ANNUAL REPORT 2007

short term has no future

DEXIA

ANNUAL REPORT 2007

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MANAGEMENT REPORT

GROUP PROFILE

Dexia is a European bank and the world leader in local public finance. Dexia is one of the top fifteen banking groups in the euro zone with a stock market capitalization of EUR 20.3 billion and 35,202 employees in 37 countries as of December 31, 2007.

A UNIQUE MODEL IN THE BANKING SECTOR

Two pillars

Dexia's future is built on two pillars: its Universal Banking business in Europe and world leadership in Public/Project Finance. Dexia intends to expand its Universal Banking business beyond its traditional markets of Belgium, Luxembourg, Slovakia, and Turkey to become a top-level European player while building upon its global leadership in Public/Project Finance through geographic expansion.

Dexia is confident that it can deliver exceptional operating and financial results, including a dividend per share increase of at least 10% per annum, one of the Group's objectives announced in September 2006.

Financial stability

Dexia has vigorous yet prudent growth plans, which adhere to its core values for managing risk and maintaining financial stability. The Group maintains the highest standards for underwriting, risk management, operating discipline and product performance.

Dexia has one of the highest credit ratings in the banking industry. The Group's principal banking entities – Dexia Crédit Local, Dexia Bank and Dexia BIL – are all rated AA/Aa1/AA+; three of Dexia's European subsidiaries issue Triple-A rated secured bonds; and FSA one of the world's three largest bond insurers is a Triple-A rated company (recently affirmed).

Long-term commitment to Group values

Dexia has made a long-term commitment to the needs and well-being of its customers, the harmonious development of society, protection of the environment and sustainable growth. Dexia expresses its unique corporate culture through its motto – short term has no future – which describes our approach to the conception and the management of our business lines.

Dexia's actions and goals are driven by:

- Ambition to constantly improve operating and financial performance while adhering to our social and environmental values.
- Respect for all, including customers, shareholders, employees, suppliers, and other stakeholders in our businesses.
- Passion for innovation that allows us to meet our goals while contributing to society.

DEXIA'S BUSINESS LINES

Public/Project Finance and Credit Enhancement

Over the last decade, Dexia has become the world leader in Public/Project Finance. Dexia operates in more than 30 countries (or regions) including France, Belgium, Italy, North America, Mexico, Germany, Spain, the United Kington, Scandinavia, Switzerland, Austria, Slovakia, Poland, Romania, the Czech Republic, Australia, Israel, Bulgaria, Hungary and Japan.

Dexia meets the financing needs of local public authorities and other public services through direct loans, signed commitments, liquidity guarantees and the purchase of their securities. Dexia offers its customers a full range of products that include structured loans and debt management.

Dexia deploys its know-how to project finance across the globe while adhering to highly selective policies in line with the Group's risk management standards. Dexia focuses on transportation, environmental and other essential infrastructure as well as the renewable energy sector. The Group finances corporate borrowers in countries where it is active in Universal Banking, such as Belgium, Luxembourg, Turkey and Slovakia.

Through US subsidiary Financial Security Assurance (FSA), Dexia provides credit enhancement for municipal bonds, infrastructure projects and asset-backed securities. Today FSA occupies a dominant position in the US municipal bond insurance market.

Personal Financial Services

Dexia is a leading European retail bank offering a wide range of banking and insurance services to more than six million customers – from individuals to small and medium-sized companies – in Belgium, Luxembourg, Slovakia and Turkey.

Dexia is one of the top retail banks in Belgium and Luxembourg and has a local bank in Slovakia. Dexia's DenizBank is the sixth-largest privately owned bank in Turkey. Dexia Insurance Services supplies all the life and non-life insurance products sold in the retail networks of the Group in Belgium and Luxembourg, as well as in France.

Dexia is also a major private banking services provider through various entities, including joint ventures, principally in Belgium, Luxembourg, Spain, Switzerland and Denmark.

Treasury and Financial Markets

Dexia's principal businesses give the Group a strong presence in the capital markets, where it funds and manages the Group's balance sheet and structures sophisticated products and solutions for clients of the various business lines. The Treasury and Financial Markets business segment generates substantial earnings in addition to providing support to the entire Group.

Asset Management

Dexia Asset Management is a top-tier asset manager in Europe with a complete range of investment vehicles from traditional and alternative funds to socially responsible investments, an area in which Dexia is a leader in Western Europe. Dexia Asset Management specializes in the management of mutual funds and institutional and private mandates.

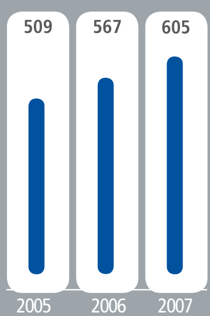
Dexia Asset Management operates through offices in Brussels, Luxembourg, Paris and Sydney, and via locally organized client relationship teams throughout Europe, the Middle East and Australia.

