change in scope of consolidation (in)	302	0	3	0	0	0	305
Change in scope of consolidation (out)	0	0	(5)	0	0	0	(5)
Transfers	67	(2)	(69)	(1)	0	(197)	(202)
Translation adjustments	0	0	6	0	0	0	6
ACQUISITION COST AS OF DEC. 31, 2005 (A)	**1,938**	**0**	**1,241**	**1**	**46**	**955**	**4,181**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2005	**(341)**	**(1)**	**(1,021)**	**(1)**	**(16)**	**(652)**	**(2,032)**
Booked	(23)	0	(65)	0	(6)	(64)	(158)
Write-back	0	0	0	0	0	2	2
Write-off	13	0	36	0	3	1	53
Change in scope of consolidation (in)	0	0	(1)	0	0	0	(1)
Change in scope of consolidation (out)	0	0	3	0	0	0	3
Transfers	(49)	1	42	0	0	151	145
Translation adjustments	0	0	(4)	0	0	0	(4)
Other	(3)	0	(1)	0	0	0	(4)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2005 (B)	**(403)**	**0**	**(1,011)**	**(1)**	**(19)**	**(562)**	**(1,996)**
NET BOOK VALUE AS OF DEC. 31, 2005 (A)+(B)	**1,535**	**0**	**230**	**0**	**27**	**393**	**2,185**

	Land and buildings		Office furniture and other equipment			Investment Property	Total
	Own use Owner	Own use Finance Lease	Own use Owner	Own use Finance Lease	Operating lease		
ACQUISITION COST AS OF JAN. 1, 2006	**1,938**	**0**	**1,241**	**1**	**46**	**955**	**4,181**
Acquisitions	150	6	62	9	22	23	272
Disposals	(123)	0	(39)	0	(5)	(15)	(182)
Change in scope of consolidation (in)	28	2	66	43	0	0	139
Change in scope of consolidation (out)	(48)	0	(20)	0	0	0	(68)
Transfers	(5)	(1)	(26)	0	0	(69)	(101)
Translation adjustments	2	0	(5)	0	0	0	(3)
ACQUISITION COST AS OF DEC. 31, 2006 (A)	**1,942**	**7**	**1,279**	**53**	**63**	**894**	**4,238**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2006	**(403)**	**0**	**(1,011)**	**(1)**	**(19)**	**(562)**	**(1,996)**
Booked	(48)	(1)	(63)	(3)	(8)	(37)	(160)
Write-back	1	0	1	0	0	0	2
Write-off	16	0	34	0	3	10	63
Change in scope of consolidation (in)	(7)	0	(36)	(25)	0	0	(68)
Change in scope of consolidation (out)	16	0	13	0	0	0	29
Transfers	1	0	23	0	0	54	78
Translation adjustments	0	0	2	0	0	0	2
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2006 (B)	**(424)**	**(1)**	**(1,037)**	**(29)**	**(24)**	**(535)**	**(2,050)**
NET BOOK VALUE AS OF DEC. 31, 2006 (A)+(B)	**1,518**	**6**	**242**	**24**	**39**	**359**	**2,188**

B. Fair value

	Dec. 31, 2005	Dec. 31, 2006
Fair values of investment properties	397	391
Fair value subject to an independent valuation	7	2
Fair value not subject to an independent valuation	390	389

C. Expenditures

	Dec. 31, 2005	Dec. 31, 2006
Expenditures capitalized for the construction of property, plant & equipment	236	13

D. Contractual obligations relating to investment property at the end of the period

Nil.

7.11. INTANGIBLE ASSETS AND GOODWILL

	Positive Goodwill	Internally developed sofware	Other intangible assets (1)	Total
ACQUISITION COST AS OF JAN. 1, 2005	**802**	**392**	**276**	**1,470**
Acquisitions	0	48	37	85
Disposals	0	(1)	(4)	(5)
Change in scope of consolidation (in)	7	0	0	7
Change in scope of consolidation (out)	0	0	(5)	(5)
Transfers	(18)	30	43	55
Translation adjustments	0	0	2	2
ACQUISITION COST AS OF DEC. 31, 2005 (A)	**791**	**469**	**349**	**1,609**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2005	**(292)**	**(274)**	**(187)**	**(753)**
Booked	0	(53)	(47)	(100)
Change in scope of consolidation (out)	0	0	2	2
Write-off	0	1	3	4
Transfers	18	(22)	(22)	(26)
Translation adjustments	0	0	(1)	(1)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2005 (B)	**(274)**	**(348)**	**(252)**	**(874)**
NET BOOK VALUE AS OF DEC. 31, 2005 (A)+(B)	**517**	**121**	**97**	**735**

(1) Other intangible assets include purchased softwares.

	Positive Goodwill	Internally developed sofware	Other intangible assets [1]	Total
ACQUISITION COST AS OF JAN. 1, 2006	**791**	**469**	**349**	**1,609**
Acquisitions	1,310	71	45	1,426
Disposals	(46)	(6)	(8)	(60)
Change in scope of consolidation (in)	168	3	278	449
Change in scope of consolidation (out)	(23)	(3)	(28)	(54)
Transfers	(30)	3	(17)	(44)
Translation adjustments	(12)	(1)	(4)	(17)
Other	0	0	(3)	(3)
ACQUISITION COST AS OF DEC. 31, 2006 (A)	**2,158**	**536**	**612**	**3,306**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2006	**(274)**	**(348)**	**(252)**	**(874)**
Booked	0	(58)	(47)	(105)
Change in scope of consolidation (in)	(15)	(2)	(24)	(41)
Change in scope of consolidation (out)	3	3	17	23
Write-off	34	1	2	37
Transfers	30	(1)	17	46
Translation adjustments	1	0	0	1
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2006 (B)	**(221)**	**(405)**	**(287)**	**(913)**
NET BOOK VALUE AS OF DEC. 31, 2006 (A)+(B)	**1,937**	**131**	**325**	**2,393**

(1) Other intangible assets include purchased softwares and intangible assets identified in the purchase of DenizBank group - see note 9.6..

7.12. TAX ASSETS

	Dec. 31, 2005	Dec. 31, 2006
Current/prepaid	243	215
Operational taxes	39	52
CURRENT TAXES	282	267
Deferred tax assets (see note 9.2.)	320	482
TOTAL	**602**	**749**

7.13. OTHER ASSETS

	Dec. 31, 2005	Dec. 31, 2006
Other assets [1]	2,934	2,275
Other assets specific to insurance companies	1,360	1,277
TOTAL	**4,294**	**3,552**

(1) In order to harmonize the accounting presentation within Dexia, cash collaterals of some companies of the Group have been reclassified from "Other assets" to "Due from banks" in December 31, 2005 balance sheet for an amount of EUR 4,522 million.

CONSOLIDATED FINANCIAL STATEMENTS

A. Other assets

Analysis by nature	Dec. 31, 2005	Dec. 31, 2006
Accrued income	237	151
Deferred expenses	58	61
Other accounts receivable	1,944	1,490
Plan assets [1]	7	17
Long term construction contracts	1	3
Inventories	3	5
Other assets	684	548
TOTAL	**2,934**	**2,275**

(1) See note 8.7.I.

B. Other assets specific to insurance activities

B.1.	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	0	0
Acquisition costs and share of reinsurers	1,360	1,277
TOTAL	**1,360**	**1,277**

B.2. Analysis by nature (acquisition costs and share of reinsurers)	Dec. 31, 2005	Dec. 31, 2006
Share of the reinsurers in the technical reserves	121	88
Receivables resulting from direct insurance transactions	105	85
Premiums still to be issued	0	1
Deferred acquisition costs [1]	284	259
Other insurance assets	850	844
Impaired insurance assets	1	1
Less:		
Specific impairment	(1)	(1)
TOTAL	**1,360**	**1,277**

(1) Mainly FSA.

7.14. NON CURRENT ASSETS HELD FOR SALE

	Dec. 31, 2005	Dec. 31, 2006
Assets of subsidiaries held for sale [1]	0	901
Tangible and intangible assets held for sale	35	53
Other assets	1	1
TOTAL	**36**	**955**

(1) Dexia Banque Privée France.

7.15. LEASING

1. Dexia as lessor

A. Finance lease (1)

Gross investment in finance leases	Dec. 31, 2005	Dec. 31, 2006
Not later than 1 year	508	778
Later than 1 year and not later than 5 years	1,310	1,578
Later than 5 years	1,935	2,021
SUBTOTAL (A)	**3,753**	**4,377**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**620**	**688**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**3,133**	**3,689**

The net investment in finance leases may be analyzed as follows	Dec. 31, 2005	Dec. 31, 2006
Not later than 1 year	414	642
Later than 1 year and not later than 5 years	1,135	1,358
Later than 5 years	1,584	1,689
TOTAL	**3,133**	**3,689**

	Dec. 31, 2005	Dec. 31, 2006
Amount of contingents rents recognised in statement of income during the period	0	0
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	11	11
Estimated fair value of finance lease	3,144	3,509
Accumulated allowance for uncollectible minimum lease payments receivable	4	4

(1) The figures as at December 31, 2005 have been restated.

B. Operating lease (1)

Future net minimum lease receivables under non-cancellable operating leases are as follows	Dec. 31, 2005	Dec. 31, 2006
Not later than 1 year	15	24
Later than 1 year and not later than 5 years	36	61
Later than 5 years	20	34
TOTAL	**71**	**119**
Amount of contingent rents recognized in statement of income during the period	1	4

(1) The figures as at December 31, 2005 have been restated.

2. Dexia as lessee

A. Finance lease

Minimum lease payments	Dec. 31, 2005	Dec. 31, 2006
Not later than 1 year	0	0
Later than 1 year and not later than 5 years	0	0
Later than 5 years	0	1
TOTAL	**0**	**1**

Present value of finance lease liabilities	Dec. 31, 2005	Dec. 31, 2006
Not later than 1 year	0	0
Later than 1 year and not later than 5 years	0	0
Later than 5 years	0	0
TOTAL	**0**	**0**

	Dec. 31, 2005	Dec. 31, 2006
Contractual future minimum lease payments (A)	0	17
Correction due to discount rate (B)	0	1
PRESENT VALUE OF THE FUTURE MINIMUM LEASE PAYMENTS (A)-(B)	**0**	**16**
Amount of contingent rents recognized in statement of income during the period	0	0
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date	0	0

B. Operating lease (1)

Future net minimum lease payments under non-cancellable operating leases	Dec. 31, 2005	Dec. 31, 2006
Not later than 1 year	99	79
Later than 1 year and not later than 5 years	140	148
Later than 5 years	145	130
TOTAL	**384**	**357**

	Dec. 31, 2005	Dec. 31, 2006
Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date	5	6
Lease and sublease payments recognized as an expense during the period:		
- minimum lease payments	80	114
- contingent rents	2	0
- sublease payments	0	5
TOTAL	**82**	**119**

(1) The figures as at December 31, 2005 have been restated.

7.16. QUALITY OF FINANCIAL ASSETS

Accrued interest	Normal loans		Impaired loans		Total	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Due from banks	599	1,167	0	0	599	1,167
Loans to customers	1,595	1,975	3	5	1,598	1,980
Securities – held to maturity	91	54	0	0	91	54
Loans and securities – available for sale	1,900	2,276	0	0	1,900	2,276

Fair value adjustment	Normal loans		Impaired loans		Total	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Due from banks	620	321	0	0	620	321
Loans to customers	2,683	1,322	0	0	2,683	1,322
Loans and securities – available for sale	7,983	4,405	257	274	8,240	4,679

Analysis of normal loans and securities	Gross amount (acquisition cost and premium discount) (A)	
	Dec. 31, 2005	Dec. 31, 2006
Normal assets in due from banks	73,834	76,727
Normal loans to customers	188,074	223,140
Normal securities held to maturity	3,126	2,206
Normal loans and securities available for sale	155,677	181,186
Normal assets from insurance activities	1,360	1,277
Normal other accounts and receivables	1,941	1,490
Normal other assets	672	548
Collective impairment on not impaired loans (-)	(408)	(357)
TOTAL	**424,276**	**486,217**

Analysis of impaired loans and securities	Gross amount (acquisition cost and premium discount) (B)		Specific loan loss allowance individual basis (C)		Net amount (B)+(C)	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Impaired assets in due from banks	0	0	0	0	0	0
Impaired loans to customers	1,473	1,359	(1,018)	(942)	455	417
Impaired securities - held to maturity	0	0	0	0	0	0
Impaired loans and securities – available for sale	716	469	(329)	(232)	387	237
Impaired assets from insurance activities	1	1	(1)	(1)	0	0
Impaired other accounts and receivable	5	2	(1)	(2)	4	0
Impaired other assets	12	0	0	0	12	0
TOTAL	**2,207**	**1,831**	**(1,349)**	**(1,177)**	**858**	**654**

Normal + impaired	Gross amount (A)+(B)		Specific loan loss allowance (C)		Net amount (A)+(B)+(C)	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Due from banks	73,834	76,727	0	0	73,834	76,727
Loans to customers	189,547	224,499	(1,018)	(942)	188,529	223,557
Securities held to maturity	3,126	2,206	0	0	3,126	2,206
Loans and securities available for sale	156,393	181,655	(329)	(232)	156,064	181,423
Assets from insurance activities	1,361	1,278	(1)	(1)	1,360	1,277
Other accounts and receivable	1,945	1,492	(1)	(2)	1,944	1,490
Other assets	684	548	0	0	684	548
Collective impairment on not impaired loans (-)	(408)	(357)	0	0	(408)	(357)
TOTAL	**426,482**	**488,048**	**(1,349)**	**(1,177)**	**425,133**	**486,871**

8. NOTES ON THE LIABILITIES OF THE CONSOLIDATED BALANCE SHEET (IN MILLIONS OF EUR)

8.1. DUE TO BANKS

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	498	682
Fair value hedge adjustment	273	114
Reimbursement amount and premium discount	134,022	173,958
TOTAL	**134,793**	**174,754**

A. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005	Dec. 31, 2006
On demand	9,584	24,732
Term	45,139	65,498
Repurchase activity	46,333	45,580
Central banks	7,745	9,027
Other borrowings	25,221	29,121
TOTAL	**134,022**	**173,958**

B. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.2. CUSTOMER BORROWINGS AND DEPOSITS

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	739	829
Fair value hedge adjustment	(97)	(248)
Reimbursement amount and premium discount[1]	97,096	108,903
TOTAL	**97,738**	**109,484**

(1) In order to harmonize the accountring presentation within Dexia, cash collaterals of some companies of the Group have been reclassified from "Other liabilities" to "Customer borrowings and deposits" in December 31, 2005 balance sheet for an amount of EUR 359 million.

A. Analysis by nature (reimbursement amount and premium discount)[1]

	Dec. 31, 2005	Dec. 31, 2006
Demand deposits	19,902	26,391
Saving deposits	26,184	27,372
Term deposits	43,782	49,769
Other customer deposits	362	46
TOTAL CUSTOMER DEPOSITS	90,230	103,578
Repurchase activity	4,558	4,172
Other borrowings	2,308	1,153
TOTAL CUSTOMER BORROWINGS	6,866	5,325
TOTAL	**97,096**	**108,903**

(1) Analysis in 2005 has been restated.

CONSOLIDATED FINANCIAL STATEMENTS

B. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.3. LIABILITIES HELD FOR TRADING

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	34	19
Fair value adjustment	26	1
Reimbursement amount and premium discount	3,753	558
TOTAL	**3,813**	**578**

A. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005	Dec. 31, 2006
Bonds issued by public bodies	3,449	508
Other bonds	54	19
Repurchase agreements	234	0
Equity	16	31
TOTAL	**3,753**	**558**

B. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.4. LIABILITIES DESIGNATED AT FAIR VALUE

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	113	147
Fair value adjustment	129	131
Reimbursement amount and premium discount	17,780	21,033
TOTAL	**18,022**	**21,311**

A. Analysis by nature (reimbursement amount and premium discount)

	Dec. 31, 2005	Dec. 31, 2006
Liabilities at fair value	12,768	16,252
Unit-linked products	5,012	4,781
TOTAL	**17,780**	**21,033**

B. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

C. Analysis of the fair value

See note 12.1.

The FVO for financial liabilities is mainly used in the following situations:

1) at the insurance business for its liabilities containing a discretionary participation feature that pay benefits based on realized/unrealized investment returns of a specified pool of insurer's assets.

2) by FSA for liabilities where the hedge accounting requirements are not met or there is a risk that they will not be met, the FVO is used as an alternative in order reduce volatility in profit or loss.

The following types of liabilities incurred by FSA are subject to the FVO classification:

a) Fixed rate liabilities that are highly customized funding contracts that are tailored to the specific needs of the investor.

b) Global funding fixed rate liabilities.

For both types of liabilities, the change of credit spread is immaterial as liabilities are AAA-rated and highly customized. This conclusion is confirmed by a quantitative analysis showing that contractual spreads were not correlated with FSA's credit spread and by correlation with similar debts.

3) by companies issuing debt with embedded derivatives.

The pricing tools used and the procedures followed to determine the fair value for non-listed financial instruments classified under the fair value option, are set up by Group Risk Management.The pricing tool is a discounted cash flow model whereby the net present value is determined by an interest rate based on available market rates applicable for similar securities and taking into account our own credit rating.

8.5. DEBT SECURITIES

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	2,507	2,613
Fair value adjustment	686	(238)
Reimbursement amount and premium discount	172,492	182,351
TOTAL	**175,685**	**184,726**

A. Analysis by nature (reimbursement amount and premium discount

	Dec. 31, 2005	Dec. 31, 2006
Certificates of deposit	33,685	31,993
Customer savings certificates	7,367	5,992
Non-convertible bonds	131,440	144,366
TOTAL	**172,492**	**182,351**

B. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.6. SUBORDINATED AND CONVERTIBLE DEBT

	Dec. 31, 2005	Dec. 31, 2006
Accrued interest	102	79
Fair value adjustment	81	63
Reimbursement amount and premium discount	4,802	4,223
TOTAL	**4,985**	**4,365**

A. Accrued interest

	Dec. 31, 2005	Dec. 31, 2006
Convertible subordinated debt	0	0
Non-convertible subordinated debt	83	72
Convertible non-subordinated debt	2	0
Other dilutive instruments	0	0
Hybrid capital and redeemable preference shares	17	7
TOTAL	**102**	**79**

B. Fair value adjustment

	Dec. 31, 2005	Dec. 31, 2006
Convertible subordinated debt	0	0
Non-convertible subordinated debt	81	63
Convertible non-subordinated debt	0	0
Other dilutive instruments	0	0
Hybrid capital and redeemable preference shares	0	0
TOTAL	**81**	**63**

C. Analysis by category (reimbursement amount and premium discount)

Convertible subordinated debt

Nil.

Non-convertible subordinated debt

	Dec. 31, 2005	Dec. 31, 2006
Loan capital perpetual subordinated notes	1,027	923
Other	3,194	3,055
TOTAL	**4,221**	**3,978**

List available on request.

Convertible non-subordinated debt

	Dec. 31, 2005	Dec. 31, 2006
Convertible non-subordinated debt	82	20

List available on request.

Other dilutive instruments

Nil.

Hybrid capital and redeemable preference shares

	Dec. 31, 2005	Dec. 31, 2006
	499	225

As of Dec. 31, 2005, hybrid capital instruments issued by Dexia BIL: two perpetuals, one of EUR 225 million and another one of EUR 275 million.
As of Dec. 31, 2006, hybrid capital instrument issued by Dexia BIL: perpetual of EUR 225 million at the rate of 6,821%, refunding only possible annually as from July 6, 2011.
A call on perpetual of EUR 275 million at the rate of 6,875% has been exercised on July 6, 2006.

D. Analysis of convertible subordinated debt in Dexia shares

Nil.

E. Analysis by maturity and interest rate

See notes 12.3., 12.4. and 12.6.

F. Analysis of the fair value

See note 12.1.

8.7. PROVISIONS AND OTHER OBLIGATIONS

A. Analysis by nature

	Dec. 31, 2005	Dec. 31, 2006
Litigation claims [1]	227	352
Restructuring	176	150
Long-term defined benefit plans	549	597
Other post retirement obligations	45	51
Other long-term employee benefits	46	45
Provision for off-balance-sheet credit commitments [2]	158	135
Other provisions (non insurance) [3]	119	138
TOTAL [4]	**1,320**	**1,468**

(1) Provisions for litigations, include provisions relating to staff, to taxes, for administrative and other claims.
(2) Of which EUR 145 and 106 millions relating to Dexia Bank Nederland (Legio Lease Provision) for 2005 and 2006 respectively.
(3) The Other Provisions mainly contain: provisions to restore property, plant and equipment to their original state, a provision for onerous rental contracts and a number of provisions for non-material events.
(4) Claims with major risks are analyzed in detail in note 6. Litigations.

B. Analysis of movements

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Other provisions
AS OF JAN. 1, 2005	**235**	**195**	**592**	**99**	**125**
Exchange difference	10	0	0	(1)	0
Additional provisions	37	17	110	8	64
Unused amounts reversed	(26)	(2)	(13)	(8)	(29)
Utilization during the year	(12)	(42)	(60)	(152)	(34)
Changes in scope of consolidation (in)	0	0	0	0	1
Changes in scope of consolidation (out)	(8)	(4)	0	0	0
Transfers	(13)	8	14	(1)	(4)
Other movements	4	4	(3)	213	(4)
AS OF DEC. 31, 2005	**227**	**176**	**640**	**158**	**119**

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Other provisions
AS OF JAN. 1, 2006	**227**	**176**	**640**	**158**	**119**
Exchange difference	(8)	0	(1)	(2)	(1)
Additional provisions	223	41	133	23	67
Unused amounts reversed	(22)	(20)	(21)	(3)	(12)
Utilization during the year	(51)	(33)	(69)	(57)	(29)
Changes in scope of consolidation (in)	0	3	5	7	4
Changes in scope of consolidation (out)	(8)	0	(16)	8	(1)
Transfers	(9)	(17)	22	1	(15)
Other movements	0	0	0	0	6
AS OF DEC. 31, 2006	**352**	**150**	**693**	**135**	**138**

C. Analysis by maturity

See note 12.6.

D. Provisions for pensions and other long term benefits

A. Change in benefit obligation	Dec. 31, 2005	Dec. 31, 2006
1. Benefit obligation at beginning of year	2,307	2,494
2. Current service cost	106	115
3. Interest cost	101	96
4. Plan participants' contributions	6	8
5. Amendments	2	(8)
6. Actuarial (gains)/losses	93	(164)
7. Benefits paid	(118)	(127)
8. Expenses paid	0	0
9. Taxes paid	0	0
10. Premiums paid	(2)	(3)
11. Acquisitions/divestitures	0	(92)
12. Plan curtailments	(1)	(2)
13. Plan settlements	0	(31)
14. Exchange rate changes	0	(4)
15. BENEFIT OBLIGATION AS OF END OF YEAR	**2,494**	**2,282**

B. Change in plan assets	Dec. 31, 2005	Dec. 31, 2006
1. Fair value of plan assets at beginning of year	1,492	1,588
2. Expected return on plan assets	72	68
3. Actuarial gains/(losses) on plan assets	54	(28)
4. Employer contributions	85	87
5. Member contributions	6	8
6. Benefits paid	(118)	(127)
7. Expenses paid	0	0
8. Taxes paid	(1)	0
9. Premiums paid	(2)	(3)
10. Plan settlements	0	(16)
11. Acquisitions/divestitures	0	(91)
12. Exchange rate changes	0	(3)
13. FAIR VALUE OF PLAN ASSETS AS OF END OF YEAR	**1,588**	**1,483**

C. Amounts recognized in the balance sheet	Dec. 31, 2005	Dec. 31, 2006
1. Present value of funded obligations	1,930	1,691
2. Fair value of plan assets	1,588	1,484
3. Deficit/(surplus) for funded plans	342	207
4. Present value of unfunded obligations	564	591
5. Unrecognized net actuarial gains/(losses)	(273)	(122)
6. Unrecognized past service (cost)/benefit	0	0
7. Effect of paragraph 58(b) limit	0	0
8. NET LIABILITY/(ASSET)	**633**	**676**
Amounts in the balance sheet		
1. Liabilities	640	693
2. Assets	(7)	(17)
3. NET LIABILITY/(ASSET)	**633**	**676**

D. Components of costs	Dec. 31, 2005	Dec. 31, 2006
Amounts recognized in statement of income		
1. Current service cost	106	117
2. Interest cost	101	97
3. Expected return on plan assets	(72)	(70)
4. Expected return on reimbursement assets	0	0
5. Amortization of past service cost incl. §58(a)	2	(8)
6. Amortization of net (gain)/loss incl. §58(a)	7	10
7. Effect of paragraph 58(b) limit	0	0
8. Curtailment (gain)/loss recognized	(1)	(2)
9. Settlement (gain)/loss recognized	0	(12)
10. TOTAL COSTS RECOGNIZED IN THE STATEMENT OF INCOME	**143**	**132**
Actual return on assets		
Actual return on plan assets	126	40
Actual return on reimbursement assets	0	0

E. Balance sheet reconciliation	Dec. 31, 2005	Dec. 31, 2006
1. Balance sheet liability/(asset)	574	633
2. Expenses recognized in statement of income in the financial year	143	132
3. Amounts recognized in SORIE in the financial year	0	0
4. Employer contributions made in the financial year	63	67
5. Benefits paid directly by company in the financial year	22	20
6. Credit to reimbursements	0	0
7. Net transfer in/(out) (including the effect of any business combinations/divestitures)	1	(1)
8. Exchange rate adjustment - (gain)/loss	0	(1)
9. BALANCE SHEET LIABILITY/(ASSET) AS OF END OF YEAR (1)+(2)+(3)-(4)-(5)+(6)+(7)+(8)	**633**	**676**

F. Plan assets

Asset category	Percentage of Plan assets	
	Dec. 31, 2005	Dec. 31, 2006
1. Equity securities	19.97%	18.43%
2. Debt securities	76.39%	77.66%
3. Real estate	0.00%	0.00%
4. Other [1]	3,64%	3.91%

(1) Includes qualifying insurance policies.

G. History of experience gains and losses	Dec. 31, 2005	Dec. 31, 2006
1. Difference between the actual and expected return on plan assets		
a. Amount	54	(28)
b. Percentage of plan assets	3%	-2%
2. Total gains (-) and losses on plan liabilities[1]		
a. Amount	93	(164)
b. Percentage of present value of plan liabilities	4%	-7%

(1) Due essentially to change on assumptions.

CONSOLIDATED FINANCIAL STATEMENTS

H. Range of assumptions to determine expenses

	Dec. 31, 2005					
	Discount Rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary Increase Rate
Europe	4.00% – 5.50%	2.50%	3.00% – 6.00%	4.00% – 5.50%	6.00% – 7.00%	2.50% – 5.50%
Switzerland	2.50%	1.00%	3.11%	2.25%	6.75%	1.50%
United Kingdom	4.75%	2.50%	6.58%	4.75%	7.75%	4.00%

	Dec. 31, 2006					
	Discount Rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary Increase Rate
Europe	3.61% – 4.50%	2.50%	2.90% – 7.50%	2.90% – 4.50%	5.90% – 7.90%	2.50% – 5.50%
Switzerland	2.75%	1.00%	3.25%	2.75%	5.75%	2.00%
United Kingdom	5.00%	2.75%	6.02%	5.00%	8.00%	4.25%

Comment on assumptions:
As a general principle, discount rate is equal to return on bonds in a plan assets.
Return on shares takes into account a risk premium.
The expected return on assets is based on the mix of return of bonds and shares of the portfolio.

I. Reconciliation with financial statements

Long Term Obligations	2005	2006	
Outstanding liability relating to defined benefit plans	549	597	
Outstanding liability relating to other post retirement obligations	45	51	
Outstanding liability relating to other long term employee benefits	46	45	
TOTAL OUTSTANDING LIABILITY REPORTED IN THE FINANCIAL STATEMENTS	**640**	**693**	See note 8.7.A.
TOTAL LIABILITY CALCULATED BY ACTUARIALS	**640**	**693**	
TOTAL LIABILTIY RELATING TO INSIGNIFICANT PLANS	**0**	**0**	
Outstanding asset reported in the financial statements	7	17	See note 7.13.A.
TOTAL ASSETS ANALYSED BY ACTUARIALS	**7**	**17**	
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	**0**	**0**	

J. Concentration risk

Some of the Dexia's plan assets are insurance policies issued by Ethias.The fair value of the plan assets amounts to respectively EUR 1,043 million as of December 31, 2005 and EUR 1,022 million as of December 31, 2006.

E. Defined contribution plan

Contributions to legal pensions are not included in the amounts. For 2005 and 2006, the amount recognized as an expense for defined contribution plans is respectively EUR 30 million and EUR 33 million.

8.8. TAX LIABILITIES

Analysis by nature	Dec. 31, 2005	Dec. 31, 2006
Current income tax	241	235
Operational taxes	86	141
CURRENT TAX LIABILITIES	327	376
Deferred tax liabilities (See note 9.2.)	1,050	900
TOTAL	**1,377**	**1,276**

8.9. OTHER LIABILITIES

	Dec. 31, 2005	Dec. 31, 2006
Other liabilities [1]	4,524	4,332
Other liabilities specific to insurance activities	2,340	2,213
TOTAL	**6,864**	**6,545**

(1) In order to harmonize the accountring presentation within Dexia, cash collaterals of some companies of the Group have been reclassified from "Other liabilities" to "Customer borrowings and deposits" in December 31, 2005 balance sheet for an amount of EUR 359 million.

A. Other liabilities

	Dec. 31, 2005	Dec. 31, 2006
Accrued costs	141	132
Deferred income	78	122
Subsidies	58	78
Other accounts payable	3,003	2,791
Other granted amounts received	177	198
Salaries and social charges (payable)	531	546
Shareholder dividends payable	55	71
Long-term construction contracts	1	0
Other liabilities	480	394
TOTAL	**4,524**	**4,332**

B. Liabilities specific to insurance activities

	Dec. 31, 2005	Dec. 31, 2006
Debts for deposits from assignees	68	67
Debts resulting from direct insurance transactions	2,194	2,085
Debts resulting from reinsurance transactions	71	60
Other insurance liabilities	7	1
TOTAL	**2,340**	**2,213**

8.10. LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE

	Dec. 31, 2005	Dec. 31, 2006
Liabilities of subsidiaries held for sale [1]	0	785
Discontinued operations	0	0
TOTAL	**0**	**785**

(1) Dexia Banque Privée France.

9. OTHER NOTES ON THE CONSOLIDATED BALANCE SHEET (IN MILLIONS OF EUR)

9.1. DERIVATIVES

A. Analysis by nature

	Dec. 31, 2005		Dec. 31, 2006	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	21,350	21,308	15,351	15,112
Derivatives designated as fair value hedges	1,758	10,300	3,173	9,424
Derivatives designated as cash flow hedges	407	667	754	551
Derivatives of portfolio hedge	5,117	5,377	4,754	5,401
Derivatives designated as hedge of a net investment in foreign entities	0	0	0	1
TOTAL	**28,632**	**37,652**	**24,032**	**30,489**

B. Detail of derivatives held for trading

	Dec. 31, 2005				Dec. 31, 2006			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	81,817	79,483	1,488	1,998	78,291	78,440	1,155	1,030
Interest rate derivatives	873,693	886,592	19,051	18,443	848,712	855,098	12,870	12,637
Equity derivatives	17,345	11,570	715	817	13,263	13,754	1,212	1,414
Credit derivatives	75,362	55,982	96	50	20,919	78,783	114	31
TOTAL	**1,048,217**	**1,033,627**	**21,350**	**21,308**	**961,185**	**1,026,075**	**15,351**	**15,112**

c. Detail of derivatives designated as fair value hedges

	Dec. 31, 2005				Dec. 31, 2006			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	41,181	41,982	735	1,802	53,928	55,400	994	2,613
Interest rate derivatives	152,828	153,499	1,023	8,498	189,867	181,223	2,157	6,515
Equity derivatives	0	0	0	0	299	1,589	17	296
Credit derivatives	0	0	0	0	1,478	70	5	0
TOTAL	**194,009**	**195,481**	**1,758**	**10,300**	**245,572**	**238,282**	**3,173**	**9,424**

D. Detail of derivatives designated as cash flow hedges

	Dec. 31, 2005				Dec. 31, 2006			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	9,898	9,795	140	109	2,106	1,743	343	22
Interest rate derivatives	94,643	97,140	267	558	169,337	169,292	411	529
TOTAL	**104,541**	**106,935**	**407**	**667**	**171,443**	**171,035**	**754**	**551**

E. Detail of derivatives of portfolio hedge

	Dec. 31, 2005				Dec. 31, 2006			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,533	2,667	87	60	1,391	1,451	9	185
Interest rate derivatives	416,799	414,417	5,030	5,317	472,159	472,764	4,745	5,216
TOTAL	**419,332**	**417,084**	**5,117**	**5,377**	**473,550**	**474,215**	**4,754**	**5,401**

F. Detail of derivatives designated as hedge of a net investment in foreign entities

	Dec. 31, 2005				Dec. 31, 2006			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	0	0	0	0	341	342	0	1

9.2. DEFERRED TAXES

A. Analysis

	Dec. 31, 2005	Dec. 31, 2006
NET DEFERRED TAX ASSETS (LIABILITIES)	**(730)**	**(418)**
of which:		
Deferred tax liabilities	(1,050)	(900)
Deferred tax assets	372	549
Impairment on deferred tax assets	(52)	(67)

B. Movements

	2005	2006
AS OF JAN.1	**(487)**	**(730)**
Movements of the year:		
- Statement of income charge/credit	(71)	(27)
- Items directly computed by equity	(174)	378
- Effect of change in tax rates – statement of income	(2)	(14)
- Effect of change in tax rates – equity	7	(21)
- Changes in scope of consolidation	16	(7)
- Exchange differences	(19)	13
- Other movements	0	(10)
AS OF DEC. 31	**(730)**	**(418)**

Deferred tax coming from assets of the balance sheet	Dec. 31, 2005	Dec. 31, 2006
Cash, loans and loan loss provisions	(1,091)	(404)
Securities	(1,854)	(884)
Derivatives	(1,108)	(460)
Investments in associates	(16)	0
Tangible and intangible fixed assets	(186)	(199)
Other assets and liabilities specific to insurance companies	(89)	(82)
Other	(25)	(16)
TOTAL	**(4,369)**	**(2,045)**

Deferred tax coming from liabilities of the balance sheet	Dec. 31, 2005	Dec. 31, 2006
Securities	0	0
Derivatives	2,514	1,819
Borrowings, deposits and issuance of debt securities	1,132	(124)
Provisions	11	57
Pensions	105	112
Other assets and liabilities specific to insurance companies	46	9
Tax losses carried forward	311	306
Tax credit carried forward	14	0
Legal tax free provisions	(384)	(419)
Entities with special tax status	(197)	(223)
Minority interest, reserves of associates and own shares	0	0
Other	139	157
TOTAL	**3,691**	**1,694**

C. Expiry date of unrecognized deferred tax assets

Nature	Less than 1 year	Between 1 to 5 years	Over 5 years	Undetermined maturity	Total
Temporary difference				0	0
Tax losses carried forward				(67)	(67)
TOTAL	**0**	**0**	**0**	**(67)**	**(67)**

9.3. INSURANCE CONTRACTS

A. Life contracts

A.1. Income and expenses

PREMIUM INCOME

	Dec. 31, 2005				Dec. 31, 2006			
	Insurance contracts		Investment contracts with DPF (1)		Insurance contracts		Investment contracts with DPF (1)	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Gross premiums written	285	259	1,841	209	392	239	2,312	50
Premiums ceded to reinsurers	(2)	(40)	0	0	(3)	(38)	0	(1)
Change in gross unearned premium reserves (UPR)	0	0	0	0	0	56	0	0
Share of reinsurer in change of unearned premium reserves (UPR)	0	0	0	0	0	(15)	0	0
NET PREMIUM AFTER REINSURANCE	**283**	**219**	**1,841**	**209**	**389**	**242**	**2,312**	**49**

(1) Discretionary Participation Features.

CLAIMS EXPENSES

	2005				2006			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Gross claims paid	(175)	(112)	(187)	(3)	(228)	(116)	(372)	(5)
Claims reserve as of Jan. 1	24	7	0	0	32	10	1	0
Claims reserve as of Dec. 31	(32)	(10)	(1)	0	(12)	(14)	(8)	0
Transferred claims reserves	1	0	0	0	(6)	0	0	0
Share of reinsurers	2	13	0	1	4	14	0	0
NET CLAIMS INCURRED	**(180)**	**(102)**	**(188)**	**(2)**	**(210)**	**(106)**	**(379)**	**(5)**

CHANGES IN TECHNICAL RESERVES

1. Change in life insurance reserve

	2005				2006			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Life insurance reserve as of Jan. 1	2,181	635	3,593	175	2,296	710	5,466	386
Life insurance reserve as of Dec. 31	(2,296)	(710)	(5,466)	(386)	(2,367)	(741)	(8,006)	(228)
Transferred life insurance reserve	(1)	(34)	0	0	(262)	(18)	477	(247)
Share of reinsurers in life insurance reserve as of Jan. 1	(47)	(46)	(1)	0	(11)	(19)	(1)	0
Share of reinsurers in life insurance reserve as of Dec. 31	11	19	1	0	10	5	1	0
Share of reinsurers in transferred life insurance reserve	36	22	0	0	0	14	0	0
NET CHANGE IN LIFE INSURANCE RESERVE	**(116)**	**(114)**	**(1,873)**	**(211)**	**(334)**	**(49)**	**(2,063)**	**(89)**

2. Change in profit sharing reserve

	2005				2006			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Profit sharing reserve as of Jan. 1	2	4	12	1	3	6	21	2
Profit sharing reserve as of Dec. 31	(3)	(6)	(21)	(2)	(5)	(8)	(48)	0
Transferred profit sharing reserve	0	0	0	0	1	0	0	(2)
Share of reinsurerss in profit sharing reserve as of Jan. 1	0	0	0	0	0	0	0	0
Share of reinsurerss in profit sharing reserve as of Dec. 31	0	0	0	0	0	0	0	0
Share of reinsurers in paid profit share	0	0	0	0	0	0	0	0
Share of reinsurers in transferred profit sharing reserve	0	0	0	0	0	0	0	0
NET CHANGE IN PROFIT SHARING RESERVE	**(1)**	**(2)**	**(9)**	**(1)**	**(1)**	**(2)**	**(27)**	**0**

LOSSES RESULTING FROM LIABILITY ADEQUACY TEST (LAT)

Nil.

A.2. Assets and liabilities

GROSS RESERVES

	Dec. 31, 2005				Dec. 31, 2006			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Life insurance reserve local GAAP	2,296	710	5,466	386	2,367	741	8,006	228
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0	0	0
Reserves due to shadow accounting adjustments	5	15	44	4	3	6	22	2
Reserves due to results of IAS 39	0	0	0	0	0	0	0	0
TOTAL LIFE INSURANCE RESERVE	**2,301**	**725**	**5,510**	**390**	**2,370**	**747**	**8,028**	**230**
Claims reserves	32	10	1	0	12	14	8	1
Other technical reserves	3	6	21	2	5	8	48	0
TOTAL GROSS RESERVES	**2,336**	**741**	**5,532**	**392**	**2,387**	**769**	**8,084**	**231**

SHARE OF REINSURERS

	Dec. 31, 2005				Dec. 31, 2006			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Share of reinsurers in life insurance reserve	11	19	1	0	10	5	1	0
Share of reinsurers in claims reserves	2	2	0	0	2	2	0	0
Share of reinsurers in other technical reserves	1	0	0	0	0	0	0	0
TOTAL SHARE OF REINSURERS	**14**	**21**	**1**	**0**	**12**	**7**	**1**	**0**

DISCRETIONARY PARTICIPATION FEATURE INCLUDED IN EQUITY

	As of Dec. 31, 2005		As of Dec. 31, 2006	
	Contracts with DPF		Contracts with DPF	
	Individual	Group	Individual	Group
Net discretionary participation feature included in equity	374	59	370	56

Insurance or investment contracts with DPF that have embedded derivates that need to be separated and fair valued through profit and loss are limited to two products. These amounts are not significant.

RECONCILIATION OF CHANGES IN LIFE INSURANCE RESERVE

	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS OF DEC. 31, 2004	**6,584**	**94**	**6,490**
FTA impacts (IFRS 4 shadow adjustments)	30	0	30
Additional reserves originated during the period	2,370	(54)	2,424
Additional reserves due to shadow adjustments	38	0	38
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0
Claims paid	(522)	(16)	(506)
Results on death and on life	11	9	2
Attribution of technical interest	244	1	243
Other changes	171	(3)	174
LIFE INSURANCE RESERVE AS OF DEC. 31, 2005	**8,926**	**31**	**8,895**

	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS OF DEC. 31, 2005	**8,926**	**31**	**8,895**
Additional reserves originated during the period	2,839	19	2,820
Additional reserves due to shadow adjustments	(35)	0	(35)
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0
Claims paid	(562)	(98)	(464)
Results on death and on life	(67)	1	(68)
Attribution of technical interest	335	2	333
Other changes	(61)	62	(123)
LIFE INSURANCE RESERVE AS OF DEC. 31, 2006	**11,375**	**17**	**11,358**

B. Nonlife contracts

B.1. Income and expenses

PREMIUM INCOME

	Dec. 31, 2005	Dec. 31, 2006
Gross premiums written	367	365
Premiums ceded to reinsurer	(26)	(25)
NET PREMIUMS AFTER REINSURANCE (A)	341	340
Change in gross Unearned Premium Reserves (UPR)	(2)	(4)
Share of reinsurers in change of Unearned Premium Reserve (UPR)	0	0
CHANGE IN NET UNEARNED PREMIUM RESERVE (UPR) (B)	(2)	(4)
TOTAL NET EARNED PREMIUMS (A)+(B)	**339**	**336**

CLAIMS EXPENSES

	2005	2006
Gross claims paid	(189)	(193)
Claims reserve as of Jan. 1	575	600
Claims reserve as of Dec. 31	(600)	(571)
Transferred claims reserves	0	(49)
Share of reinsurers	10	12
NET CLAIMS INCURRED	**(204)**	**(201)**

CHANGE IN OTHER NONLIFE INSURANCE RESERVES

	2005	2006
Other nonlife insurance reserves as of Jan. 1	16	17
Other nonlife insurance reserves as of Dec. 31	(17)	(18)
Transferred other nonlife insurance reserves	0	0
Share of reinsurers in other nonlife insurance reserves as of Jan. 1	(1)	(1)
Share of reinsurers in other nonlife insurance reserves as of Dec. 31	1	1
Share of reinsurers in transferred other nonlife insurance reserves as of Jan. 1	0	0
NET CHANGES IN INSURANCE LIABILITIES	**(1)**	**(1)**

LOSSES RESULTING FROM LIABILITY ADEQUACY TEST (LAT)

Nil.

B.2. Assets and liabilities

GROSS RESERVES

	Dec. 31, 2005	Dec. 31, 2006
Claims reserves	543	514
Reserves Unallocated Loss Adjustment Expenses (ULAE)	28	27
Premium deficiency reserves (nonlife LAT)	0	0
Reserves for claims Incurred But Not Reported (IBNR)	29	29
TOTAL CLAIMS RESERVES	600	570
Other technical reserves	17	18
Unearned Premium Reserve (UPR)	85	83
TOTAL GROSS RESERVES	**702**	**671**

SHARE OF REINSURERS

	Dec. 31, 2005	Dec. 31, 2006
Share of reinsurers in claims reserves	83	66
Share of reinsurers in reserves ULAE	0	0
Share of reinsurers in IBNR	0	0
SHARE OF REINSURERS IN TOTAL CLAIMS RESERVE	83	66
Share of reinsurers in other technical reserves	1	0
Share of reinsurers in UPR	2	2
TOTAL SHARE OF REINSURERS	**86**	**68**

RECONCILIATION OF CHANGES IN CLAIMS RESERVES

	2005			2006		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
CLAIMS RESERVES AS OF JAN. 1	**575**	**87**	**488**	**600**	**83**	**517**
Claims paid on previous years	(46)	2	(48)	(108)	(19)	(89)
Change in claim charges on previous years	(82)	(16)	(66)	(81)	0	(81)
Liabilities on claims current year	153	10	143	159	2	157
CLAIMS RESERVES AS OF DEC. 31	**600**	**83**	**517**	**570**	**66**	**504**

CLAIMS DEVELOPMENT

Runoff triangle total costs (gross figures)

	Occurrence year					
Liquidation year	Previous years	2002	2003	2004	2005	2006
2001	469					
2002	300	184				
2003	246	112	194			
2004	204	70	105	225		
2005	180	59	63	115	241	
2006	154	52	49	66	129	239

9.4. RELATED PARTIES TRANSACTIONS

A. Related parties transactions

	Key management		Entities with joint control or significant influence over the entity[(1)]		Subsidaries		Associates		Joint ventures in which the entity is a venturer	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Loans [(2)]	1	1	316	651	2	382	193	1,040	16	60
Interest income	0	0	6	20	0	0	5	8	1	1
Deposits	16	2	344	377	23	264	95	190	38	2,389
Interest expense	0	0	(5)	(10)	0	0	(2)	(5)	(1)	(95)
Other revenue – fee result	0	0	0	0	0	0	12	(3)	0	(16)
Guarantees issued and commitments provided [(3)]	0	0	0	56	1	1	194	26	7	512
Guarantees and commitments received	0	0	700	1,320	0	0	10	905	23	0

(1) We refer here to the main shareholders of Dexia (2005-2006) : Arcofin , Holding Communal , Caisse des dépôts et consignations.
(2) Loans to key management personnel were granted at general market conditions.
(3) Unused lines granted.