Investor Services

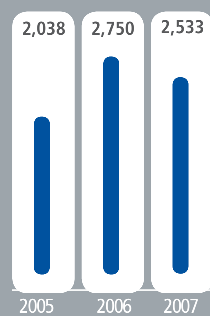
RBC Dexia Investor Services was created in 2006 as a joint venture with Royal Bank of Canada to offer its expertise in global custody, fund and pension administration and shareholder services to institutions around the world. The company ranks among the world's top 10 global custodians and does business in fifteen countries on four continents.

FINANCIAL HIGHLIGHTS
CONSOLIDATED FIGURES OF THE DEXIA GROUP

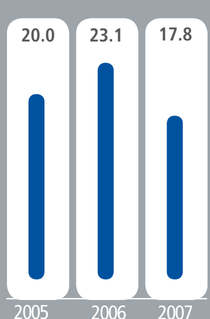
BALANCE SHEET TOTAL
(in billions of EUR)



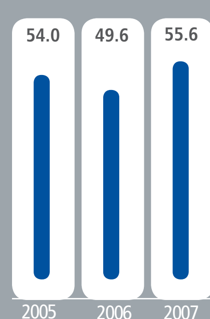
NET INCOME – GROUP SHARE
(in millions of EUR)



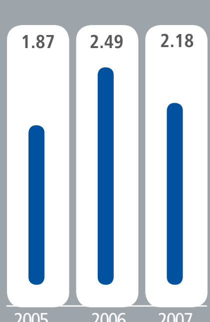
RETURN ON EQUITY (ROE)
(in %)



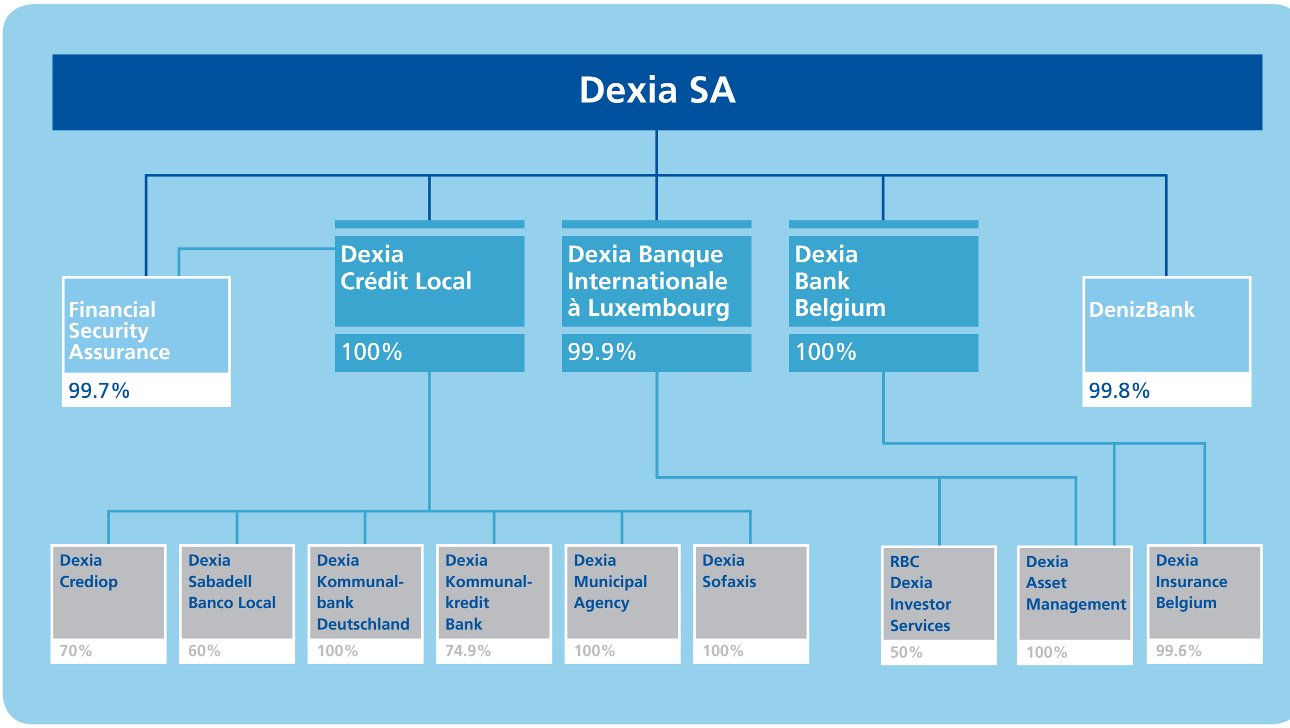
COST-INCOME RATIO
(in %)