No provisions were recorded on loans given to related parties.

Dexia group entered no investment transactions exceeding EUR 25 million with related parties.

B. Key management compensations

	Dec. 31, 2005	Dec. 31, 2006
Short-term benefits	8	7
Post-employment benefits	4	2
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	1	1

Details per person are reported in the Management Report on page 46.

Short-term benefits include the salaries, bonuses and other advantages.
Post-employment benefits: service cost calculated in accordance with IAS 19.
Share-based payments include the cost of stock options and the discount given on capital increase allowed to the key management.

9.5. SECURITIZATION

Dexia Bank Belgium and DenizBank have securization vehicles.

Dexia Bank Belgium has three securitization vehicles : Atrium-1, Atrium-2 and MBS. This latter has six compartments.
Total assets of those vehicles amounts respectively EUR 332 million and EUR 295 million as of Dec.31, 2005 and Dec. 31,2006.

Atrium-1 is a securitization transaction of social housing loans pursuant to a long-term credit facility between BACOB (merged into Dexia Bank Belgium) and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the special purpose vehicle (SPV). The original size of the transaction was EUR 188 million. Two classes of fixed-rate notes were issued on April 30, 1996, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2, currently Aa1). As of December 31, 2006 EUR 118.6 million is still outstanding under class A2 while class A1 has been repaid.

Atrium-2 is a securitization transaction of social housing loans pursuant to a long term credit facility between BACOB (merged into Dexia Bank Belgium) and Domus Flandria NV (the borrower) and guaranteed by the Flemish Region. The guarantee of the Flemish Region was transferred to the SPV. The original size of the transaction was EUR 129.3 million. Two classes of fixed-rate notes were issued on June 19, 1997, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2, currently Aa1). As of December 31, 2006 EUR 86 million is still outstanding under class A2.

MBS-3 is a securitization transaction of Belgian residential mortgage loans. The transaction, which had an original outstanding amount of EUR 371.8 million, was launched on November 24, 1997. Four floating-rate tranches of obligations were issued, three senior classes (called class A1 through A3 and rated Aaa/AAA by Moody's and Fitch) and one junior class (called class B and rated A3/A by Moody's and Fitch). As at December 31, 2006 there is still EUR 28.5 million outstanding. There is 24.5 million outstanding under class A3 and EUR 3.9 million under class B (currently rated Aa1/AA by Moody's and Fitch).

MBS-4 is a securitization transaction of Belgian residential mortgage loans. The transaction, which had an original outstanding amount of EUR 272.7 million, was launched on November 25, 1998. Four floating-rate tranches of obligations were issued, three senior classes (called class A1 through A3 and rated Aaa/AAA by Moody's and Fitch) and one junior class (called class B and rated A3/A by Moody's and Fitch). As of December 31, 2006 there is still EUR 51.2 million outstanding. There is EUR 46.2 million outstanding under class A3 and EUR 5.0 million under class B (currently rated Aa1/AA by Moody's and Fitch).

In June 2005, DenizBank completed a securitization transaction: the "DPR (Diversified Payment Rights) Securitization". The bank securitizes its SWIFT MT 100 category payment orders received primarily through foreign depository banks in EUR, USD and GBP currencies.
The SPC "DFS Funding Corporation Cayman" issued three tranches of series: USD 150 million Series 2005-A Floating Rate Notes Due 2010; USD 80 million Series 2005-C Fixed Rate Notes Due 2012; USD 70 million Series 2005-C Fixed Rate Notes Due 2010, and bought the Diversified Payment Rights.
As at December 31, 2006 there is still USD 300 million outstanding.

9.6. ACQUISITIONS AND DISPOSALS OF CONSOLIDATED COMPANIES

A. Main acquisitions

Year 2005

There were no significant acquisitions in 2005.

Year 2006

ACQUISITION OF CONTROL OF DENIZBANK

On May 30, 2006 Dexia signed a share purchase agreement for the acquisition of a majority stake in DenizBank. The closing of the transaction took place on October 17, 2006 when all authorizations were received. On October 17, 2006 Dexia acquired 75% of the share capital of DenizBank A.S.

A small percentage (0.85%) had been acquired by Dexia Bank Belgium before March 2006, so that on October 17, the acquired percentage stood at 75.85%.

Dexia has hedged the purchase price, which was concluded in USD with Zorlu group until the payment.

With approximately 1.9 million retail customers, strong niches in SME or corporate segments (in the health sector, agricultural, tourism, energy,...) DenizBank is the 6th largest private bank in Turkey and counts more than 260 branches all over the country. The bank has also subsidiaries in Austria, Cyprus and Russia.

	Market value of assets and liabilities purchased
Cash and cash equivalents	1,497
Due from banks	272
Loans and advances to customers	4,401
Loans and securities available for sale	559
Positive value of derivatives	38
Intangible assets (of which 7 millions existing and 239 acquired)	246
Goodwill	1,310
Other assets	412
Due to banks	(2,214)
Customer borrowings and deposits	(4,069)
Negative value of derivatives	(19)
Debt securities	0
Other liabilities	(286)
Minority interests	(202)
TOTAL PURCHASE CONSIDERATION PAID, INCLUDING COSTS AND HEDGING	**1,945**
Less: cash and cash equivalent in subsidiary acquired	(1,497)
CASH FLOW OUT OF ACQUISITION	**448**

Comment: it should be noted that the net cash outflow includes 100% of cash acquired with only 75,85% of cash paid by Dexia.

Identification of intangible assets purchased

Dexia has analyzed the potential intangible assets.

Some items, like software, banking licence, long-term contracts and leasing rights have been identified but were immaterial.

Three items have been identified and recorded, for a gross value of EUR 239 million.

Trade name: EUR 57 million

This intangible asset has been valued with the Relief from Royalty Method, which is based on a hypothetical royalty income attributable to an asset.

In particular, it estimates the expected annual royalty savings attributable to ownership of the identifiable intangible asset.

This approach is based on the concept that if a company owns a trademark, it does not have to "rent" one and therefore is "relieved" from paying a royalty.

The useful life has been fixed to 10 years.

Core Deposits: EUR 120 million

This intangible asset has been valued with the Favorable Source of Funds Method.

Core deposits' value (CD) is measured by the present value of the difference, or spread, between the CD's ongoing cost and the cost of a market alternative replacement.

Acquired core deposit accounts typically provide a low-cost source of funds to the buyer, mainly in Turkey, where current accounts are not remunerated.

To replace these established, low-cost deposit accounts in a timely manner, a potential purchaser would have to utilize higher-cost funds at current market rates.

As alternative funding, Dexia used overnight bank borrowing interest rate. The useful life of this intangible asset has been estimated to 7 years.

Customer Relationships: EUR 62 million

This intangible asset has been valued with the Multi-Period Excess Earnings Method.

Excess earnings can be defined as the difference between the net operating cash flow after tax attributable to the existing customers at the acquisition date and the required cost of invested capital on all the other assets (contributory assets such as fixed assets, core deposits, trade name, assembled workforce) used in order to maintain the customer relationship.

Value is estimated through the sum of the discounted future excess earnings attributable to these customers over the remaining lifespan of the customer relationship.

The useful life of this intangible asset has been estimated to 8 years.

Impact of unallocated goodwill as of October 17, 2006

The tax rate in Turkey being 20%, the net of tax amount of identified intangible assets amounts to EUR 191 million, or TRY 352 million.

The remaining unallocated goodwill then stands at EUR 1,310 million, or TRY 2,411 million.

As from this date, the value of all assets and liabilities, including identified intangible assets and unallocated goodwill, will vary with the TRY exchange rate.

As this calculation has been done based on financial statements with accounting rules and methods which are not yet fully harmonized with Dexia accounting principles their value may still change within the twelve months after the business combination.

Financing of the purchase of DenizBank

To finance the acquisition of DenizBank, Dexia proceeded with a share capital increase (EUR 1,2 billion), issued EUR 500 million of Perpetual Non-cumulative Guaranted Securities qualifying as Regulatory Tier 1 capital and sold some stakes in participations. Details of those transactions are reported in the related notes to the financial statements.

DenizBank group contributed to net income attributable to Dexia shareholders for EUR 32 million for the period from October 17 to December 31, 2006.

Acquisition of minority interests of DenizBank due to a mandatory tender offer.

Dexia had no call options nor written puts towards the minority shareholders at the moment of the business combination.

By taking the control of DenizBank, Dexia was required by Turkish law to launch a mandatory tender offer on the remaining shares of DenizBank listed on the Istanbul Stock Exchange. Compliant to this law the timing, conditions and the fixing of the price were taken out of the control of Dexia management. There was no certainty about the result of this tender, as the remaining shareholders had the choice to bring, or not, their shares to the tender.

The tender started on December 4, 2006 and closed on December 22, 2006. The price was paid in TRY and Dexia hedged the risk of fluctuation of the purchase price in TRY until the payment.

At the end of the tender, the shareholding of Dexia stood then at 99.74%. This percentage remained unchanged since December 31, 2006.

The price paid for the shares acquired in the mandatory tender offer has been compared with the percentage of equity acquired as of December 31, 2006.

The purchase of minority interests was considered as a transaction between shareholders and the difference between the price paid and the equity acquired has been recorded as a movement between Group equity and minority interests since Dexia is applying the economic entity model.

This accounting treatment is disclosed in the Dexia accounting rules (see point 1.22.1. – Positive Goodwill) and has been consistently applied since the conversion of Dexia to IFRS.

In order to allow the comparison with companies having used an alternative accounting treatment, the following additional information is provided:

	In millions of EUR
Part of equity purchased (23.89%), including Q4 2006 result:	210
Price paid, including costs and hedging:	618
Difference between purchase consideration paid and equity acquired:	408

This amount of EUR 408 million has been deducted from the Group core shareholders' equity, and is reported in the line "Variation in scope of consolidation" in the Statement of change in equity document.

B. Main disposals

Year 2005

On December 1, 2005 the Group disposed of 100% of the share capital of Eural Banque d'épargne SA.

It was the only significant disposal in 2005.

Year 2006

On December 28 , 2006 the Group disposed of 100% of the share capital of Banque Artesia Nederland.

It was the only significant disposal in 2006.

The assets and liabilities disposed are as follows:

	2005 Eural	2006 Banque Artesia Nederland
Cash and cash equivalents	107	176
Due from banks	355	277
Loans and advances to customers	758	3,422
Loans and securities available for sale	1,394	684
Positive value of derivatives	55	51
Other assets	19	35
Due to banks	(22)	(3,033)
Customer borrowings and deposits	(1,363)	(1,216)
Negative value of derivatives	(77)	(55)
Debt securities	(1,091)	
Other liabilities	(47)	(119)
NET ASSETS(1)	**88**	**222**
Proceeds from sale (in cash)	121	485
Less: cash and cash equivalents in the subsidiary sold	(107)	(176)
NET CASH INFLOW ON SALE	**14**	**309**

(1) Eural: including EUR 39 million gains and losses not recognized in the statement of income (AFS reserve).
Banque Artesia Nederland: including EUR 17 million gains and losses not recognized in the income statement (AFS reserve).

C. Joint venture RBC Dexia investor services

On January 2, 2006, Dexia and Royal Bank of Canada completed the joint venture to combine their institutional investor services businesses.
RBC Dexia Investor Services is a joint venture equally owned by Royal Bank of Canada and Dexia.
Dexia consolidate 50% of the joint venture by the proportional method.

	Contribution done by Dexia disposal of 50%	Contribution received by Dexia from RBC entry of 50%	Net impact on assets and liabilities
Cash and cash equivalents	4,431	2,691	(1,740)
Due from banks	1	0	(1)
Loans and advances to customer	703	32	(671)
Loans and securities available for sale	22	0	(22)
Positive value of derivatives	6	0	(6)
Goodwill, including goodwill of RBC contribution	21	153	132
Other assets	502	80	(422)
Due to banks	(442)	0	442
Customer borrowings and deposits	(4,858)	(2,389)	2,469
Negative value of derivatives	(5)	0	5
Debt securities	0	0	0
Other liabilities	(175)	(125)	50
NET CONTRIBUTION	**206**	**442**	**236**

The contribution to the joint venture has been done at fair value by both parties, Dexia and RBC.
Dexia recorded a profit of EUR 236 million on the part brought to RBC taking into account the costs linked to the transaction and booked a net goodwill of EUR 121 million on the net assets contributed by RBC at fair value.
This net goodwill was not allocated to intangible assets as the purpose of the transaction was not to purchase existing customers' relations but to retain actual clients and attract new clients in a company having a worldwide coverage.
Taking into account the very short notice of rupture of contracts in such an activity, the value of existing customers' relationship was not material.
The purpose of this joint-venture was also lead to future synergies and to allow saving cost in IT infrastructure.
As those elements did not meet the recognition criteria of intangible assets, the whole net goodwill was let in unallocated goodwill and correspond to real increase in profit and synergies, which is clearly the case since the creation of this joint venture, as reported in Dexia 2006 financial statements.

9.7. EQUITY

By category of share

	Dec. 31, 2005	Dec. 31, 2006
Number of shares authorized and not issued	660,445,892	1,023,934,945
Number of shares issued and fully paid	1,107,469,030	1,163,184,325
Number of shares issued and not fully paid	0	0
Value per share	no nominal value	no nominal value
Outstanding as of Jan. 1	1,145,261,366	1,107,469,030
Number of shares issued	14,094,529	77,812,015
Number of shares cancelled	(51,886,865)	(22,096,720)
Outstanding as of Dec. 31	1,107,469,030	1,163,184,325
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares (1)	20,550,020	490,607
Number of shares reserved for issue under stock options and contracts for the sale of share	819,344	479,340

(1) In 2005: mainly purchased by Dexia SA and also, to a lesser extent, shares bought by Dexia Crédit Local to cover 1999's SOP.
In 2006: Dexia Crédit Local's purchases to cover 1999's SOP.

CONSOLIDATED FINANCIAL STATEMENTS

9.8. SHARE-BASED PAYMENTS

STOCK OPTION PLANS SETTLED IN DEXIA SHARES	Dec. 31, 2005 Number of Options [1]	Dec. 31, 2006 Number of Options [1]
Outstanding at the beginning of the period	51,939,550	56,452,344
Granted during the period	10,184,922	10,192,973
Forfeited during the period	(285,500)	(51,600)
Exercised during the period [2]	(5,386,628)	(7,702,639)
Expired during the period	0	(12,786)
Outstanding at the end of the period	56,452,344	58,878,292
Exercisable at the end of the period	25,238,988	27,341,131

(1) Outstanding options also include the call options granted to DCL's employees in 1999.
(2) The weighted average exercise price for 2005 and 2006 was respectively EUR 13,60 and 13,30 per share.

RANGE OF EXERCISE PRICES (EUR)	Dec. 31, 2005 Number of outstanding options	Dec. 31, 2005 Weighted-average exercise price (EUR)	Dec. 31, 2005 Weighted-average remaining contractual life (year)	Dec. 31, 2006 Number of outstanding options	Dec. 31, 2006 Weighted-average exercise price (EUR)	Dec. 31, 2006 Weighted-average remaining contractual life (year)
5.95 - 8.10	249,474	7.13	1.25	146,179	7.15	0.40
10.97 - 11.37	10,853,596	11.27	7.14	10,111,906	11.36	6.14
11.88 - 13.66	20,598,219	12.33	7.40	16,213,021	12.27	6.74
13.81 - 14.58	4,926,021	14.30	4.11	4,232,433	14.35	3.29
15.17 - 15.88	1,506,588	15.17	1.98	1,303,827	15.17	1.76
17.23 - 17.86	8,133,524	17.86	5.70	6,493,031	17.86	5.00
18.03 - 18.20	10,184,922	-	9.41	10,184,922	-	8.41
18.62 - 21.25	-	-	-	10,192,973	-	9.42

STOCK OPTION PLANS SETTLED IN DEXIA SHARES	Plan 2005	Plan 2006 Stock option plan Dexia's employees	Plan 2006 Self-employed network	Plan 2006 Stock option plan DenizBank group
Grant Date	30/06/05	30/06/06	17/11/06	15/12/06
Number of instruments granted	10,184,922	9,760,225	197,748	235,000
Exercise price	18.03	18.62	21.25	20.71
Share price at the date of grant	18.21	18.85	21.27	20.92
Contractual life (years)	10 years	10 years	5 years	10 years
Vesting conditions	See note 1	See note 1	See note 2	See note 1
Settlement	Dexia shares	Dexia shares	Dexia shares	Dexia shares
Fair value per granted instrument at grant date	2.16	2.33	2.67	2.44
Valuation Model	See note 3	See note 3	See note 3	See note 3

(1) The vesting conditions are the following: 40% is vested immediately, 20% is yearly vested over the next 3 years.
(2) Immediately vested at grant date.
(3) For the stock option plan offered towards Dexia's employees, Dexia used the fair value obtained from a non-related third party.

	Dec. 31, 2005	Dec. 31, 2006
Equity-settled arrangements	26	30
Cash-settled arrangements [1]	15	18
Arrangements with settlement alternatives	0	0
TOTAL EXPENSES	**41**	**48**
Liabilities for cash-settled arrangement [1]	99	85
Liabilities for arrangements with settlement alternatives	0	0
TOTAL LIABILITIES	**99**	**85**

(1) Performance share plan of FSA.

Performance shares granted by FSA

Through 2004, performance shares were awarded under the 1993 Equity Participation Plan (the "1993 Equity Plan"). The 1993 Equity Participation Plan authorizes the discretionary grant of performance shares by the Human Resources Committee to key employees. The amount earned for each performance share depends on the attainment of certain growth rates of adjusted book value per outstanding share over a three-year period.

Performance shares issued prior to January 1, 2005 permitted the participant to elect, at the time of award, growth rates including or excluding realized and unrealized gains and losses on the General Investment Portfolio. Performance shares issued after January 1, 2005 do not offer the option to include the impact of unrealized gains and losses on the General Investment Portfolio. No payout occurs if the compound annual growth rate of adjusted book value and book value per outstanding share over specified three-year performance cycles is less than 7%, and a 200% payout occurs if the compound annual growth rate is 19% or greater. Payout percentages are interpolated for compound annual growth rates between 7% and 19%.

In 2004, FSA adopted a new 2004 Equity Participation Plan (the "2004 Equity Plan") that continues the incentive compensation program formerly provided under the company's 1993 Equity Participation Plan. The 2004 Equity Plan provides for performance share units comprised 90% of performance shares (which provide for payment based upon the FSA's performance over specified three-year performance cycles as described above) and 10% of share of Dexia SA restricted stock. The Dexia SA restricted stock component is a fixed plan, where FSA purchases Dexia SA shares and establishes a prepaid expense for the amount paid which is amortized over 2.5 and 3.5 year vesting period. In 2006 and 2005, FSA purchased shares to economically defease its liability for USD 4.6 million and 4.4 million, respectively. These amounts are being amortized to expense over the employees' vesting periods.

FSA SHARES	Outstanding at beginning of period	Granted during the period	Earned during the period	Forfaited during the period	Outstanding at end of period	Share price at date of grant (in USD)
2005	1,217,761	316,638	313,987	24,434	1,195,978	131.30
2006	1,195,978	370,441	340,429	15,696	1,210,294	139.22

The figures as of December 31, 2005 have been restated.

9.9. MINORITY INTERESTS – CORE EQUITY

AS OF JAN.1, 2005	**434**	
- Increase of capital	717	Note 1
- Dividends	(25)	
- Net income for the period	55	
- Variation of scope of consolidation	(45)	Note 2
AS OF DECEMBER 31, 2005	**1,136**	
AS OF JAN.1, 2006	**1,136**	
- Increase of capital	513	Note 3
- Dividends	(44)	
- Net income for the period	88	
- Translation adjustments	(1)	
- Variation of scope of consolidation	(28)	Note 4
AS OF DECEMBER 31, 2006	**1,664**	

(1) Dexia Crédit Local issued on November 18, 2005 undated deeply subordinated non-cumulative Notes for EUR 700 million. The prospectus of which may be obtained on demand. The Notes bear interest on their current principal amount at a fixed rate of 4.300 % for the first 10 years, then, if not called, bear interest at a floating rate equal to 3-month Euribor plus a margin of 1.730% per annum payable on a quarterly basis.
The payment of interest on the Notes may, or in certain circumstances shall, be suspended. In some circumstances, the principal amount may also be reduced according to the loss absorption mechanism. Any interest not paid on the Notes will be lost and will therefore no longer be due and payable by the issuer.
In application of IAS 32, the notes are recognized in equity as the payments of interest are non cumulative and made at the discretion of the issuer.
As those Notes were issued by Dexia Crédit Local and not directly by Dexia SA, they are accounted for as minority interests in Dexia financial statements.
(2) The change in scope of consolidation in 2005 includes the purchase by FSA of remaining minority interests in FSA International Ltd for EUR 40 million, without impact in group equity and the change in value of the debt relating to FSA for EUR 5 million, deducted from minority interests. The impact on group equity of debt revaluation is EUR -7 million.
(3) Dexia Funding Luxembourg issued on November 2, 2006 undated subordinated non-cumulative Notes for EUR 500 million. The prospectus of which may be obtained on demand. The Notes bear interest on their current principal amount at a fixed rate of 4.892 % for the first 10 years, then, if not called, bear interest at a floating rate equal to 3-month Euribor plus a margin of 1.78% per annum payable on a quarterly basis. The payment of interest on the Notes may, or in certain circumstances shall, be suspended. In some circumstances, the principal amount may also be reduced according to the loss absorption mechanism.
Any interest not paid on the Notes will be lost and will therefore no longer be due and payable by the issuer. As for the issue done by DCL in 2005, those Notes will be considered as equity, and because they are issued by a subsidiary, will be recorded in minority interests in Dexia financial statements.
(4) The change in scope of consolidation in 2006 mainly include the decrease of minority interests in DenizBank and in RBC–DFS Spain.

9.10. CONTRIBUTION BY ACTIVITY

		Dec. 31, 2005				Dec. 31, 2006			
		Banking and other activities	FSA	Other insurance (1)	Total	Banking and other activities	FSA	Other insurance (1)	Total
I.	Cash and balances with central banks	3,444	0	0	3,444	3,365	0	0	3,365
II.	Due from banks	74,563	402	88	75,053	77,982	159	74	78,215
III.	Loans and advances to customers	192,014	76	312	192,402	226,154	46	302	226,502
IV.	Loans and securities held for trading	15,655	0	0	15,655	15,385	0	0	15,385
V.	Loans and securities designated at fair value	7,848	257	5,760	13,865	10,914	194	6,076	17,184
VI.	Loans and securities available for sale	140,133	15,857	10,214	166,204	159,369	17,184	11,825	188,378
VII.	Securities held to maturity	3,217	0	0	3,217	2,260	0	0	2,260
VIII.	Positive value of derivatives	28,426	201	5	28,632	23,727	298	7	24,032
IX.	Fair value revaluation of portfolio hedge	1,659	0	0	1,659	759	0	0	759
X.	Investments in associates	724	47	7	778	819	0	7	826
XI.	Tangible fixed assets	2,129	27	29	2,185	2,140	25	23	2,188
XII.	Intangible assets and goodwill	581	13	141	735	2,246	9	138	2,393
XIII.	Tax assets	520	74	8	602	664	76	9	749
XIV.	Other assets	2,704	1,205	385	4,294	2,069	1,190	293	3,552
XV.	Non-current assets held for sale	36	0	0	36	955	0	0	955
TOTAL ASSETS		**473,653**	**18,159**	**16,949**	**508,761**	**528,808**	**19,181**	**18,754**	**566,743**
I.	Due to banks	134,768	0	25	134,793	174,628	0	126	174,754
II.	Customer borrowings and deposits	97,217	0	521	97,738	109,073	0	411	109,484
III.	Liabilities held for trading	3,813	0	0	3,813	578	0	0	578
IV.	Liabilities designated at fair value	0	13,010	5,012	18,022	2,378	14,152	4,781	21,311
V.	Negative value of derivatives	37,627	25	0	37,652	30,438	51	0	30,489
VI.	Fair value revaluation of portfolio hedge	966	0	0	966	239	0	0	239
VII.	Debt securities	175,602	83	0	175,685	184,302	424	0	184,726
VIII.	Subordinated and convertible debt	4,932	0	53	4,985	4,311	0	54	4,365
IX.	Technical provisions of insurance companies	0	142	9,704	9,846	0	145	12,143	12,288
X.	Provisions and other obligations	1,074	0	246	1,320	1,242	0	226	1,468
XI.	Tax liabilities	1,027	182	168	1,377	983	204	89	1,276
XII.	Other liabilities	4,074	2,371	419	6,864	3,853	2,341	351	6,545
XIII.	Non-current liabilities held for sale	0	0	0	0	785	0	0	785
TOTAL LIABILITIES		**461,100**	**15,813**	**16,148**	**493,061**	**512,810**	**17,317**	**18,181**	**548,308**

(1) The heading "Other insurance" includes mainly Dexia Insurance Belgium Group.

	Dec. 31, 2005				Dec. 31, 2006			
	Banking and other activities	FSA	Other insurance [(1)]	Total	Banking and other activities	FSA	Other insurance [(1)]	Total
Interest margin	3,124	178	348	3,650	3,341	210	378	3,929
Dividend income	79	1	49	129	81	4	67	152
Net income from associates	82	6	1	89	102	0	0	102
Net trading income and net result of hedge accounting	163	6	(15)	154	273	54	(8)	319
Net income on investments	410	8	84	502	1,036	7	121	1,164
Net commission	1,138	(5)	39	1,172	1,280	(4)	31	1,307
Technical margin of insurance activities	0	329	(121)	208	0	310	(210)	100
Other net income	87	0	(15)	72	(67)	0	6	(61)
INCOME	5,083	523	370	5,976	6,046	581	385	7 012
Staff expense	(1,458)	(45)	(83)	(1,586)	(1,569)	(56)	(97)	(1,722)
General and administrative expense	(888)	(24)	(63)	(975)	(1,015)	(25)	(65)	(1,105)
Network costs	(311)	0	(55)	(366)	(299)	0	(53)	(352)
Depreciation & amortization	(231)	(2)	(14)	(247)	(241)	(3)	(8)	(252)
Deferred acquisition costs	0	(55)	0	(55)	0	(50)	0	(50)
COSTS	(2,888)	(126)	(215)	(3,229)	(3,124)	(134)	(223)	(3,481)
GROSS OPERATING INCOME	2,195	397	155	2,747	2,922	447	162	3,531
Impairment on loans and provisions for credit commitments	(31)	(20)	(1)	(52)	(105)	(18)	(1)	(124)
Impairment on tangible and intangible assets	0	0	0	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0	0	0	0
NET INCOME BEFORE TAX	2,164	377	154	2,695	2,817	429	161	3,407
Tax expense	(467)	(104)	(31)	(602)	(433)	(110)	(26)	(569)
NET INCOME	1,697	273	123	2,093	2,384	319	135	2,838
Attributable to minority interest	43	11	1	55	84	3	1	88
Attributable to equity holders of the parent	1,654	262	122	2,038	2,300	316	134	2,750

(1) The heading "Other insurance" includes mainly Dexia Insurance Belgium Group.

The contribution to financial statements is presented under IFRS after elimination of intercompany balances and transactions, and therefore does not correspond to the published financial statements of FSA, which is published under US GAAP, nor those of DIB, published under Belgian GAAP.

9.11. EXCHANGE RATES

		Dec. 31, 2005		Dec. 31, 2006	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.6113	1.6277	1.6699	1.6695
Canadian Dollar	CAD	1.3728	1.4991	1.5337	1.4300
Swiss Franc	CHF	1.5541	1.5475	1.6081	1.5763
Koruna (Czech republic)	CZK	28.9839	29.7804	27.5492	28.2639
Danish Krone	DKK	7.4598	7.4524	7.4546	7.4588
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound Sterling	GBP	0.6852	0.6831	0.6726	0.6820
Hong Kong Dollar	HKD	9.1426	9.6396	10.2438	9.8277
Forint	HUF	252.8001	248.5968	251.4469	264.1324
Shekel	ILS	5.4272	5.5674	5.5520	5.6087
Yen	JPY	138.8567	136.9703	156.8456	146.8583
Mexican Peso	MXN	12.5787	13.4915	14.2633	13.7988
Norwegian Krone	NOK	7.9807	7.9999	8.2115	8.0450
New Zealand Dollar	NZD	1.7266	1.7619	1.8704	1.9448
Swedish Krona	SEK	9.3909	9.3017	9.0298	9.2459
Singapore Dollar	SGD	1.9612	2.0630	2.0195	1.9987
New Turkish Lira (1)	TRY	1.5917	1.6656	1.8515	1.8069
US Dollar	USD	1.1790	1.2395	1.3172	1.2649

(1) Turkish Lira: average rate fourth quarter 2006: 1,8685.

10. NOTES ON THE CONSOLIDATED OFF-BALANCE-SHEET ITEMS (IN MILLIONS OF EUR)

10.1. REGULAR WAY TRADE

	Dec. 31, 2005	Dec. 31, 2006
Loans to be delivered and purchases of assets	11,652	16,047
Borrowings to be received and sales of assets	14,795	21,346

10.2. GUARANTEES

	Dec. 31, 2005	Dec. 31, 2006
Guarantees given to credit institutions	82,958	26,122
Guarantees given to customers	22,677	41,778
Guarantees received from credit institutions	44,957	4,927
Guarantees received from customers	65,873	53,929

10.3. LOAN COMMITMENTS

	Dec. 31, 2005	Dec. 31, 2006
Unused lines granted to credit institutions	2,697	1,297
Unused lines granted to customers	45,616	62,695
Unused lines obtained from credit institutions	3,967	5,817
Unused lines obtained from customers	0	462

10.4. OTHER COMMITMENTS

	Dec. 31, 2005	Dec. 31, 2006
Insurance activity – Commitments given	582,144	378,545
Insurance activity – Commitments received	159,897	92,783
Banking activity – Commitments given	153,559	184,445
Banking activity – Commitments received	98,314	227,744

As from December 31, 2006 commitments given include financial instruments given as collateral and commitments received include financial instruments received as collateral.
Financial statements 2005 were not restated.

11. NOTES ON THE CONSOLIDATED STATEMENT OF INCOME (IN MILLIONS OF EUR)

11.1. INTEREST INCOME – INTEREST EXPENSE

	Dec. 31, 2005	Dec. 31, 2006
INTEREST INCOME	**56,049**	**73,057**
a) Interest income of assets not at fair value	**14,531**	**18,826**
Cash and balances with central banks	60	99
Due from banks	1,719	2,472
Loans and advances to customers	7,197	8,432
Loans and securities available for sale	5,103	7,298
Securities held to maturity	170	142
Interest on impaired assets	40	31
Other	242	352
b) Interest income of assets at fair value	**41,518**	**54,231**
Loans and securities held for trading	463	596
Loans and securities designated at fair value	189	482
Derivatives	40,866	53,153
INTEREST EXPENSE	**(52,399)**	**(69,128)**
a) Interest expense of liabilities not at fair value	**(11,199)**	**(15,652)**
Due to banks	(3,126)	(5,425)
Customer borrowings and deposits	(2,018)	(2,557)
Debt securities	(5,786)	(7,405)
Subordinated and convertible debt	(261)	(251)
Other	(8)	(14)
b) Interest expense of liabilities at fair value	**(41,200)**	**(53,476)**
Liabilities held for trading	(51)	(9)
Liabilities designated at fair value	(318)	(604)
Derivatives	(40,831)	(52,863)
NET INTEREST INCOME	**3,650**	**3,929**

11.2. DIVIDEND INCOME

	Dec. 31, 2005	Dec. 31, 2006
Financial assets available for sale	121	144
Financial assets held for trading	2	3
Financial assets designated at fair value	6	5
TOTAL	**129**	**152**

11.3. NET INCOME FROM ASSOCIATES

	Dec. 31, 2005	Dec. 31, 2006
Income from associates before tax	125	143
Share of tax	(36)	(41)
Impairment on goodwill	0	0
TOTAL	**89**	**102**

11.4. NET TRADING INCOME AND NET RESULT OF HEDGE ACCOUNTING

	Dec. 31, 2005	Dec. 31, 2006
Foreign exchange net income	67	130
Revaluation of assets at fair value in FVH hedge	2,452	(1,640)
Revaluation of liabilities at fair value in FVH hedge	522	1,170
Other activities from trading and hedging	(2,887)	659
TOTAL	**154**	**319**

All interests received and paid on all assets, liabilities and derivatives are recorded in the interest margin.
Therefore, the net trading income and net result of hedge accounting include only the change in market value of derivatives, the revaluation of assets and liabilities in a hedge relationship and the revaluation of trading portfolio.
This heading therefore includes the inefficiency of all hedge relationships.
The item "Other activities from trading and hedging" includes results on trading derivatives, hedging derivatives and, in case of rupture of cash flow hedge relationship, the accumulated CFH reserve related to those derivatives.
It also includes net result on portfolio hedge.

11.5. NET INCOME ON INVESTMENTS

	Dec. 31, 2005	Dec. 31, 2006
Gains on loans	61	67
Gains on loans and securities available for sale	592	1,174
Gains on securities held to maturity	0	0
Gains on tangible fixed assets	37	18
Gains on intangible fixed assets	0	2
Gains on assets and liabilities held for sale	0	29
Gains on liabilities	25	10
Other gains	0	1
TOTAL GAINS	715	1,301
Losses on loans	(48)	(7)
Losses on loans and securities available for sale	(183)	(202)
Losses on securities held to maturity	0	0
Losses on tangible fixed assets	(5)	(7)
Losses on intangible fixed assets	(1)	0
Losses on assets and liabilities held for sale	0	(1)
Losses on liabilities	(23)	(5)
Other losses	0	0
TOTAL LOSSES	(260)	(222)
NET IMPAIRMENT	47	85
TOTAL	**502**	**1,164**

IMPAIRMENT ON SECURITIES	Specific Risk		Total
	Allowances	Write-backs	
As of December 31, 2005			
Securities held to maturity	0	0	0
Securities available for sale	(37)	84	47
TOTAL	**(37)**	**84**	**47**
As of December 31, 2006			
Securities held to maturity	0	0	0
Securities available for sale	(11)	96	85
TOTAL	**(11)**	**96**	**85**

CONSOLIDATED FINANCIAL STATEMENTS

11.6. COMMISSION INCOME AND EXPENSE

	Dec. 31, 2005			Dec. 31, 2006		
	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	380	(26)	354	468	(33)	435
Administration of unit trusts and mutual funds	257	(36)	221	204	(36)	168
Insurance activity and broking	83	(2)	81	77	(3)	74
Credit activity	71	(17)	54	91	(19)	72
Purchase and sale on securities	85	(19)	66	95	(20)	75
Purchase and sale on unit trusts and mutual funds	92	(20)	72	54	(11)	43
Payment services	133	(27)	106	152	(41)	111
Commissions to not exclusive brokers	38	(10)	28	24	(10)	14
Financial engineering	29	(1)	28	24	(1)	23
Services on securities other than safekeeping	33	(10)	23	60	(12)	48
Custody	55	(11)	44	160	(26)	134
Issues and placements of securities	46	(23)	23	29	(6)	23
Private banking	31	0	31	35	0	35
Clearing and settlement	7	(12)	(5)	10	(12)	(2)
Other	57	(11)	46	77	(23)	54
TOTAL	**1, 397**	**(225)**	**1,172**	**1,560**	**(253)**	**1,307**

Figures as of Dec.31, 2005 have been restated.

11.7. TECHNICAL MARGIN OF INSURANCE ACTIVITIES

INCOME IN THE TECHNICAL MARGIN	Dec. 31, 2005	Dec. 31, 2006
Premiums and contributions received	3,763	3,844
Allowance charges - intervention of reinsurers	27	29
Changes in technical reserves - part of reinsurers	(5)	(17)
Other technical income	168	148
INCOME	**3,953**	**4,004**

EXPENSES IN THE TECHNICAL MARGIN	Dec. 31, 2005	Dec. 31, 2006
Premiums received transferred to reinsurers	(544)	(243)
Premiums and contributions paid	(122)	(131)
Allowance charges	(668)	(914)
Change in technical reserves	(2,375)	(2,552)
Other technical expenses	(36)	(64)
EXPENSES	**(3,745)**	**(3,904)**
TOTAL	**208**	**100**

11.8. OTHER NET INCOME

	Dec. 31, 2005	Dec. 31, 2006
Other income	225	235
Other expense	(153)	(296)
TOTAL	**72**	**(61)**

11.9. STAFF EXPENSE

	Dec. 31, 2005	Dec. 31, 2006
Wages and salaries	1,047	1,152
Social security and insurance costs	286	304
Pension costs – defined benefit plans	100	84
Pension costs – defined contribution plans (1)	30	33
Other post retirement benefits	0	4
Stock compensation expense (2)	41	48
Long-term employee benefits	3	2
Restructuring expenses	(3)	2
Other expenses	82	93
TOTAL	**1,586**	**1,722**

(1) See note 8.7.E.
(2) See note 9.8.

	Dec. 31, 2005			Dec. 31, 2006		
(AVERAGE FTE))	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Senior Executives	497	1	498	537	25	562
Employees	19,363	3	19,366	18,815	2,066 (1)	20,881
Other	26	1	27	44	3	47
TOTAL	**19,886**	**5**	**19,891**	**19,396**	**2,094**	**21,490**

(1) The increase comes from the RBC Dexia Investor Services joint venture staff.

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CONSOLIDATED FINANCIAL STATEMENTS

(AVERAGE FTE) au 31/12/05	France	Belgium	Luxembourg	Italy	Spain	Other Europe	USA	Other non Europe	Total Dexia
Senior Executives	85	286	65	4	2	27	21	8	498
Employees	2,424	10,433	3,184	268	208	2,149	524	176	19,366
Other	0	7	0	0	2	4	7	7	27
TOTAL	**2,509**	**10,726**	**3,249**	**272**	**212**	**2,180**	**552**	**191**	**19,891**

(AVERAGE FTE) au 31/12/06	France	Belgium	Luxembourg	Italy	Spain	Other Europe	USA	Other non Europe	Total Dexia
Senior Executives	47	322	61	4	2	81	18	27	562
Employees	2,351	10,215	2,808	266	123	1,866	566	2,686	20,881
Other	11	5	7	0	1	5	11	7	47
TOTAL	**2,409**	**10,542**	**2,876**	**270**	**126**	**1,952**	**595**	**2,720**	**21,490**

11.10. GENERAL AND ADMINISTRATIVE EXPENSE

	Dec. 31, 2005	Dec. 31, 2006
Occupancy	100	82
Operating leases	87	107
Professional fees	117	152
Marketing advertising and public relations	88	101
Technology and system costs	143	184
Software costs and research and development costs	48	51
Repair and maintenance expenses	12	10
Restructuring costs other than staff	3	1
Insurance (except related to pension)	29	17
Transportation of mail and valuable	44	50
Operational taxes	81	77
Other general and administrative expense	223	273
TOTAL	**975**	**1,105**

11.11. DEPRECIATION AND AMORTIZATION

	Dec. 31, 2005	Dec. 31, 2006
Depreciation on investment property	65	39
Depreciation on property plant and equipment	22	46
Depreciation on other tangible assets	60	65
Amortization of intangible assets	100	102
TOTAL	**247**	**252**

CONSOLIDATED FINANCIAL STATEMENTS

11.12. IMPAIRMENT ON LOANS AND PROVISIONS FOR CREDIT COMMITMENTS

COLLECTIVE IMPAIRMENT	Dec. 31, 2005			Dec. 31, 2006		
	Allowances	Write backs	Total	Allowances	Write backs	Total
Loans	(175)	175	0	(86)	73	(13)
Credit enhancement (collective reserve)	(6)	0	(6)	(18)	0	(18)
TOTAL	**(181)**	**175**	**(6)**	**(104)**	**73**	**(31)**

SPECIFIC IMPAIRMENT	Dec. 31, 2005				
	Allowances	Write backs	Losses	Recoveries	Total
Due from banks	0	1	0	0	1
Loans to customers	(205)	193	(22)	2	(32)
Other receivables [1]	(1)	1	0	0	0
Commitments	(8)	8	0	0	0
Credit enhancement (specific reserve)	(24)	10	(1)	0	(15)
TOTAL	**(238)**	**213**	**(23)**	**2**	**(46)**

SPECIFIC IMPAIRMENT	Dec. 31, 2006				
	Allowances	Write backs	Losses	Recoveries	Total
Due from banks	0	0	0	0	0
Loans to customers	(176)	163	(61)	22	(52)
Other receivables [1]	(1)	0	0	0	(1)
Commitments	(51)	12	0	0	(39)
Credit enhancement (specific reserve)	(5)	6	(2)	0	(1)
TOTAL	**(233)**	**181**	**(63)**	**22**	**(93)**

(1) Is published in heading XIV. of the Assets.

11.13. IMPAIRMENTS ON TANGIBLE AND INTANGIBLE FIXED ASSETS

	Dec. 31, 2005	Dec. 31, 2006
Impairment on investment property	0	0
Impairment on property plant and equipment	1	1
Impairment on other tangible assets	0	0
Impairment on assets held for sale	(1)	(1)
Impairment on long-term construction contracts	0	0
Impairment of intangible assets	0	0
TOTAL	**0**	**0**

Impairments are recorded when the criterias are met. A review of the market and sale's conditions are performed on a regular basis, at least once a year. If the expected loss on sale is lower than the existing impairment, a reversal of impairment is recorded.

CONSOLIDATED FINANCIAL STATEMENTS

11.14. IMPAIRMENT ON GOODWILL

Nil.

11.15. TAX EXPENSE

	Dec. 31, 2005	Dec. 31, 2006
Income tax on current year	(590)	(504)
Deferred taxes	(64)	(42)
TAX ON CURRENT YEAR RESULT (A)	(654)	(546)
Income tax on previous year	43	(39)
Provision for tax litigations	9	16
OTHER TAX EXPENSE (B)	52	(23)
TOTAL (A)+(B)	**(602)**	**(569)**

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2005 and 2006 was 33.99%.
Dexia effective tax rate was respectively 25.10% and 16.52% for 2005 and 2006.
The difference between these two rates can be analyzed as follows:

	Dec. 31, 2005	Dec. 31, 2006
NET INCOME BEFORE TAX	2,695	3,407
Income and losses from companies accounted for by the equity method	89	102
TAX BASE	2,606	3,305
Applicable tax rate at year-end	33.99%	33.99%
THEORETICAL CORPORATE INCOME TAX AT STANDARD RATE	886	1,123
Effect of different tax rates in other countries	(52)	(93)
Tax effect of non-deductible expenses	70	77
Tax effect of non-taxable income (1)	(223)	(581)
Items taxed at a reduced rate	(26)	(5)
Effect of change in tax rates	0	2
Other	(3)	0
Unrecognized deferred tax assets (tax loss carried forward)	3	23
TAX ON CURRENT YEAR RESULT	654	546
EFFECTIVE TAX RATE	**25.10%**	**16.52%**

(1) Mainly non-taxable gains on sales of equity shares.

CONSOLIDATED FINANCIAL STATEMENTS

11.16. EARNINGS PER SHARE

BASIC

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

	Dec. 31, 2005	Dec. 31, 2006
Net income attributable to equity holders of the parent	2,038	2,750
Weighted average number of ordinary shares (millions)	1,091	1,105
Basic earnings per share (expressed in EUR per share)	1.87	2.49

DILUTED

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares resulting from share options granted to employees.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shares options.

No adjustment is made to net income attributable to equity holders of the parent as they are no financial instruments convertible in Dexia shares.