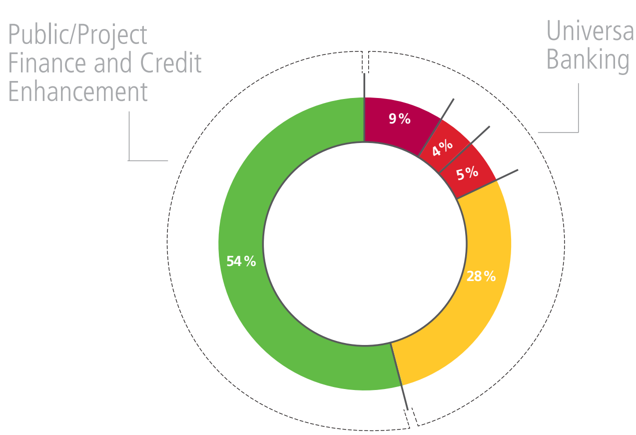
EARNINGS PER SHARE
(in EUR)



SIMPLIFIED GROUP STRUCTURE



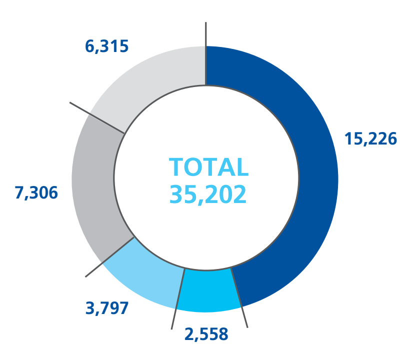
Percentages refer to direct and indirect holdings.



BUSINESS LINE CONTRIBUTION TO THE UNDERLYING NET INCOME – GROUP SHARE 2007*

Public/Project Finance and Credit Enhancement	54%
Personal Financial Services	28%
Treasury and Financial Markets	9%
Asset Management	5%
Investor Services	4%

** i.e. excluding Central Assets and non-operating items.*



MEMBERS OF STAFF AS OF DECEMBER 31, 2007*

- BELGIUM
- FRANCE
- LUXEMBOURG
- TURKEY
- OTHER COUNTRIES

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

RESULTS (in millions of EUR)	Dexia GAAP 1999	2000	2001	2002	2003	2004	IFRS as adopted by EU 2004 (1)	2005	2006	2007
Income	3,143	3,740	5,631	5,157	5,160	5,392	5,623	5,976	7,005	6,896
Costs	(1,694)	(2,050)	(3,323)	(3,037)	(3,056)	(3,012)	(3,057)	(3,229)	(3,474)	(3,834)
Gross operating income	1,449	1,690	2,308	2,120	2,104	2,380	2,566	2,747	3,531	3,062
Net income – Groupe share	761	1,001	1,426	1,299	1,431	1,772	1,822	2,038	2,750	2,533

(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, 2005 (1)	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Total assets	**245.1**	**257.8**	**351.4**	**350.9**	**349.9**	**389.2**	**404.6**	**508.8**	**566.7**	**604.6**
Loans and advances to customers	128.5	134.4	156.4	157.8	161.9	166.2	169.5	192.4	226.5	242.6
Financial assets at fair value through profit or loss and financial investments	67.0	77.7	125.9	134.7	127.9	144.5	147.3	198.9	223.2	257.9
Customers borrowings and deposits	46.9	52.4	84.0	85.3	92.3	97.6	87.1	97.7	116.2	126.7
Debt securities	132.3	134.4	140.9	146.5	134.9	143.9	144.2	175.7	184.7	204.0
Core shareholders' equity (2)	6.9	8.1	10.3	10.9	11.6	12.3	10.5	11.5	14.4	16.1

(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	2007
Cost-income ratio (1)	53.9%	54.8%	59.0%	58.9%	59.2%	55.9%	54.4%	54.0%	49.6% (3)	55.6%
Return on equity (2)	15.7%	17.7%	18.7%	16.2%	16.5%	19.8%	17.2%	20.0%	23.1% (3)	17.8%
Tier 1 ratio (4)	9.0%	9.3%	9.3%	9.3%	9.9%	10.7%	10.0%	10.3%	9.8%	9.1%
Capital adequacy ratio (4)	12.8%	9.8%	11.5%	10.7%	11.2%	11.7%	11.1%	10.9%	10.3%	9.6%

(1) The ratio between the costs and the income.
(2) The ratio between net income – Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).
(3) 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.
(4) The shareholders' equity is considered after income appropriation. For the calculation of the solvency ratio in 2007, the treatment of qualified participations in banking and insurance institutions remains the same as in 2006, being the deduction of the total regulatory equity.