	Dec. 31, 2005	Dec. 31, 2006
Net income attributable to equity holders of the parent	2,038	2,750
Weighted average number of ordinary shares (millions)	1,091	1,105
Adjustment for share options (millions)	12	16
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,103	1,121
Diluted earnings per share (expressed in EUR per share)	1.85	2.45

12. NOTES ON RISK EXPOSURE (IN MILLIONS OF EUR)

12.1. FAIR VALUE

A. Breakdown of fair value

A.1. Breakdown of fair value of assets

	As of Dec. 31, 2005			As of Dec. 31, 2006		
	Accounting value	Fair value	Difference	Accounting value	Fair value	Difference
Cash and balances with central banks	3,444	3,444	0	3,365	3,365	0
Due from banks	75,053	75,800	747	78,215	79,130	915
Loans and advances to customers [1]	192,402	197,854	5,452	226,502	227,393	891
Loans and securities held for trading	15,655	15,655	0	15,385	15,385	0
Loans and securities designated at fair value	13,865	13,865	0	17,184	17,184	0
Loans and securities available for sale	166,204	166,204	0	188,378	188,378	0
Securities held to maturity	3,217	3,374	157	2,260	2,345	85
Positive value of derivatives	28,632	28,632	0	24,032	24,032	0
Fair value revaluation of portfolio hedge	1,659	1,659	0	759	759	0
Investments in associates	778	1,406	628	826	1,225	399
Other assets	7,816	7,816	0	8,882	8,880	(2)
Non-current assets held for sale	36	36	0	955	983	28
TOTAL	**508,761**	**515,745**	**6,984**	**566,743**	**569,059**	**2,316**

(1) Fair value in 2005 wrongly included nominal of some commitments to customers for an amount of EURO 8,9 billion. The 2005 figure has been restated.

A.2. Breakdown of fair value of liabilities

	As of Dec. 31, 2005			As of Dec. 31, 2006		
	Accounting value	Fair value	Difference	Accounting value	Fair value	Difference
Due to banks	134,793	133,129	(1,664)	174,754	172,690	(2,064)
Customer borrowings and deposits	97,738	97,465	(273)	109,484	109,086	(398)
Liabilities held for trading	3,813	3,813	0	578	578	0
Liabilities designated at fair value	18,022	18,022	0	21,311	21,311	0
Negative value of derivatives	37,652	37,652	0	30,489	30,489	0
Fair value revaluation of portfolio hedge	966	966	0	239	239	0
Debt securities	175,685	172,098	(3,587)	184,726	183,025	(1,701)
Subordinated and convertible debts	4,985	4,948	(37)	4,365	3 890	(475)
Other liabilities	19,407	19,401	(6)	21,577	21,566	(11)
Liabilities included in disposal groups held for sale	0	0	0	785	785	0
TOTAL	**493,061**	**487,494**	**(5,567)**	**548,308**	**543,659**	**(4,649)**

In accordance with our valuation rules, fair value is equal to accounting value for some kinds of items, see note 1.32. of Accounting policies.

B. Analysis of fair value of assets and liabilities booked at fair value

B.1. Assets booked at fair value

	As of Dec. 31, 2005			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates) (1)	Total
Loans and securities held for trading	8,793	6,862	0	15,655
Loans and securities designated at fair value	10,319	3,322	224	13,865
Loans and securities available for sale	97,921	67,766	517	166,204
Positive value of derivatives	7,510	20,999	123	28,632
Fair value revaluation of portfolio hedge	0	1,649	10	1,659
TOTAL	**124,543**	**100,598**	**874**	**226,015**

	As of Dec. 31, 2006			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates) (1)	Total
Loans and securities held for trading	11,750	3,635	0	15,385
Loans and securities designated at fair value	12,471	4,713	0	17,184
Loans and securities available for sale	146,239	42,069	70	188,378
Positive value of derivatives	2,092	21,167	773	24,032
Fair value revaluation of portfolio hedge	0	759	0	759
TOTAL	**172,552**	**72,343**	**843**	**245 738**

(1) This amount also includes the amortized cost of assets for which no quoted market price nor model (with observable market prices and rates) exists, like unlisted shares.
Fair value may also be calculated based on interpolation of market prices.

B.2. Liabilities booked at fair value

	As of Dec. 31, 2005			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates) (1)	Total
Liabilities held for trading	3,509	304	0	3,813
Liabilities designated at fair value	5,012	13,010	0	18,022
Negative value of derivatives	11,425	25,770	457	37,652
Fair value revaluation of portfolio hedge	13	953	0	966
TOTAL	**19,959**	**40,037**	**457**	**60,453**

	As of Dec. 31, 2006			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates) (1)	Total
Liabilities held for trading	545	33	0	578
Liabilities designated at fair value	4,781	16,530	0	21,311
Negative value of derivatives	2,100	26,696	1,693	30,489
Fair value revaluation of portfolio hedge	0	239	0	239
TOTAL	**7,426**	**43,498**	**1,693**	**52,617**

(1) This amount also includes the amortized cost of assets for which no quoted market price nor model (with observable market prices and rates) exists, like unlisted shares.
Fair value may also be calculated based on interpolation of market prices.

12.2. CREDIT RISKS EXPOSURE

A. Analysis of total Dexia group exposure

Credit exposure covers counterpart risk in balance sheet and off-balance sheet confirmed risks.
Exposures are considered taking into account the guarantees (except Dexia Bank Belgium group) and the impairments.

The exposure covers all the subsidiaries in which Dexia has a majority participation except Dexia Insurance Belgium group.

A.1. Exposure by geographical region

	Dec. 31, 2005	Dec. 31, 2006
Belgium	91,597	94,267
France	89,040	98,171
Germany	38,694	42,120
Italy	57,171	59,381
Luxembourg	8,268	10,537
Other EU countries	99,165	122,450
Rest of Europe	6,995	8,516
Turkey	119	8 465
United States and Canada	323,251	317,878
South and Central America	634	1,058
Southeast Asia	1,502	2,652
Japan	4,829	8,909
Other (1)	20,736	19,952
TOTAL	**742,001**	**794,356**

(1) Includes supranational entities, like ECB.

A.2. Exposure by category of counterpart

	Dec. 31, 2005	Dec. 31, 2006
Central governments	59,340	56,460
Local public sector	375,275	396,365
Corporate	26,778	35,626
Monoline	14,933	17,268
ABS/MBS	132,226	128,717
Project finance	15,093	20,209
Individuals, SME, self-employed	33,151	36,295
Financial institutions	79,155	98,225
Other	6,050	5,191
TOTAL	**742,001**	**794,356**

B. FSA insured portfolio

A focus on the FSA insured portfolio is published as it represents a large part of the exposure.

B.1. Breakdown by sectorial category (net par outstanding)

	Dec. 31, 2005	Dec. 31, 2006
Pooled corporates	56,805	49,865
Residential mortgages	21,018	17,630
Other asset-backed	19,206	19,234
Consumer receivables	8,342	8,203
ABS	105,371	94,932
General obligations	77,474	75,900
Utility	31,209	30,418
Tax-supported non general obligations	34,456	32,718
Transportation	12,465	11,796
Other municipal	20,651	24,297
Health care	10,000	9,987
Housing	6,434	5,752
MUNICIPAL	192,689	190,868
TOTAL	**298,060**	**285,800**

B.2. Rating

	Dec. 31, 2005	Dec. 31, 2006
AAA	72,891	67,079
AA	90,088	90,978
A	99,407	91,327
BBB	34,065	35,497
Non-investment grade	1,609	919
TOTAL	**298,060**	**285,800**

12.3. INTEREST RATE REPRICING RISK: BREAKDOWN BY REMAINING MATURITY UNTIL NEXT REFIXING INTEREST RATE

Sight accounts and saving deposits are presented in the column "At sight and on demand" as the information presented below takes into account the remaining maturity until the next date at which interest rates are reset from on an accounting standpoint, rather than on assumptions based on observed behavioral data. This latter approach is realized in the ALM sensitivity (see note 12.4.).

ASSETS As of Dec. 31, 2005	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	3,421	19	0	0	0	0	4	0	0	3,444
Due from banks	11,406	27,922	8,972	21,000	4,486	48	599	620	0	75,053
Loans and advances to customers	13,108	31,866	37,504	37,191	66,886	2,992	1,598	2,683	(1,426)	192,402
Loans and securities held for trading	27	7,856	3,753	2,554	849	585	66	(35)	0	15,655
Loans and securities designated at fair value	55	6,197	1,283	29	703	5,712	50	(164)	0	13,865
Loans and securities available for sale	577	66,199	17,055	9,337	59,328	3,897	1,900	8,240	(329)	166,204
Securities held to maturity	0	98	876	1,060	1,092	0	91	0	0	3 217
Positive value of derivatives							9,867	18,765	0	28,632
Fair value revaluation of portfolio hedge								1 659	0	1,659
Investments in associates						778				778
Tangible fixed assets						2,185				2,185
Intangible assets and goodwill						735				735
Tax assets						654			(52)	602
Other assets	578	899	19	5	6	2,782	0	7	(2)	4,294
Non current assets held for sale						40	0	0	(4)	36
TOTAL	**29,172**	**141,056**	**69,462**	**71,176**	**133,350**	**20,408**	**14,175**	**31,775**	**(1,813)**	**508,761**

LIABILITIES As of Dec. 31, 2005	At sight and on demand	Up to 3 months	More than 3 months	More than 1 to 5 to 1 year	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	46,884	60,560	19,427	2,453	4,410	288	498	273	134,793
Customer borrowings and deposits	36,276	29,623	3,040	1,682	1,980	24,495	739	(97)	97,738
Liabilities held for trading	30	246	2,470	962	29	16	34	26	3,813
Liabilities designated at fair value	47	5,384	2,450	1,922	3,012	4,965	113	129	18,022
Negative value of derivatives							10,566	27 086	37,652
Fair value revaluation of portfolio hedge								966	966
Debt securities	684	52,017	25,961	52,659	40,809	362	2,507	686	175,685
Subordinated and convertible debts	5	309	754	1,039	1,629	1,066	102	81	4,985
Technical provision from insurance companies						9,846			9,846
Provisions and other obligations						1,320			1,320
Tax liabilities						1,377			1,377
Other liabilities	1,996	669	193	43	65	3,888	10	0	6,864
TOTAL	**85,922**	**148,808**	**54,295**	**60,760**	**51,934**	**47,623**	**14,569**	**29,150**	**493,061**

NET POSITION As of Dec. 31, 2005	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
On balance sheet sensitivity gap	(56,750)	(7,752)	15,167	10,416	81,416	(27,215)

Balance-sheet sensitivity gap is hedged through derivatives.

ASSETS As of Dec. 31, 2006	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	2,663	694	0	0	0	0	8	0	0	3,365
Due from banks	12,507	32,771	24,499	3,822	3,115	13	1,167	321	0	78,215
Loans and advances to customers	25,282	39,781	37,521	43,673	75,409	2,833	1,980	1,322	(1,299)	226,502
Loans and securities held for trading	201	9,407	665	1,019	3,418	443	113	119	0	15,385
Loans and securities designated at fair value	2	4,977	2,689	333	2,919	6,095	89	80	0	17,184
Loans and securities available for sale	991	48,929	21,442	23,404	84,005	2,883	2,276	4,679	(231)	188,378
Securities held to maturity	10	197	126	1 275	590	8	54	0	0	2,260
Positive value of derivatives							7,955	16,077	0	24,032
Fair value revaluation of portfolio hedge								759	0	759
Investments in associates						826				826
Tangible fixed assets						2,188				2,188
Intangible assets and goodwill						2,393				2,393
Tax assets						749			0	749
Other assets	545	253	41	10	11	2,678	0	17	(3)	3,552
Non current assets held for sale						957	0	0	(2)	955
TOTAL	**42,201**	**137,009**	**86,983**	**73,536**	**169,467**	**22,066**	**13,642**	**23,374**	**(1,535)**	**566,743**

LIABILITIES As of Dec. 31, 2006	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	62,035	85,027	17,140	4,018	2,063	3,675	682	114	174,754
Customer borrowings and deposits	66,553	27,782	9,559	2,527	2,404	78	829	(248)	109,484
Liabilities held for trading	30	355	50	76	21	26	19	1	578
Liabilities designated at fair value	2,284	6,958	1,128	2,608	3,330	4,725	147	131	21,311
Negative value of derivatives							8,504	21,985	30,489
Fair value revaluation of portfolio hedge								239	239
Debt securities	1,625	53,278	38,806	47,768	40,647	227	2,613	(238)	184,726
Subordinated and convertible debts	2	1,081	208	2,003	786	143	79	63	4 365
Technical provision from insurance companies						12,288			12,288
Provisions and other obligations						1,468			1,468
Tax liabilities						1,276			1,276
Other liabilities	1,748	970	73	24	103	3,623	4	0	6,545
Liabilities included in disposal groups held for sale						785			785
TOTAL	**134,277**	**175,451**	**66,964**	**59,024**	**49,354**	**28,314**	**12,877**	**22,047**	**548,308**

NET POSITION As of Dec. 31, 2006	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
On balance sheet sensitivity gap	(92,076)	(38,442)	20,019	14,512	120,113	(6,248)

Balance-sheet sensitivity gap is hedged through derivatives.

12.4. INTEREST RATE SENSITIVITY RISK

No average interest rate by assets and by liabilities is published as Dexia has developped a wide hedging policy through ALM department. Our interest margin is therefore the result of interests received and paid on business transactions.
The Value at Risk (VaR) less the interests on hedging operations is a more relevant risk indicator for Treasury and Financial Markets activities and sensibility for ALM activities.

Treasury and Financial Markets activities

—

Treasury and Financial Markets activities of Dexia are mainly oriented as a support function for the Group. The detailed VaR usage of Dexia Group is in the table below. In 2006, the average Value at Risk the Group has faced on its financial markets activities has been limited to EUR 29.8 million. (DenizBank not included).
Dexia Group calculated in 2006 an Interest Rate and FX VaR mainly based on parametrical method (99% 10 days), an Equity VaR based on historical method and since the beginning of the last quarter of the year it started to calculate an historical credit spread VaR but only on trading desks.
In 2005, the average global VaR of TFM amounted to EUR 26.9 million. This number did not include the spread risk. Consequently, it has to be compared to the TFM IR, FX & EQT VaR of 2006 which amounted to EUR 27.6 million.

	2005		2006		
	IR[1]&FX[2] (Trading and banking)	EQT[3] Trading	IR&FX (Trading and banking)	EQT Trading	Spread Trading[4] uniquement 4e trimestre
Individual	Average 24.2 Maximum 34.5	Average 2.8 Maximum 7.6	Average 25.2 Maximum 43.7	Average 2.3 Maximum 6.6	Average 11.7 Maximum 16.0
Global	Average 26.9 Maximum 38.5 Limit 75		Average 29.8 Maximum 58.9 Limit 142		

(1) IR: interest rate
(2) FX: forex
(3) EQT: equities
(4) Calculation of VaR Spread started only at the last quarter of 2006.

ALM sensitivity [1]

The basis point value (BPV) measures the change in the balance sheet net economic value if interest rates raise by 1 % across the entire curve.

BPV (in millions of EUR)	Dec. 31,2005	Dec. 31,2006
TOTAL	**(209)**	**(494)**

(1) Positions of insurance companies and pension funds are excluded.

For the sensitivity calculation, residual maturity of the portfolio until next refixing interest rate date is defined using assumptions on the observed behaviour of our customers and not on legal repayment date (see note 12.3.).

12.5. LISTED SHARES SENSITIVITY

The Value at Risk (VaR) represents the potential change in market value, whereas the Earnings at Risk (EaR) represents the impact in the accounting result if the VaR materializes.
The VaR equity calculated by Dexia is a measure of the potential loss that can be experienced with a level of confidence of 99 % and for a holding period of 10 days.

The EaR is lower than the VaR as most of listed shares have a positive AFS reserve cushion. Impairment tests are performed when the difference between the market value and the cost is higher than 25% and/or when there is a lasting decline in the fair value.
The -25% column represents the impairment that could be recorded in accounting result if there is a decline in value of 25%.

A. Banking companies (ALM portfolio) [(1)]

	Market value	VaR	% VaR	EaR	-25%
March 31, 2005	1,128	61	5.4%	(1)	(8)
June 30, 2005	1,231	65	5.3%	0	0
September 30, 2005	1,332	69	5.2%	(2)	(6)
December 31, 2005	1,443	79	5.4%	0	(10)
March 31, 2006	1,671	91	5.4%	(9)	(17)
June 30, 2006	1,461	103	7.0%	(17)	(32)
September 30, 2006	1,453	106	7.3%	(8)	(12)
December 31, 2006	1,527	106	7.0%	(2)	(7)

(1) DenizBank not included.

B. Insurance companies portfolio

	Market value	VaR	% VaR	EaR	-25%
March 31, 2005	1,249	52	4.2%	0	(36)
June 30, 2005	1,315	52	3.9%	0	(40)
September 30, 2005	1,511	56	3.7%	0	(35)
December 31, 2005	1,729	69	4.0%	0	(51)
March 31, 2006	1,815	81	4.5%	(3)	(47)
June 30, 2006	1,554	81	5.2%	(2)	(67)
September 30, 2006	1,679	94	5.6%	(2)	(34)
December 31, 2006	1,795	100	5.6%	(1)	(16)

12.6. LIQUIDITY RISK: BREAKDOWN BY RESIDUAL MATURITY UNTIL MATURITY DATE

Sight accounts and saving deposits are included in the column "At sight and on demand" even though they have no fixed repayment date.

ASSETS As of Dec. 31, 2005	Breakdown of gross amount and premium/discount At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	3,234	206	0	0	0	0	4	0	0	3,444
Due from banks	10,986	26,316	9,058	22,364	5,066	44	599	620	0	75,053
Loans and advances to customers	14,345	12,622	11,335	37,637	110,911	2,697	1,598	2,683	(1,426)	192,402
Loans and securities held for trading	706	822	3,903	8,311	1,775	107	66	(35)	0	15,655
Loans and securities designated at fair value	48	87	32	660	7,440	5,712	50	(164)	0	13,865
Loans and securities available for sale	389	5,974	10,896	28,558	106,575	4,001	1,900	8,240	(329)	166,204
Securities held to maturity	0	67	760	1,043	1,256	0	91	0	0	3,217
Positive value of derivatives							9,867	18,765	0	28,632
Fair value revaluation of portfolio hedge								1,659	0	1,659
Investments in associates						778				778
Tangible fixed assets						2,185				2,185
Intangible assets and goodwill						735				735
Tax assets						654			(52)	602
Other assets	1,798	1,050	55	12	9	1,365	0	7	(2)	4,294
Non current assets held for sale						40	0	0	(4)	36
TOTAL	**31,506**	**47,144**	**36,039**	**98,585**	**233,032**	**18,318**	**14,175**	**31,775**	**(1,813)**	**508,761**

LIABILITIES As of Dec. 31, 2005	Breakdown of gross amount and premium/discount At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	54,281	44,272	19,440	4,771	10,971	287	498	273	134,793
Customer borrowings and deposits	37,606	27,411	2,990	2,135	2,461	24,493	739	(97)	97,738
Liabilities held for trading	18	255	2,464	965	37	14	34	26	3,813
Liabilities designated at fair value	47	305	2,457	5,533	4,473	4,965	113	129	18,022
Negative value of derivatives							10,566	27,086	37,652
Fair value revaluation of portfolio hedge							0	966	966
Debt securities	1,627	34,287	22,935	63,250	50,031	362	2,507	686	175,685
Subordinated and convertible debt	5	95	639	1,326	1,671	1,066	102	81	4,985
Technical provisions from insurance companies						9,846			9,846
Provisions and other obligations						1,320			1,320
Tax liabilities						1,377			1,377
Other liabilities	2,073	870	123	44	67	3,677	10	0	6,864
TOTAL	**95,657**	**107,495**	**51,048**	**78,024**	**69,711**	**47,407**	**14,569**	**29,150**	**493,061**

NET POSITION As of Dec. 31, 2005	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(64,151)	(60,351)	(15,009)	20,561	163,321	(29,089)

This table does not take into account the liquidity nor the eligibility to refinancing of the asset, so that some listed long-term assets may be sold in case of need of liquidity.

ASSETS As of Dec. 31, 2006	Breakdown of gross amount and premium/discount At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	2,699	658	0	0	0	0	8	0	0	3,365
Due from banks	12,694	36,275	21,522	3,532	2,656	48	1,167	321	0	78,215
Loans and advances to customers	24,667	19,866	14,443	47,879	114,520	3,124	1,980	1,322	(1,299)	226,502
Loans and securities held for trading	1	396	544	5,986	7,784	442	113	119	0	15,385
Loans and securities designated at fair value	0	2	214	617	10,087	6,095	89	80	0	17,184
Loans and securities available for sale	87	5,029	8,945	40,129	124,324	3,140	2,276	4,679	(231)	188,378
Securities held to maturity	0	102	134	1,243	726	1	54	0	0	2,260
Positive value of derivatives							7,955	16,077	0	24,032
Fair value revaluation of portfolio hedge								759	0	759
Investments in associates						826				826
Tangible fixed assets						2,188				2,188
Intangible assets and goodwill						2,393				2,393
Tax assets						749			0	749
Other assets	637	357	44	5	10	2,485	0	17	(3)	3,552
Non current assets held for sale						957	0	0	(2)	955
TOTAL	**40,785**	**62,685**	**45,846**	**99,391**	**260,107**	**22,448**	**13,642**	**23,374**	**(1,535)**	**566,743**

LIABILITIES As of Dec. 31, 2006	Breakdown of gross amount and premium/discount At sight and on demand	Moins 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	63,554	70,691	20,444	8,532	10,601	136	682	114	174,754
Customer borrowings and deposits	66,694	26,295	9,329	2,693	3,817	75	829	(248)	109,484
Liabilities held for trading	0	355	50	87	40	26	19	1	578
Liabilities designated at fair value	56	780	2,341	6,405	6,726	4,725	147	131	21,311
Negative value of derivatives							8,504	21,985	30,489
Fair value revaluation of portfolio hedge							0	239	239
Debt securities	1,735	34,592	25,380	61,933	58,681	30	2,613	(238)	184,726
Subordinated and convertible debt	3	421	175	1,764	1,110	750	79	63	4,365
Technical provisions from insurance companies						12,288			12,288
Provisions and other obligations						1,468			1,468
Tax liabilities						1,276			1,276
Other liabilities	1,748	1,022	65	24	88	3,594	4	0	6,545
Liabilities included in disposal groups held for sale						785	0	0	785
TOTAL	**133,790**	**134,156**	**57,784**	**81,438**	**81,063**	**25,153**	**12,877**	**22,047**	**548,308**

NET POSITION As of Dec. 31, 2006	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(93,005)	(71,471)	(11,938)	17,953	179,044	(2,705)

This table does not take into account the liquidity nor the eligibility to refinancing of the asset, so that some listed long-term assets may be sold in case of need of liquidity.

12.7. CURRENCY RISK

As of Dec. 31, 2005	EUR	Other EU currencies	USD	Other	Total
Total assets	262,926	45,635	175,419	24,781	508,761
Total liabilities	260,233	48,337	176,085	24,106	508,761
NET ON BALANCE POSITION	**2,693**	**(2,702)**	**(666)**	**675**	**0**

As of Dec. 31, 2006	EUR	Other EU currencies	USD	Other	Total
Total assets	342,279	53,806	141,343	29,315	566,743
Total liabilities	341,345	55,479	141,444	28,475	566,743
NET ON BALANCE POSITION	**934**	**(1,673)**	**(101)**	**840**	**0**

12.8. INSURANCE RISKS

Insurance activities are performed in Dexia group by FSA and DIB group (see Accounting principles point 1.11.).
FSA risks are mainly credit risks and are analysed in note 12.2.B. FSA generally insures only the most senior tranches of asset-backed issues, which have low default and high recovery rates because of overcollaterization, cash reserves, deductibles or first-loss protections (see ratings in note 12.2.B.). Before to insure a municipal bond, FSA obtains a pledge of tax revenues or a claim on a dedicated stream of revenue from essential public service. The insured portfolio is diversified with respect of issuers, geography, industries and types of collaterals. To manage the risk profile, FSA also make use of quota share and layered loss reinsurance from highly rated reinsurers. Therefore, the sensibility to risk may be considered as low, what may be also deducted from the loss experience of previous years.
DIB group is active in life (more than 85% of gross premium written) and nonlife activities and has no major concentration of risks. Some of the risks are reinsured (see note 9.3.). Because of its activities, the reinsurance of a part of the risks and the size of DIB activities in comparison with total activities and risks of Dexia group, change of insurance variables will not have a significant impact on Dexia financial position.

12.9. BREAKDOWN OF RISK WEIGHTED ASSETS

	Dec. 31,2005	Dec. 31,2006
20% weighted counterparts	40,120	45,102
50% weighted counterparts	14,592	14,783
100% weighted counterparts	55,029	65,393
Trading portfolio	5,261	8,091
TOTAL	**115,002**	**133,369**

BOARD OF STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS OF THE COMPANY DEXIA SA AS OF AND FOR THE YEAR ENDED DECEMBER 31,2006

As required by law and the company's articles of association, we report to you in the context of our appointment as statutory auditors. This report includes our opinion on the consolidated accounts and the required additional disclosure.

UNQUALIFIED OPINION ON THE CONSOLIDATED ACCOUNTS, WITH EXPLANATORY PARAGRAPH

We have audited the consolidated accounts of Dexia SA and its subsidiaries (the "Group") as of and for the year ended December 31, 2006, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of December 31, 2006 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR 566,743 million and the consolidated statement of income shows a profit for the year (Group share) of EUR 2,750 million.

The company's Board of Directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the Board of Directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of December 31, 2006 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Without amending our unqualified opinion, we nevertheless draw the attention to the note 6 to the consolidated financial statements describing some legal disputes with regard to the share leasing in the Netherlands, the final outcome of which is uncertain at this moment.

ADDITIONAL REMARK

The company's Board of Directors is responsible for the preparation and content of the management report on the consolidated accounts

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

• the management report deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Brussels, March 28, 2007

Board of Statutory Auditors,

PricewaterhouseCoopers
Reviseurs d'Entreprises SCCRL,
Represented by
R. Peirce

Mazars & Guérard
Reviseurs d'Entreprises SCCRL,
Represented by
X. Doyen

(free translation)

ANNUAL FINANCIAL STATEMENTS

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006

BALANCE SHEET (before income appropriation)

ASSETS (in thousands of EUR)		31/12/04	31/12/05	31/12/06
FIXED ASSETS		18,799,949	20,174,401	21,946,223
I.	Formation expenses	4,835	4,353	7,921
II.	Intangible assets	1,002	1,835	2,199
III.	Tangible assets	2,165	1,878	3,046
	B. Plant, machinery and equipment	418	234	260
	C. Furniture and vehicles	1,676	1,504	2,686
	E. Other tangible assets	68	137	100
	F. Assets under construction and advance payments made	3	3	0
IV.	Financial assets	18,791,947	20,166,335	21,933,057
	A. Affiliated enterprises	18,791,937	20,166,335	21,933,047
	1. Participating interests	16,318,162	16,530,358	18,352,306
	2. Amounts receivable	2,473,775	3,635,977	3,580,741
	C. Other financial assets	10	0	10
	2. Amounts receivable and cash guarantees	10	0	10
CURRENT ASSETS		724,962	767,969	426,441
V.	Amounts receivable after more than one year	53,181	69,599	43,052
	B. Other amounts receivable	53,181	69,599	43,052
VII.	Amounts receivable within one year	24,988	2,040	47,731
	A. Trade debtors	298	235	981
	B. Other amounts receivable	24,690	1,805	46,750
VIII.	Investments	620,228	639,134	271,779
	A. Own shares	577,823	364,195	0
	B. Other investments and deposits	42,405	274,939	271,779
IX.	Cash at bank and in hand	11,194	21,093	17,138
X.	Deferred charges and accrued income	15,371	36,103	46,741
TOTAL ASSETS		**19,524,911**	**20,942,370**	**22,372,664**

LIABILITIES AND SHAREHOLDERS' EQUITY (in thousands of EUR)		**31/12/04**	**31/12/05**	**31/12/06**
	EQUITY	16,904,723	17,125,552	18,700,438
I.	Capital	4,825,428	4,887,585	5,237,739
	A. Issued capital	4,825,428	4,887,585	5,237,739
II.	Share premium account	8,992,910	9,137,128	10,228,952
IV.	Reserves	1,390,262	1,330,559	1,172,578
	A. Legal reserve	478,616	482,543	488,759
	B. Unavailable reserves	577,823	364,195	0
	1. In respect of own shares held	577,823	364,195	0
	D. Available reserves	333,823	483,821	683,819
V.	Profit carried forward	631,898	264,304	743,450
Vbis.	Net income for the year [1]	1,064,225	1,505,976	1,317,719
	PROVISIONS AND DEFERRED TAXES	23,248	31,698	35,188
VII.	A. Provisions for liabilities and charges	23,248	31,698	35,188
	2. Taxation	0	0	1,003
	4. Other liabilities and charges	23,248	31,698	34,185
	AMOUNTS PAYABLE	2,596,940	3,785,120	3,637,038
VIII.	Amounts payable after more than one year	2,506,838	1,459,373	200,000
	A. Financial debts	2,506,838	1,459,373	200,000
	5. Other loans	2,506,838	1,459,373	200,000
IX.	Amounts payable within one year	73,602	2,290,633	3,394,506
	A. Current portion of amounts payable after more than one year falling due within one year	0	167,062	0
	B. Financial debts	97	2,042,670	3,277,190
	1. Credit institutions	97	2,042,670	3,277,190
	C. Trade debts	12,851	16,759	35,258
	1. Suppliers	12,851	16,759	35,258
	E. Taxes, remuneration and social security	20,249	6,356	10,479
	1. Taxes	16,865	2,733	1,279
	2. Remuneration and social security	3,384	3,623	9,200
	F. Other amounts payable	40,405	57,786	71,579
X.	Accrued charges and deferred income	16,500	35,114	42,532
	TOTAL LIABILITIES	**19,524,911**	**20,942,370**	**22,372,664**

(1) See note 1 to the financial statements.

OFF-BALANCE SHEET ITEMS

(in thousands of EUR)	**31/12/04**	**31/12/05**	**31/12/06**
Miscellaneous rights and commitments:			
- Personal guarantees given on behalf of third parties	20	26	30
- Personal guarantees given on behalf of Dexia Funding Lux SA	0	0	500,000
- Bank rental guarantee for the Square de Meeûs building	483	483	483
- Bank guarantee relating to the bid bond on BCR	0	19,000	0
- Real guarantees given on own assets	17	17	19
- Foreign currency transactions – amounts receivable	141,169	149,308	141,169
- Foreign currency transactions – amounts to be delivered	98,548	122,019	101,907
- Stock options	696,201	807,446	893,049
- Commitment to acquire Dexia Nederland Holding NV	93,000	0	0
- Commitment towards Financial Security Assurance Holdings Ltd ("FSA")	0	0	227,756
- Commitment towards Dexia Bank Nederland NV	PM	PM	PM

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF INCOME

(in thousands of EUR)		31/12/04	31/12/05	31/12/06
I.	Operating income	238	108	164
	D. Other operating income	238	108	164
II.	Operating charges	(93,070)	(91,944)	(126,832)
	B. Services and other goods	(42,711)	(53,977)	(82,901)
	C. Remuneration, social security costs and pensions	(20,526)	(24,793)	(36,064)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(20,899)	(4,306)	(4,964)
	F. Increase (+); decrease (-) in provisions for liabilities and charges	(8,565)	(8,450)	(2,487)
	G. Other operating charges	(369)	(418)	(416)
III.	Operating loss	(92,832)	(91,836)	(126,668)
IV.	Financial income	1,242,457	1,697,485	1,641,710
	A. Income from financial fixed assets	1,234,113	1,683,894	1,566,423
	B. Income from current assets	7,810	11,193	15,356
	C. Other financial income	534	2,398	59,931
V.	Financial charges	(54,163)	(115,351)	(221,570)
	A. Debt charges	(49,929)	(110,726)	(161,021)
	C. Other financial charges	(4,234)	(4,625)	(60,549)
VI.	Current profit before taxes	1,095,462	1,490,298	1,293,472
VII.	Exceptional income	0	0	195
	A. Adjustments to depreciation of and to other amounts written off intangible and tangible fixed assets	0	0	195
VIII.	Exceptional charges	(51,331)	(204)	(68)
	A. Exceptional depreciation of and other exceptional amounts written off on formation expense, intangible and tangible fixed assets	(322)	(204)	(68)
	B. Amounts written off on financial fixed assets	(51,009)	0	0
IX.	Profit for the period before taxes	1,044,131	1,490,094	1,293,599
X.	Income taxes	20,094	15,882	24,120
	A. Income taxes	(1,553)	(3,000)	(1,021)
	B. Adjustment of income taxes and write-back of tax provisions	21,647	18,882	25,141
XI.	Profit for the period	1,064,225	1,505,976	1,317,719
XIII.	Profit to be appropriated	1,064,225	1,505,976	1,317,719

	Profit brought forward of the previous period	743,450
	Profit for the period to be appropriated	1,317,719
PROFIT TO BE APPROPRIATED		**2,061,169**

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. PRESENTATION OF THE FINANCIAL STATEMENTS

Dexia SA presents its financial statements before appropriation.
The profit for the 2006 financial year amounts to EUR 1,317.7 million. The profit carried forward from the previous year stands at EUR 743.5 million, making a total profit for appropriation of EUR 2,061.2 million. Proposal to appropriate the profit thus:
• to the legal reserve up to EUR 35 million;
• to the available reserve up to EUR 300 million;
• to the payment of a gross dividend of 0.81 EUR on each share;
• with the balance to be transferred to the profit carried forward.

2. FINANCIAL STATEMENTS AND CHART OF ACCOUNTS

Dexia SA, a financial firm, is a company governed by Belgian law whose financial instruments are authorized for trading in a regulated Belgian market, and it is therefore subject to the obligation to publish yearly financial statements as prescribed by the Belgian Company Code and its decree of application dated January 30, 2001.
The accounting plan is presented in accordance with the accounting plan prescribed in the Royal Decree of September 12, 1983, amended by the Royal Decree of August 4, 1996.
The items provided for in the accounting plan that do not apply to Dexia have been excluded.
The financial statements are presented in thousands of euros.

3. ACCOUNTING POLICIES

3.1. GENERAL POLICIES

3.1.1. Legislation
—
Accounting policies are in conformity with the Royal Decree of January 30, 2001, in application of the Belgian Company Code.
If legislation allows options or authorizes a waiver, the accounting policies hereafter shall mention the option chosen of whether such a waiver has been applied.

3.1.2. Foreign currency translation into euros
—
Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into euros at the last day average year-end exchange rate.
Non-monetary items are translated into euros at the exchange rate ruling in effect on the transaction date.
Foreign currency income and expense are translated into euros at the exchange rate ruling in effect on the date on which the income or expense is recognized in the statement of income.

3.2. ASSETS

3.2.1. Formation expenses (item I.)
—
Formation expenses are recorded as an asset and amortized on a straight-line basis at the rate of at least 20% per year.

3.2.2. Intangible fixed assets (item II.)
—
License acquisitions, software definition and the external costs related to the development of the website of Dexia Group are recorded as intangible fixed assets when the acquisition price is at least equal to EUR 495.79 per item, or when delivery is broken down into partial shipments representing less than EUR 495.79 each but the total delivery is at least EUR 495.79.
Intangible fixed assets recorded in the assets are depreciated over a maximum of 5 years.
Furthermore, the internal costs related to the development of software and the website are entirely charged in the financial year in which they are exposed.

3.2.3. Tangible fixed assets (item III.)
—
If necessary, exceptional depreciations will be effected so as to align the accounting value of fixed assets to their utilization value for the company by virtue of their alteration or changes of economic or technological circumstances.
Exceptional depreciations are reversed if they are no longer justified.

3.2.4. Financial assets (item IV.)
—
Participating interests and shares are stated at acquisition cost or contribution cost. Related transaction costs are recorded directly in the statement of income.
Impairments are recorded in the case of capital losses or lasting depreciation. They are determined by reference to the financial position, profitability and prospects of the company in which shares and/or equity interests are held.
Participating interests and shares may also be revalued. For this it is necessary that their value, determined on the basis of their utility to the company, presents a certain and lasting surplus in relation to their book value.
Debts appearing under financial fixed assets are valuated according to the same principles as debts at more than one year and one year at the most.

3.2.5. Amounts receivable after more than one year and within one year (items V. and VII.)

—

Receivables are stated at their nominal value. Allowances are booked to cover any risk of non-recovery.

3.2.6. Short-term investments and cash assets (items VIII. And IX)

—

Cash is stated at nominal value.
Securities are stated at acquisition cost, while the accessorial costs are recorded in the statement of income in the year in which they are incurred.
At balance sheet date, impairments are recorded on short-term investments and liquid assets if their realization value is lower than their book value.
Complementary impairments are recorded on these assets in order to reflect either a change in their realization or market value, or the risks inherent in the nature of the products concerned or the activities conducted.
Nevertheless, own shares acquired with a view to cancellation are valuated at cost as they may only be destroyed further to the agreement of the Shareholders' Meeting.

3.3. LIABILITIES

3.3.1. Revaluation surpluses (item III.)

—

Shares and participating interests that are recorded as long-term investments may be revaluated in the case of a certain, permanent increase in their fair value for the company compared with their book value.
Revaluation surpluses are maintained in this heading until the realization of the assets concerned or their inclusion in the capital.

3.3.2. Provisions for liabilities and charges (item VII.)

—

At balance sheet date, the Board of Directors, acting with prudence, sincerity and good faith, examines the provisions to be built up in order to cover all possible risks or losses that might have occurred during the financial year or previous financial years.
Provisions relating to previous financial years are regularly reviewed and reversed if they no longer serve a purpose.

3.3.3. Debts of over one year and up to one year (items VIII. and IX.)

—

Debts are stated in the balance sheet for their nominal value.

3.4. OFF-BALANCE SHEET ITEMS

Off-balance sheet items are recorded for the nominal value of the rights and commitments mentioned in the agreement or for their assessed value.

4. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Dexia SA is a cross-border holding company which has two permanent establishments in Paris and Luxembourg. From an accounting point of view, the financial statements of Dexia SA include the accounts of Brussels, the Dexia SA head office, and those of the permanent establishments in Paris and Luxembourg.

4.1. THE BALANCE SHEET TOTAL (BEFORE INCOME APPROPRIATION)

The balance sheet total was EUR 22,373 million as of December 31, 2006, against EUR 20,942 million as of December 31, 2005, or an increase of 7%.

4.2. ASSETS

■ FIXED ASSETS

4.2.1. Formation expenses

—

All the expenses related to the capital increases are recorded in the assets as "Formation expenses" and are amortized over a period of five years.
The net book value of formation expenses amounts to EUR 7.9 million.
Formation expenses include the fees directly associated with capital increases and expenditure in implementing share ownership plans aimed at all members of staff of the Group, namely some 23,000 people in the 30 countries in which the Dexia Group is active.

4.2.2. Intangible fixed assets

—

Intangible fixed assets totaled EUR 2.2 million and concerned the acquisition and the definition of software as well as external costs related to the development of the website. These intangible fixed assets are depreciated on a straight-line basis over a period of three years.

4.2.3. Tangible fixed assets

—

Tangible fixed assets which have a net book value of EUR 3 million have a gross acquisition value of EUR 12.3 million.
Property, plant and equipment contribute a gross acquisition value of EUR 4.2 million and are depreciated on a straight-line basis over a period of ten years.
Office and IT equipment represented a gross investment of EUR 5 million, depreciated on a straight-line basis at a rate of 25% whilst vehicles with a gross acquisition value of EUR 0.1 million are depreciated on a straight-line basis over five years.
Other tangible fixed assets reach EUR 0.1 million and include the installation of the premises rented (gross acquisition value of EUR 3 million) depreciated on a straight-line basis over the period of the lease contracts.

4.2.4. Financial assets

—

Participating interests in affiliated companies

The item "Participating interests" representing EUR 16,530.3 million as of December 31, 2005 was EUR 18,352.3 million as of December 31, 2006.

It includes the following equity interests:

EUR 6,497.0 million	100% of Dexia Bank Belgium SA, Brussels, Belgium.
EUR 6,614.0 million	100% interests in Dexia Crédit Local SA, Paris, France.
EUR 1,819.8 million	95% of Dexia Participation Belgique SA, Brussels, Belgium. On May 30, 2006, the Dexia Group signed an agreement to purchase shares with a view to the acquisition from Zorlu Holding of a 75% holding in DenizBank Financial Services Group. On June 26, 2006, Dexia SA incorporated Dexia Participation Belgique SA in order to accommodate the holding in DenizBank Financial Services Group.
EUR 1,751.8 million	57.68% interest in Dexia Banque Internationale à Luxembourg SA (Dexia BIL), Luxembourg. On December 22, 2006, Dexia SA purchased 427 shares in Dexia BIL for EUR 0.6 million.
EUR 1,279.3 million	99.99% interest in Dexia Participation Luxembourg SA, Luxembourg, which owns 42.26% of Dexia BIL.
EUR 284.1 million	10% interest in Dexia Holding Inc. in New York, USA, a holding company which owns 99.02% of Financial Security Assurance Holdings Ltd.
EUR 93.0 million	100% in Dexia Nederland Holding NV, Amsterdam, The Netherlands.
EUR 7.8 million	8.42% interest in Dexia Financière SA, Brussels, Belgium.
EUR 3.0 million	100% interest in Dexia Habitat SA, Paris, Finance.
EUR 1.0 million	99,99 % dans Dexia Employee Benefits SA, Bruxelles, Belgium.
EUR 1.5 million	99.53% in Associated Dexia Technology Services SA Luxembourg The company ADTS was incorporated on July 17, 2006 and its object in particular is to provide IT services. This company only commenced activity on January 1, 2007.
PM	100% interest in Dexia Management Services Ltd, London, United Kingdom.
PM	100% in Dexia Funding Luxembourg SA, Luxembourg. Dexia Funding Luxembourg SA is a financing vehicle which, within the context of the acquisition of DenizBank, issued indefinite-term subordinated securities under the conditions for qualification as Tier 1 own funding (Tier 1 hybrid capital) for an amount of EUR 500.0 million.

Receivables on affiliated companies

This item includes subordinated loans granted to Group entities for a total of EUR 3,581.0 million.

CURRENT ASSETS

4.2.5. Receivables after more than one year

—

Other receivables

Since 2002, Dexia SA's permanent establishment in Paris has headed the tax consolidation group in France, which as of December 31, 2006 included the following companies:

- CLF Marne-la-Vallée Participation
- CLF Patrimoniale
- Compagnie pour le Foncier et l'Habitat
- Dexia Assuréco
- Dexia Bail
- Dexia CBXIA1 (integration in scope)
- Dexia CBXIA2 (integration in scope)
- Dexia CLF Avenir
- Dexia CLF Développement
- Dexia CLF Energia
- Dexia CLF Energy
- Dexia CLF Immo
- Dexia CLF Organisation
- Dexia Crédit Local
- Dexia Éditions Locales de France
- Dexia Établissement Stable Paris
- Dexia Finance
- Dexia Flobail
- Dexia Habitat
- Dexia Municipal Agency
- Dexia Sofaxis
- Dexint Développement
- Europrojet Développement
- Floral
- Guide pratique de la Décentralisation.

The company CLF Badger left the scope.

Because the commitments subscribed by Dexia Crédit Local and its subsidiaries allow Dexia, through its permanent establishment, to lock in temporary tax savings, it was agreed that the resources produced by the permanent establishment will be lent to the tax consolidation Group's subsidiaries that made it possible to realize these tax savings through advances called "tax deferred advances".

Tax deferred advances granted by the permanent establishment with contractual maturity after December 31, 2007 amounted to EUR 43.1 million as of December 31, 2006.

4.2.6. Amounts receivable within one year

—

Trade debtors

The item "Trade debtors" relates to advances paid to suppliers (EUR 0.6 million) and other commercial receivables for the remaining balance (EUR 0.4 million).

Other receivables

The sale of Kempen & Co NV to a group of financial investors and management was finalized on November 15, 2004.
Within the context of that agreement, the subordinated loan of EUR 33 million granted by Dexia SA to Kempen & Co NV remained in place. The terms and conditions of that loan were amended in order to take into account the fact that Kempen & Co NV is now independent and does not have a rating. Kempen & Co wanted to repay this loan on January 2, 2007, which justifies its transfer to receivables at one year maximum.
In fact, Dexia's permanent establishment is the only entity liable to corporate income tax, the withholding tax and the annual flat tax owed by the tax group in France, with the understanding that the subsidiaries reimburse the permanent establishment for their share of the tax paid by the tax consolidation group for its companies. On December 31, 2006, the tax liability of the permanent establishment in Paris to the French tax authorities as the head of the tax consolidation group in France reached EUR 11.8 million.
For its part, the registered office has a tax claim on the Belgian tax authorities corresponding to overpaid advance tax of EUR 1.1 million relating to the year 2005.
The work rules state that salary is to be paid in advance. These represent a claim of EUR 0.7 million as of December 31, 2006.
The balance includes various receivables is EUR 0.2 million.

4.2.7. Investments

—

Own shares

In accordance with the decision taken at the Extraordinary Shareholders' Meeting held on May 10, 2006, the own shares held by Dexia SA on May 5, 2006, or 22,096,720 shares representing EUR 414.2 million, were cancelled without reduction of capital.

Other investments and deposits

This heading includes two term deposits of maximum one month for a total amount of EUR 271.7 million as well as VVPR Dexia strips worth EUR 0.1 million.

4.2.8. Cash at bank and in hand.

—

Available cash in accounts totaled EUR 17.1 million.

4.2.9. Deferred charges and accrued income

—

Deferred charges totaled EUR 0.7 million and accrued income was EUR 46 million.
Among accrued income are the pro ratas of interest relating to subordinated loans granted to Group entities (EUR 43.8 million), a currency swap and accrued interest with Dexia Crédit Local (EUR 1.1 million), the subordinated loan to Kempen & Co (EUR 0.4 million) and cash investments (EUR 0.4 million) as well as interest accrued on deferred tax advances (EUR 0.3 million).

4.3. LIABILITIES

■ SHAREHOLDERS' EQUITY

As of December 31, 2006, the holding company's shareholders' equity including 2006 net income before appropriation totaled EUR 18,700.4 million and is composed of the following items.

4.3.1. Capital

—

Subscribed capital totaled EUR 5,237.7 million as of December 31, 2006 compared with EUR 4,887.6 million as of December 31, 2005.
This increase of EUR 350.1 million resulted from the following operations:
1. a capital increase of EUR 279.8 million subscribed by institutional investors with a view to financing the purchase of DenizBank;
2. a capital increase reserved to employees and members of the Dexia Group as part of the 2006 shareholding plan for an amount of EUR 37.2 million;
3. the exercise of warrants granted to employees for an amount of EUR 33.1 million.
As of December 31, 2006, the company's capital was represented by 1,163,184,325 shares, including 803,912,378 bearer shares and 359,271,947 registered shares. The total number of Dexia VVPR strips was 668,841,416.

4.3.2. Additional paid-in capital

—

Each capital increase is accompanied by additional paid-in capital, which totaled EUR 10,229 million as of December 31, 2006.

4.3.3. Reserves and retained earnings

—

The item "Reserves" includes the legal reserve (EUR 488.8 million) and an available reserve amounting to EUR 683.8 million.
Retained earnings from 2005 amounted EUR 743.5 million.

4.3.4. Net income for the year

—

As of December 31, 2006, net income totaled EUR 1,317.7 million. This result is composed of the dividends received from Dexia's operating entities (EUR +1,395.3 million), financial results (EUR +24.9 million), exceptional income (EUR 0.1 million) and net income (EUR 24.1 million) after deduction of the holding company's operating expenses (EUR -126.7 million) .

■ PROVISIONS AND DEFERRED TAXES

4.3.5. Provision for fiscal charges

—

The permanent establishment in Paris made a provision for fiscal charges of EUR 1 million within the context of fiscal consolidation as a consequence of an adjustment impacting the earlier tax deficits of a subsidiary.

4.3.6. Provisions for other liabilities and charges

—

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France, Dexia, through its permanent establishment, assumed vis-à-vis the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of a tax leverage operation carried out in France with the approval of French tax authorities. For the 2006 financial year, these operations resulted in tax savings of EUR 4.1 million (cash savings) included in the total of EUR 25 million mentioned in the note "Corporate income tax", and in an allowance in the same amount.
The balance of these provisions as of December 31, 2006 is EUR 34.1 million.
The provision of EUR 0.1 million associated with the transfer of the registered office to the Dexia Tower, Place Rogier 11, B–1210 Brussels has been used.
Moreover, a provision of EUR 1.5 million provided for returning the premises at Square De Meeûs to pristine condition is also reversed.
Furthermore, the provision for removal costs for the move of the permanent establishment in Paris currently situated at 7-11, quai André Citroën to new premises in the Tour Dexia CBX located in the La Défense district of Paris is still held in the accounts (EUR 0.1 million). Initially planned for 2005, this move has been postponed to 2007.

DEBTS

4.3.7. Amounts payable after more than one year

—

Financial debts payable after more than one year concerned loans contracted with Group companies in the amount of EUR 200 million.

4.3.8 Amounts payable within one year

—

Financial debts
These debts relate to short-term financing concluded with Group companies in the amount of EUR 3,276.7 million and overdrafts on sight accounts up to EUR 0.5 million.

Trade debts
Suppliers' invoices not yet paid amount to EUR 7.7 million and invoices to be received EUR 27.6 million.

Taxes, remuneration and social security
This item includes:

- VAT to be paid (EUR 0.5 million);
- payroll withholding tax (EUR 0.8 million);
- debts corresponding to compensation and social contributions (EUR 9.2 million).

Other amounts payable
As already specified above, the permanent establishment in Paris of Dexia SA is the head of the tax consolidation group in France. The permanent establishment is therefore the only establishment liable to the corporate income tax, the withholding tax and the annual flat tax owed by the tax group in France.
For subsidiaries, belonging to a fiscal integration group has a neutral impact in relation to the tax situation which they would have been in if there had been no integration. In fact, subsidiary companies must therefore pay to the permanent establishment their contribution to the tax payment on companies in the fiscal integration group. For the year 2006, advances paid by subsidiaries exceed the tax they are estimated to owe the head of the group, which is why the permanent establishment on December 31, 2006 had a debt of EUR 1 million to the subsidiaries taking part in the French tax consolidation.
Dividends relating to the 2005 financial year still to be paid amount to EUR 24.7 million whilst the balance of dividends for previous financial years is EUR 45.9 million.

4.3.9. Accrued charges and deferred income

—

This item is composed exclusively of expenses to be accrued as follows:

- financial charges on a currency and interest swap (EUR 3.5 million);
- financial charges linked to loans due with Group companies (EUR 38.2 million);
- pro rata operating expenditures attributable to the 2006 fiscal year (EUR 0.8 million).

4.4. OFF-BALANCE-SHEET ITEMS – COMMITMENTS

Dexia SA has significant commitments that are recorded off balance sheet:

4.4.1. On November 2, 2006, Dexia SA issued a subordinated guarantee within the context of a subordinated "hybrid Tier 1" issue by Dexia Funding Luxembourg SA (DFL), a 100% subsidiary of Dexia SA (perpetual non-cumulative securities at a guaranteed fixed/floating rate, for a global amount of EUR 500 million). This subordinated guarantee was issued in favor of the security holders who subscribed to the said securities and cover the payment by DFL of (i) any coupon which has not been waived in accordance with the issue conditions and (ii) the redemption price in the case of the liquidation or insolvency of DFL (or similar situations) or (iii) the redemption price in the case of redemption in accordance with the issue conditions.

4.4.2. A bank guarantee was issued for the lease of the building located at Square de Meeûs Brussels where the Dexia SA registered office was situated until September 30, 2006 (EUR 0.5 million). That guarantee will be discharged in 2007.

4.4.3. The acquisition of the American group Financial Security Assurance was partly financed through a currency interest rate swap contract signed with Dexia Crédit Local in the amount of USD 134.2 million (EUR 101.9 million as of December 31, 2006) against EUR 141.2 million.

4.4.4. As of December 31, 2006, the number of stock options granted and not yet exercised stood at 58,462,872. On the basis of the strike prices, this operation results in an off-balance sheet commitment of EUR 893 million.

4.4.5. On May 18, 2005, Dexia SA purchased 100% of the shares of Dexia Nederland Holding NV from Dexia Financière SA on the basis of a valuation made of these at EUR 93 million subject to a return to better fortune clause granted to Dexia BIL and Dexia Bank, also shareholders of Dexia Financière, for the case where the value of Dexia Nederland Holding, including the DBnl holding, should be revised upwards as a consequence of decisions in favor of DBnl.

4.4.6. On November 22, 2006, Dexia SA concluded a contribution agreement with its under-subsidiary Financial Security Assurance Holdings Ltd (FSA) within the context of the issue of a "hybrid Tier 1" loan of USD 300 million by FSA. This contribution agreement provides that Dexia SA undertakes to provide FSA with the funds to pay deferred interest on the hybrid debt in the case where (i) FSA opts to defer the payment of interest on the said debt and if (ii) FSA cannot gather sufficient capital to finance that deferred interest during a period of five years. In any case, Dexia SA's obligation under the contribution agreement is limited to USD 300 million, which corresponds approximately to 10 years of compound interest on the hybrid debt.

4.4.7. On December 5, 2002, Dexia SA undertook vis-à-vis its subsidiary Dexia Bank Nederland NV and each of the entities to arise from the demerger of Dexia Bank Nederland, to the exclusion of any other party, to ensure that Dexia Bank Nederland or the entities are in a position at any time to honor their liabilities vis-à-vis third parties and to continue their activities, including the maintenance of their relations with account holders and other clients. The aim of this undertaking was in particular to prevent third parties from being prejudiced by the demerger of Dexia Bank Nederland. The amendment or withdrawal of this undertaking was made subject to the prior consent of DNB (De Nederlandsche Bank). The sale of Kempen & Co NV to a group of financial investors and management was finalized on November 15, 2004. Within the context of that sale, in a letter dated the same date, Dexia SA reconfirmed its undertaking vis-à-vis Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclusion of any other party. In addition to the usual guarantees given to purchasers to whom Dexia SA is also committed, Dexia SA will indemnify Kempen & Co against risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and undertakes to compensate Kempen & Co for any losses resulting from a limited and identified number of factors.

For more details about Dexia Bank Nederland: see notes on p. 99-100 and p. 140-142 of this report.

4.4.8. Lernout & Hauspie
—

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof. Initially, plaintiffs acted in all US proceedings both against Dexia SA and Dexia Bank Belgium. Meanwhile, in all US proceedings a notice of dismissal without prejudice has been filed as far as Dexia SA is concerned. Consequently, the pending proceedings now only involve Dexia Bank Belgium. In the course of 2006 no new proceedings have been initiated, either against Dexia Bank Belgium (Dexia Bank) or Dexia SA.

1. Claim on Lernout & Hauspie Speech Products

Dexia Bank has a claim chargeable to the bankruptcy of LHSP for a principal sum of some EUR 30 million for which an impairment has been recorded for some EUR 25 million.

The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States.

Dexia Bank was claiming a pledge on the business assets of LHSP. In a ruling dated April 10, 2006, the Court of Appeal in Ghent refused to acknowledge this pledge. Dexia Bank renounced to lodge an appeal with the Supreme Court. This means that Dexia Bank is now, as an unsecured creditor, unlikely to receive any dividend from the Belgian liquidation of LHSP.

2. Claim on Lernout & Hauspie Investment Company

As of December 31, 2006, Dexia Bank has a claim on Lernout & Hauspie Investment Company (LHIC) for an amount of some EUR 62 million for which an impairment has been recorded for some EUR 57 million.

As part of the security for its claim, Dexia Bank has a pledge on a portfolio of securities owned by LHIC.

ANNUAL FINANCIAL STATEMENTS

3. Indictment of Dexia Bank in Belgium in the criminal investigation against the LHSP directors.

On June 24, 2003, Dexia Bank announced that it had been indicted in the criminal investigation relating to LHSP. The indictment of Dexia Bank concerns offences allegedly committed between July 2, 1999 and September 1, 2000 by Artesia Banking Corporation.

The investigation is now officially closed and the prosecutor has sent a "draft writ of summons" to the parties that are likely to be prosecuted, including Dexia Bank. According to the draft, Dexia Bank will be prosecuted for various offences, among which forgery in the annual financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and market manipulation (*koersmanipulatie/manipulation de cours*). The draft, which is subject to changes, alleges in substance that Artesia Banking Corporation has aided and abetted LHSP in the creation of fictitious revenue, by granting a USD 20 million loan to Messrs. Lernout, Hauspie and Willaert, whilst Artesia BC allegedly knew that the management of LHSP would utilize these funds for improper revenue recognition.

Dexia Bank considers having serious grounds for contesting these charges.

Several parties have introduced a claim for damages in the criminal proceedings. The largest civil party is Deminor, representing – according to its website – 11,000 shareholders of LHSP, with an aggregate amount of alleged damages of approximately USD 200 million in principal. There are about 400 other individuals that have reported themselves as civil parties. It is likely that not all of the potential applicants have already introduced their claim; those who have done so, have in most cases not yet stated and or provided evidence of the alleged losses.

It should be added that in January 2003, Dexia Bank has itself lodged a complaint with the examining magistrate against persons unknown, claiming compensation.

As yet it is very difficult to give an opinion on the likely outcome of the proceedings or on the level of the financial risk which Dexia Bank would face, if the charges brought against it were upheld. Dexia Bank underlines its innocence in this matter and contests the charges brought against it.

4. Civil proceedings against Dexia Bank in Belgium

4.1. LHSP receivers' claim

In July 2005, the receivers of LHSP filed an action against twenty-one parties, including Dexia Bank, for an indemnity against the net liabilities of LHSP in bankruptcy. According to the receivers' provisional assessment of the claim, the claim would amount to approximately EUR 439 million. This claim is not likely to have any development until after the end of the criminal proceedings because of the principle "*le criminel tient le civil en état*".

4.2. Claim by individuals

Certain civil claims have been filed by groups of investors in LHSP shares against various parties, including Dexia Bank. The main claim was filed by Deminor on behalf of 4,941 investors. The claimants seek damages for their losses, which have not been assessed yet. These claims, to a large extent duplicative of the claims introduced in the criminal proceedings, are not likely to have any development until after the end of the criminal proceedings because of the principle "*le criminel tient le civil en état*".

5. Civil proceedings against Dexia Bank in the United States

5.1. LHSP Litigation Trustee's claim

In 2005 the Litigation Trustee for the LHSP Litigation Trust filed an action against Dexia Bank. The Litigation Trustee seeks to recover damages from Dexia Bank for entering into loan transactions, which he claims amount to aiding and abetting breaches of fiduciary duty by the LHSP Management. He also seeks to disallow or subordinate Dexia's claims in the US bankruptcy proceedings. This action is, essentially, a duplication of the above-mentioned LHSP receivers' claim.

5.2. Claims by investors

Following the announcement of Dexia Bank's indictment in Belgium, several civil claims were introduced in the United States against Dexia SA and Dexia Bank arguing that Dexia Bank is liable for the losses suffered by LHSP shareholders. Dexia Bank disputes the merits of all of these claims.

5.2.1. Class actions

Two class actions have been brought on behalf of investors in LHSP shares against Dexia Bank and a host of other parties named in prior litigation, including the principals of LHSP.

a) NASDAQ class action

The first class action was served on Dexia Bank in February and March 2004 in the name of three individuals acting for themselves as well as on behalf of a class of purchasers of LHSP shares on the NASDAQ stock market between August 19, 1998 and November 8, 2000.

Although Dexia Bank is of the opinion that none of the claims of the plaintiffs is well-founded, Dexia Bank has, in view of the large costs of defence and the uncertainty about the outcome of the proceedings, decided to conclude a settlement agreement with the NASDAQ class plaintiffs. To this end, a memorandum of settlement has been concluded on February 9, 2007, which in its principal terms provides for the payment by Dexia Bank of an amount of USD 60 million in exchange for an unconditional release of all claims against Dexia SA and Dexia Bank and any of their past or present affiliates, officers and employees, relating to purchases or sales of LHSP common shares on the NASDAQ Stock Market during the period from August 19, 1998 through and including November 8, 2000 (the "class period") or to purchases of call options to acquire LHSP common shares or sales of put options related to LHSP common shares on any United States-based options exchange during the class period by all investors who will participate in and/or be bound by the settlement agreement, without any recognition on behalf of Dexia SA or Dexia Bank of any wrongdoing or liability. This settlement is still subject to court approval.

b) EASDAQ class action

In October 2005, a second class action was filed against Dexia Bank on behalf of a class of purchasers of LHSP shares on the EASDAQ stock market between April 28, 1998 and November 8, 2000.

On February 12, 2007, the District court of Massachusetts found that the US courts were not the appropriate forum to litigate this action and consequently dismissed the claim. The EASDAQ plaintiffs have thirty days from the date of the decision to lodge an appeal.

5.2.2. Transactional proceedings

Three separate claims for damages have been filed against Dexia Bank by US shareholders that had acquired LHSP shares through major corporate transactions. One claim was filed by Stonington, the former owner of Dictaphone, a US company acquired by LHSP in May 2000 in exchange for LHSP shares valued at the time at USD 490 million. The two other claims were filed by James and Janet Baker, who had received in the spring of 2000 LHSP shares valued at that time at approximately USD 220 million in exchange for their shares in Dragon Systems, and by TRA/Filler Trust, which represents the interests of another former shareholder of Dragon Systems, who has received LHSP shares valued at the time at approximately USD 170 million. The writs of summons for these claims do not mention the amounts claimed by the plaintiffs, as all of them have reserved the right to produce evidence of the extent of the alleged losses at a later date. TRA/Filler Trust has however specified that the extent of its losses total at least some USD 150 million.

In February 2007, the dispute with Stonington was brought to a final end through the conclusion of a settlement agreement. On December 31, 2006, the cases against James and Janet Baker and TRA/Filler Trust were still in the discovery phase (request for production of documents and deposition by parties of witnesses).

6. L&H Holding

On April 27, 2004, the bankruptcy receiver of L&H Holding summoned Messrs. Lernout, Hauspie and Willaert, along with Banque Artesia Nederland (BAN) and Dexia Bank, to pay the principal amount of USD 25 million.

This is connected with a USD 25 million loan granted to Mr. Bastiaens by BAN in July 2000 for the purposes of the acquisition by Mr. Bastiaens of LHSP shares owned by L&H holding. The former Artesia Bank issued a bank guarantee in favor of BAN for an amount of USD 10 million. The selling price of USD 25 million was credited to three personal accounts opened with BAN by Messrs. Lernout, Hauspie and Willaert. Taking the view that this money was due to L&H Holding, the L&H Holding bankruptcy receiver is claiming its repayment.

Dexia Bank vigorously contests the grounds for these applications.

7. Banque Artesia Nederland

In October 2006, Dexia Bank sold its affiliated company Banque Artesia Nederland (BAN). In the context of this operation, it has been agreed, in essence, that Dexia Bank will bear the financial consequences of the LHSP matter for BAN, capped at an amount equal to the price paid by the purchaser.

Most of the pending procedures relate to the loan granted by BAN to Mr. Bastiaens (see paragraph 6, above). They include the claim introduced by the receiver of L&H Holding both in the criminal investigation relating to LHSP (in the form of a *burgerlijke partijstelling/constitution de partie civile*) and before the civil court (see paragraph 6, above).

In addition, BAN is involved in a number of procedures pertaining to Parvest shares acquired by Messrs. Lernout, Hauspie en Willaert with the proceeds of the sale of the LHSP shares to Mr. Bastiaens. The investigating magistrate in the Belgium criminal case, L&H Holding and KBC Bank have all made claims in relation to these shares and proceeded to their provisional attachment in the hands of BAN. In addition, the Luxembourg Court of Appeals has issued a decision on July 12, 2006 at the request of Crédit Agricole Indosuez Luxembourg (CAIL) by which BNP Paribas Luxembourg has been ordered to deliver the Parvest Shares to CAIL by June 30, 2007 or to pay to CAIL the countervalue of these Parvest shares on June 30, 2007 if the latter have not been delivered to CAIL prior to July 1, 2007. The Luxembourg Court of Appeals has condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation. As a consequence, BAN is at risk to have to pay BNP Paribas Luxembourg the countervalue of the Parvest shares, if the provisional attachments on these Parvest shares are not lifted prior to June 30, 2007.

BAN has lodged an appeal against the decision of the court of appeals of Luxembourg before the supreme court (*cour de cassation*).

8. Provisions and impairments

On December 31, 2006, the exposure of Dexia Bank on the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 101 million (see paragraphs 1, 2 and 7). On the same date impairments for the Lernout & Hauspie file have recorded for a total amount of some EUR 90 million. Dexia Bank expects to be able to recover the difference in view of the securities provided.

The relevant provisions have been charged to the 2006 financial statements in order to cover the residual risks linked to the US cases for which no settlement has been concluded, as well as for costs and legal fees related to the whole of the L&H procedures mentioned in paragraphs 1 to 6 above. Dexia strongly challenges the validity and the merits of all these claims.

Dexia does not disclose

- the amount of the provisions relating to the LHSP US legal proceedings for which as yet no settlement has been concluded and
- the settlement amount reached with Stonington, mentioned below in paragraph 5.2.2. Dexia believes that to do so could seriously prejudice the outcome of the still pending LHSP legal proceedings.

4.5. STATEMENT OF INCOME

4.5.1. Operating income

—

Other operating income relates to the recovery of general costs (EUR 0.2 million).

Miscellaneous services and other goods increased by EUR 28.9 million to EUR 82.9 million.

This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, which amounted to EUR 52.1 million against EUR 31.4 million in 2005. The increase of fees is principally associated with the services provided by Group subsidiaries. The fees are also due for guidance and control tasks carried out by corporate teams from the Dexia Group in particular within the context of Basel II. The Dexia Corporate University, which is intended to develop top-level training programs for members of staff of the entire Dexia Group generated a cost of EUR 1.6 million. Logistics costs (leasing of premises, telecommunications, travel, supplies) totaled EUR 21.9 million compared with EUR 14.4 million in 2005, that growth being linked to the evolution of the Dexia SA workforce. Printing and advertising costs linked to corporate publications were EUR 4.4 million compared to EUR 4.6 million in 2005. The subscription paid to the Banking, Finance and Insurance Commission stood at EUR 1 million in 2006 whilst compensation paid to members of the Board of Directors was stable at EUR 1.9 million.

The average number of persons directly employed by Dexia rose from 118 to 177, a trend which explained the increase in payroll and social contributions from EUR 24.8 million to EUR 36.1 million.

Members of staff benefit from a supplementary retirement and survival pension scheme for which both employers and staff premiums have been paid to a group insurance. Some members of the Management Board also benefit from a supplementary scheme as defined by article 39 of the French CGI, the contributions for which are paid to an external insurance company.

Amortization of formation expenses represented EUR 3.2 million, amortization of intangible fixed assets EUR 1.2 million and depreciation of tangible fixed assets EUR 0.6 million.

4.5.2. Financial results

—

Financial income from financial assets included the dividends paid by Group entities (EUR 1,395.3 million) as well as interest received and earned for subordinated loans (EUR 171.1 million).

Income from current assets included the interest generated by the currency swap contracted with Dexia Crédit Local (EUR 4.2 million), proceeds from tax deferred advances (EUR 0.8 million) and income from money-market investments (EUR 8.9 million). The subordinated loan granted to Kempen & Co produced EUR 1.5 million in interest.

Other financial results come from a hedge transaction in an amount of EUR 3.9 million and positive exchange differences realized on the repayment of loans expressed in dollars as a consequence of the depreciation of the dollar against the euro (EUR 56 million).

Interest paid and due in relation to the loans granted by Group entities totaled EUR 152.4 million. Financial charges relating to the currency interest rate swap with Dexia Crédit Local were EUR 7.8 million and other interest charges were EUR 0.8 million.

Other financial charges were mainly composed of commissions linked to the payment of dividends by payment organizations, which are Dexia Bank, ING, Dexia BIL and Caceis (EUR 4.3 million), the cost of fiduciary services (EUR 0.2 million). The depreciation of the dollar against the euro gave rise to a negative conversion difference associated with the revaluation of loans granted in dollars (EUR 56 million).

4.5.3. Exceptional income

—

Regarding the site in Paris, exceptional depreciations were made in 2004 with a view to planned moves. In fact, it occurred that some of the assets depreciated could be used again in the new premises in the Dexia Tower – CBX, a depreciation recovery was therefore made in the amount of EUR 0.2 million.

The transfer of the registered office to the Dexia Tower in Brussels gave rise to an exceptional depreciation of EUR 0.1 million on audiovisual installations and equipment which could not be transferred to the new premises.

4.5.4. Corporate income tax

—

The corporate tax charge relates to a provision for fiscal charges (EUR 1 million) (see section 4.3.5. provision for fiscal charges).

Proceeds from foreign income taxes are explained by the fact that the permanent establishment in Paris is the head of the tax consolidation group in France. The tax savings realized by the tax consolidation group are recorded in the financial statements of the permanent establishment and considered as an immediate gain (EUR 25 million). In addition, the registered office made a tax regularization relating to income in 2004 for an amount of EUR 0.1 million.

4.5.5. Net income for the year

—

Net income for 2006 totaled EUR 1,317.7 million.

4.6. STATEMENT OF FORMATION EXPENSES

(in thousands of EUR)	Amounts
NET BOOK VALUE AS AT 31/12/05	**4,353**
Movements during the period:	
- New expenses incurred & expenses of capital increase	6,728
- Amortization	(3,160)
NET BOOK VALUE AS AT 31/12/06	**7,921**
Detailing: expenses of formation or capital increase	7,921

4.7. STATEMENT OF INTANGIBLE ASSETS (LICENCES)

(in thousands of EUR)	Amounts
ACQUISITION COST AS AT 31/12/05	**4,102**
Movements during the period:	
- Acquisitions, including produced fixed assets	1,522
ACQUISITION COST AS AT 31/12/06	**5,624**
AMORTIZATION AND AMOUNTS WRITTEN DOWN AS AT 31/12/05	**2,267**
Movements during the period:	
- Recorded	1,158
AMORTIZATION AND AMOUNTS WRITTEN DOWN AS AT 31/12/06	**3,425**
NET BOOK VALUE AS AT 31/12/06	**2,199**

4.8. STATEMENT OF TANGIBLE FIXED ASSETS

(in thousands of EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under contruction and advance payments
ACQUISITION COST AS AT 31/12/05	**1,071**	**6,414**	**3,142**	**3**
Movements during the period:				
- Acquisitions	158	1,522	12	0
- Sales and disposals	(11)	(10)	0	0
- Transfers from one heading to another	3	0	0	(3)
ACQUISITION COST AS AT 31/12/06	**1,221**	**7,926**	**3,154**	**0**
DEPRECIATION AS AT 31/12/05	**837**	**4,910**	**3,005**	**0**
Movements during the period:				
- Recorded	134	531	49	0
- Written back because surplus	0	(195)	0	0
- Canceled due to sales and disposals	(10)	(6)	0	0
DEPRECIATION AS AT 31/12/06	**961**	**5,240**	**3,054**	**0**
NET BOOK VALUE AS AT 31/12/06	**260**	**2,686**	**100**	**0**

4.9. STATEMENT OF FINANCIAL FIXED ASSETS

1. Participating interests and shares

(in thousands of EUR)	Amounts
ACQUISITION COST AS AT 31/12/05	**16,606,614**
Movements during the period:	
- Acquisitions	1,821,948
ACQUISITION COST AS AT 31/12/06	**18,428,562**
AMOUNTS WRITTEN DOWN AS AT 31/12/05	**76,256**
- Recorded	0
AMOUNTS WRITTEN DOWN AS AT 31/12/06	**76,256**
NET BOOK VALUE AS AT 31/12/06	**18,352,306**

2. Amounts receivable

(in thousands of EUR)	1. Affiliated	2. With participation link
NET BOOK VALUE AS AT 31/12/05	**3,635,977**	**0**
Movements during the period:		
- Additions	170,000	10
- Repayments		
- Exchange differences	(225,236)	0
NET BOOK VALUE AS AT 31/12/06	**3,580,741**	**10**

4.10. SHARE IN THE CAPITAL AND OTHER RIGTS IN OTHER COMPANIES

List of both enterprises in which the enterprise holds a participating interest, and other enterprises in which the enterprise holds rights in the amount of at lease 10% of the capital issued.

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by the enterprise (directly) Number	Shares held by the enterprise (directly) %	Shares via subsidiaries %	Information from the most recent period for which annual accounts are available: Primary financial statement	Monetary unit	Capital and reserves (+) or (-) (in thousand of monetary unit)	Net result (+) or (-) (in thousand of monetary unit)
Dexia Banque SA Boulevard Pachéco 44 B-1000 Brussels BE 0403.201.185 Common shares	359,412,609	100.00		31/12/05	EUR	2,947,236	715,850
Dexia Crédit Local SA 7-11, quai André Citroën F-75015 Paris Common shares	87,045,744	100.00		31/12/05	EUR	2,829,132	424,908
Dexia Banque Internationale à Luxembourg SA 69, route d'Esch L-2953 Luxembourg Common shares	1,163,720	57.68	42.26	31/12/05	EUR	1,245,813	122,433
Dexia Holding Incorporated Park Avenue 350 US-New York, NY 10022 Common shares	1	10.00	90.00	31/12/05	USD	2,769,402	78,155
Dexia Nederland Holding NV Beethovenstraat 300 NL-1077 WZ Amsterdam Common shares	50,000	100.00		31/12/05	EUR	438,340	57,733
Dexia Management Services Ltd Tuffon Street Westminster 55 UK-London SW1P 3QF Common shares	10,000	100.00		31/12/05	GBP	78	7
Dexia Employee Benefits SA Avenue Livingstone 6 B-1000 Brussels BE 0866.161.005 Common shares	9,999	99.99	0.01	31/12/05	EUR	294	(706)
Dexia Participation Luxembourg SA 69, route d'Esch L-2953 Luxembourg Common shares	25,759	99.99	0.01	31/12/05	EUR	1,279,031	14
Dexia Financière SA Boulevard Pachéco 44 B-1000 Brussels BE 0479.551.271 Common shares	6,780,866	8.42	91.58	31/12/05	EUR	93,879	830
Dexia Habitat SA 7 à 11, quai André Citroën F-75901 Paris, France Common shares	187,494	100.00		31/12/05	EUR	2,968	(16)
Dexia Participation Belgique SA Place Rogier, 11 B-1210 Brussels BE 0882.068.708 Common shares	95	95.00	5.00				
Dexia Funding Luxembourg SA 69, Route d' Esch L-2953 Luxembourg Common shares	31	100.00					
Associated Dexia Technology Services 69, Route d' Esch L-2953 Luxembourg Common shares	1,493	99.53	0.47				

4.11. INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS

(in thousands of EUR)	Previous period	Period
Term deposits with credit institutions falling due:	**274,850**	**271,700**
- Within one month	274,850	271,700
- Between one month and one year		
Other investments not yet shown above	**89**	**79**

4.12. DEFERRED CHARGES AND ACCRUED INCOME

(in thousands of EUR)	Period
Deferred charges	736
Accrued income: interest	46,005

4.13. STATEMENT OF CAPITAL

A. Issued capital

(in thousands of EUR)	Amounts of shares	Number
Issued capital as at 31/12/05	4,887,585	
Changes during the period:		
- Capital increase for staff and employees of Dexia Group	37,195	8,265,504
- Exercise of warrants for Group staff	33,166	7,370,345
- Capital increase	279,793	62,176,166
ISSUED CAPITAL AS AT 31/12/06	**5,237,739**	

B. Structure of the capital

	Amounts (in thousands of EUR)	Number of shares
Different categories of shares:		
• Shares without indication of nominal value, each representing 1/1,163,184,325 of the issued capital	5,237,739	1,163,184,325
• Registered shares and bearer shares:		
- Registered		359,271,947
- Bearer		803,912,378

C. Own shares held by:

	Amount of capital (in thousands of EUR)	Number of shares
- The company itself	0	0
- Its direct subsidiaries	2,157	479,340

D. Commitments to issue shares

	Amount of capital (in thousands of EUR)	Number of shares
Following the exercising of subscription rights:		
- Number of outstanding subscription rights	0	58,462,872
- Amount of capital to be subscribed	263,083	0
- Maximum number of shares to be issued	0	58,462,872

E. Amount of authorized capital, not issued

(in thousands of EUR)	Amounts
	4,607,707

F. Shares issued, not representing capital

	Number of shares	Voting right attached thereto
Whereof:		
- Held by the company itself	0	0
- Held by its subsidiaries	0	0

4.14. ANALYSIS BY CURRENT PORTIONS OF AMOUNTS INITIALLY PAYABLE AFTER MORE THAN ONE YEAR

(in thousands of EUR)	not more than one year	between one and five years	over five years
Financial debts	**0**	**0**	**200,000**
5. Other loans	0	0	200,000
Trade debts	**0**	**0**	**0**
Advance payments received on contracts in progress	**0**	**0**	**0**
Other amounts payable	**0**	**0**	**0**
TOTAL	**0**	**0**	**200,000**

4.15. AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY

(in thousands of EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	1,279
c) Estimated taxes payable	0
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	9,200

4.16. ACCRUED CHARGES AND DEFERRED INCOME

(in thousands of EUR)	Period
Accrued charges: interest	41,759
Accrued charges: general operating expense	773

4.17. OPERATING RESULTS

	Previous period	Period
Other operating income (in thousands of EUR)		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	0	0
Employees recorded in the personnel register		
a) Total number at the closing date	134	207
b) Average number of employees in full-time equivalents	110.8	161.9
c) Number of actual working hours	194,038	252,134
Personnel charges (in thousands of EUR)		
a) Remuneration and direct social benefits	14,905	23,768
b) Employers' social security contribution	4,414	6,845
c) Employers' premium for extra statutory insurance	5,397	5,054
d) Other personnel charges	77	397
e) Pensions	0	0
Provisions for liabilities and charges (in thousands of EUR)		
Increases	8,700	4,090
Decreases	(250)	(1,603)
Other operating charges (in thousands of EUR)		
Taxes related to operations	404	395
Other charges	14	21
Hired temporary staff and persons placed at the disposal of the enterprise		
a) Total number at the closing date	0	1
b) Average number of employees in full-time equivalents	0.1	0.4
c) Number of actual working hours	91	678
d) Charges to the enterprise (in thousands of EUR)	2	24

4.18. INCOME TAXES

(in thousands of EUR)	Exercice
Detail of heading X.A.	
Income taxes of the current period	**0**
a) Taxes and withholding taxes due or paid	31
b) Excess of income tax prepayments and withholding taxes capitalised	(31)
c) Estimated additional taxes recorded under assets	0
Income taxes on previous periods	**1,021**
a) Additional charges for income taxes due or paid	18
b) Additional charges for income taxes estimated or provided for	1,003
Taxes of the current period that are materially affected by differences between the profit before taxes and the estimated taxable profit	
Definitively taxed income	1,325,497
Tax integration in France	PM

4.19. OTHER TAXES AND TAXES BORNE BY THIRD PARTIES

(in thousands of EUR)	Previous period	Period
Total amount of value added tax, turnover taxes and special taxes charged during the period:		
1. To the enterprise (deductible)	0	0
2. By the enterprise	0	15
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	5,615	8,796
2. Withholding taxes on investment income	105,064	112,610

4.20. RIGHTS AND COMMITMENTS NOT ACCRUED IN THE BALANCE SHEET

(in thousands of EUR)	Exercice
Personal guarantees, given or irrevocably promised by the enterprise, as security parties' debts or commitments	**500,030**
Whereof:	
- Maximum amount for which other debts or commitments of third parties are guaranteed	500,030
Forward contracts:	
- Goods purchases (to be received)	0
- Goods sold (to be delivered)	0
- Currencies purchased (to be received)	141,169
- Currencies sold (to be delivered)	101,907

5. FINANCIAL RELATIONSHIPS

5.1. FINANCIAL RELATIONSHIPS WITH DIRECTORS

The amount of direct and indirect remuneration and pensions, included in the income statement, as long as the disclosure does not concern exclusively or mainly, the situation of a single identifiable person.

To the directors (in thousands of EUR)	5,041

5.2. DERIVATES NOT MEASURED AT FAIR VALUE

In this case an estimate of the fair value of financial derivates not measured at fair value with indication about the nature and the volume of the instruments.

(in thousands of EUR)	
Currency interest rate swap : 1 contract	32,478

5.3. RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Affiliated enterprises	
(in thousands of EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**20,166,335**	**21,933,047**
Investments	16,530,358	18,352,306
Amounts receivable:		
- Subordinated	3,635,977	3,580,741
- Others	0	0
AMOUNTS RECEIVABLE	**36,619**	**43,446**
After one year	36,599	43,052
Within one year	20	394
CURRENT INVESTMENTS	**274,850**	**271,700**
Shares	0	0
Amounts receivable	274,850	271,700
AMOUNTS PAYABLE	**1,467,878**	**3,503,873**
After one year	1,459,373	200,000
Within one year	8,505	3,303,873
PERSONAL GUARANTEES	**0**	**500,000**
Provided or irrevocably promised by the enterprise, as security for debts or commitments of affiliated enterprises	0	500,000
OTHER SUBSTANTIAL FINANCIAL COMMITMENTS	**0**	**227,756**
FINANCIAL RESULTS		
From financial fixed assets	1,683,894	1,566,423
From current assets	9,927	13,871
Other financial income	0	0
From interests and debts	110,558	160,214
Other financial charges	3,121	4,157

6. SOCIAL REPORT

6.1. STATEMENT OF THE PERSONS EMPLOYED

A. Employees recorded in the personnel register in Belgium

1. During the period and during the previous period	Full-time (period)	Part-time (period)	Total (T) or total full-time equivalents (FTE) (period)		Total (T) or total full-time equivalents (FTE) (previous period)	
Average number of employees	142.8	26.9	161.9	(FTE)	110.8	(FTE)
Number of actual working hours	219,546	32,588	252,134	(T)	194,038	(T)
Personnel charges (in thousands of EUR)	20,046	7,674	27,720	(T)	17,132	(T)
Amount of the benefits in addition to wages (in thousands of EUR)			177	(T)	113	(T)

2. As at the closing date of the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register	**179**	**28**	**198.9**
b. By nature of the employment contract			
Contract of unlimited duration	176	28	195.9
Contract of limited duration	3		3.0
Contract of replacement			
c. By sex			
Male	118	16	129.2
Female	61	12	69.7
d. By professional category			
Management personnel	30	13	39.3
Employees	149	15	159.6

B. Hired temporary staff and persons placed at the disposal of the enterprise during the period

3. During the period	Temporary personnel	Persons placed at the disposal of the enterprise
Average number of personnel employed	0.4	0
Number of actual working hours	678	0
Charges to the enterprise (in thousands of EUR)	24	0

6.2. LIST OF PERSONNEL MOVEMENTS DURING THE PERIOD

A. Entrants

During the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employed persons recorded in the personnel register during the period	93	6	97.8
b. By nature of the employment contract			
Contract of unlimited duration	90	6	94.8
Contract of limited duration	3		3.0
c. By sex and level of education			
Male: secondary education	6	0	6.0
higher non-university education	10	1	10.8
university education	44	0	44.0
Female: secondary education	2	0	2.0
higher non-university education	16	0	16.0
university education	15	5	19.0

B. Leavers

During the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employed persons of which the date of termination of the contract has been recorded in the personnel register during the period	25	1	25.5
b. By nature of the employment contract			
Contract of unlimited duration	17	1	17.5
Contract of limited duration	8	0	8.0
c. By sex and level of education			
Male: secondary education	0	0	0
higher non-university education	0	0	0
university education	13	1	13.5
Female: secondary education	0	0	0
higher non-university education	5	0	5.0
university education	7	0	7.0
d. By reason of termination of contract			
Retirement	1	0	1.0
Dismissal	5	0	5.0
Other reason	19	1	19.5

6.3. STATEMENT CONCERNING THE IMPLEMENTATION OF MEASURES STIMULATING EMPLOYMENT DURING THE PERIOD

EMPLOYMENT PROMOTION MEASURES

	Number of employed persons involved		Amount of the advantage (in thousands of EUR)
	Number	In full-time equivalents	
1. Measures comprising a financial profit			
Structural reduction of social security contributions	228	224.9	868
2. Other measures			
Reduction of personal social security contributions to low paid employees	12	11.3	0
NUMBER OF EMPLOYEES INVOLVED IN ONE OR MORE MEASURES STIMULATING EMPLOYMENT:			
TOTAL FOR THE PERIOD	**228**	**224.9**	
TOTAL FOR THE PREVIOUS PERIOD	**137**	**130.8**	

6.4. INFORMATION ON TRAINING FOR EMPLOYED PERSONS DURING THE PERIOD

Total of initiatives of employees training at the expense of the employer	Male	Female
Number of employees involved	74	46
Number of training hours	1,885	1,224
Costs for the enterprise (in thousands of EUR)	386	251

ANNUAL
FINANCIAL STATEMENTS

BOARD OF STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE ANNUAL ACCOUNTS OF THE COMPANY DEXIA SA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

As required by law and the company's articles of association, we report to you in the context of our appointment as statutory auditors. This report includes our opinion on the annual accounts and the required additional disclosures and information.

UNQUALIFIED OPINION ON THE ANNUAL ACCOUNTS, WITH EXPLANATORY PARAGRAPH

We have audited the annual accounts of Dexia SA as of and for the year ended December 31, 2006, prepared in accordance with the financial reporting framework applicable in Belgium, and which show a balance sheet total of EUR 22,372,664 (000) and a profit for the year of EUR 1,317,719 (000).
The company's Board of Directors is responsible for the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement.
In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the annual accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the company's internal control relating to the preparation and fair presentation of the annual accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the annual accounts taken as a whole. Finally, we have obtained from the Board of Directors and company officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.
In our opinion, the annual accounts give a true and fair view of the company's net worth and financial position as of December 31, 2006 and of its results for the year then ended in accordance with the financial reporting framework applicable in Belgium.
Without amending our unqualified opinion, we nevertheless draw the attention to the part of the management report describing some legal disputes with regard to the share leasing in the Netherlands, the final outcome of which is uncertain at this moment, and to the note to the annual accounts mentioning the engagement of the company towards Dexia Bank Nederland.

ADDITIONAL REMARKS AND INFORMATION

The company's Board of Directors is responsible for the preparation and content of the management report, and for ensuring that the company complies with the Companies' Code and the company's articles of association.
Our responsibility is to include in our report the following additional remarks and information, which do not have any effect on our opinion on the annual accounts:
• the management report deals with the information required by the law and is consistent with the annual accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the company, the state of its affairs, its foreseeable development or the significant influence of certain events on its future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment;
• without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium;

• there have been no transactions undertaken or decisions taken in breach of the company's statutes or the Companies' Code such as we would be obliged to report to you. The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association;

• in accordance with article 523 of the Companies' Code, we are also required to report to you on the capital impacts of the decisions of the Board of Directors of March 2, 2006 relating to the remuneration of the representative director and the president of the Board of Directors, in which regard we have been informed of a conflict of interest. The information pertaining to these decisions is included in the management report within the section relating to the remuneration of the Board of Directors and the Management Committee. We are of the opinion that this disclosure is adequate to inform the shareholders about the capital impacts for the company of these decisions.

Brussels, March 28, 2007

Board of Statutory Auditors,

PricewaterhouseCoopers
Reviseurs d'Entreprises SCCRL,
Represented by

R. Peirce

Mazars & Guérard
Reviseurs d'Entreprises SCCRL,
Represented by

X. Doyen

(free translation)

ADDITIONAL INFORMATION

GENERAL DATA

NAME

The company is called "Dexia".

REGISTERED OFFICE

The registered office of the company is in Belgium at Place Rogier 11, 1210 Brussels (RPM Brussels VAT BE 0458.548.296).

LEGAL FORM, INCORPORATION, DURATION

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on July 15, 1996 for an indefinite period. The company has two permanent offices located in France and in Luxembourg.

CORPORATE OBJECT

Article 3 of the Articles of Association reads as follows:

"The company has the object, both in Belgium and in other countries, of:

1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;
2. the provision of assistance or administrative, commercial and financial services and accomplishment of all research on behalf of third parties and in particular on behalf of companies and other legal entities, whatever their legal form, in which it holds a direct or indirect equity interest, as well as the provision of loans, advances, guarantees or securities, in whatever form;
3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realization of its corporate object or likely to contribute to such realization."

PLACES WHERE THE PUBLIC MAY CONSULT DOCUMENTS

The Articles of Association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company's registered office.
The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company's registered office.
Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appendix to the Belgian Gazette. Financial notices concerning the company are published on its website (*www.dexia.com*). The convocations to shareholders' meetings are published on the website and in the financial newspapers, the daily press and periodicals.

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FINANCIAL CALENDAR

Ordinary Shareholders' Meeting for the 2006 financial year
May 9, 2007

Payment of dividend for the 2006 financial year
May 24, 2007

Half-yearly information
August 30, 2007

Ordinary Shareholders' Meeting for the 2007 financial year
May 14, 2008

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