QUALITY OF RISKS	Dexia GAAP						IFRS as adopted by EU			
	1999	2000	2001	2002	2003	2004	2004	2005	2006	2007
Impaired loans (in millions of EUR)	672	905	1,897	1,942	1,708	1,722	1,722	1,473	1,359	1,218
Assets quality ratio (1)	0.53%	0.68%	1.20%	1.23%	1.05%	1.04%	1.04%	0.78%	0.61%	0.50%
Coverage ratio (2)	79.3%	65.0%	66.7%	68.0%	72.8%	73.2%	73.2%	69.1%	69.3%	67.2%

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

DATA PER SHARE	Dexia GAAP						IFRS as adopted by EU			
(in EUR)	1999	2000	2001	2002	2003	2004	2004	2005	2006	2007
Earnings per share (1)	0.98	1.15	1.25	1.13	1.24	1.58	1.63	1.87	2.49	2.18
Gross dividend	0.39	0.43	0.48	0.48	0.53	0.62	0.62	0.71	0.81	0.91 (2)
Net assets (3)	8.54	8.02	8.39	8.79	9.25	9.95	8.87	9.86	11.60	12.87
Pay-out ratio (4)	41.4%	41.9%	39.3%	43.0%	42.1%	38.7%	37.6%	37.9%	34.3%	42.0%

(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 2007, based on proposed dividend.

RATINGS (LONG TERM)	Dexia Bank	Dexia Crédit Local	Dexia BIL	Financial Security Assurance	Dexia Municipal Agency
Moody's	Aa1	Aa1	Aa1	Aaa	Aaa
Standard & Poor's	AA	AA	AA	AAA	AAA
Fitch	AA+	AA+	AA+	AAA	AAA
DBRS	AA (high)	AA (high)	AA (high)	-	-

MESSAGE FROM PIERRE RICHARD

CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2007 was one of contrasts for the world economy in an uncertain and difficult environment.

On the one side, the real economy of the world was well sustained, with a GDP growth rate close to 5%. Emerging countries made a decisive contribution to this, whilst the more developed areas of the world, after a strong start, began to show signs of a deceleration. This momentum fed the increase of commodity prices and raised the threat of inflation, and it also amplified the global imbalances: the currency reserves of the major emerging and oil exporting countries reached record highs and symmetrically public and private debt in the United States continued to swell. Currency prices evolved significantly, with the dollar losing 13% of its value against the euro over the year, and the yuan remaining more competitive than ever.

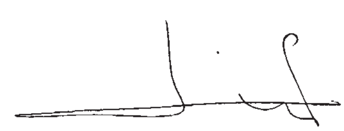
On the other side, the global financial crisis, which began in the United States last summer, shook the whole world economy. Defaults on subprime mortgage loans in the US reached alarming proportions, triggering all kinds of doubts and fears about the severity of expected losses, the ability of various financial operators to understand the risks – often linked to complex structures – and to face them, the consequences on the solvency and liquidity of the banks, and finally the possibility of the financial crisis contaminating the real economy and causing a recession.

This stormy environment, going crescendo in the last months of the year and beyond, mobilized the major central banks, led to the elimination of several operators and even raised questions about the solvency of establishments among the largest in the industry. The impairments of asset portfolios were surprising not only by their size but also because they were announced in successive waves. The opaqueness of structures and the complexity of products could only aggravate market uncertainty about who in the long run would bear the losses. The situation of some monoline insurers was also brought into doubt, especially on the sustainability of their AAA rating.
This context naturally prompted great nervousness on the markets, affecting the entire financial sector and in particular the Dexia share, which closed the year at EUR 17.22, down 17% over one year (in line with the Stoxx Banks Index), after reaching a record high of EUR 24.96 in May. On several occasions during the crisis, Dexia communicated with the market in the most transparent, complete and rapid manner, observing in particular that its US subsidiary FSA stood out from its principal competitors by choosing to keep well away from risky structured products such as CDOs of ABS, broadly the cause of all problems.

Banking stocks will come out of the crisis in various shapes when losses will be identified and quantified, and once all the results are published. In 2007 Dexia for its part continued to produce quality results despite the crisis, with an underlying net income up 12.5% on 2006. Its ratings and its solvency level were kept among the highest in the industry.

The strength of Dexia's fundamentals reinforces the confidence of the Board of Directors in the ability of the management team and of the entire staff to continue unfailingly with the business development implemented since Dexia was created. We shall thus propose to the Shareholders' Meeting a gross dividend of EUR 0.91 per share, representing a 12.3% increase over last year. This will keep in the trajectory followed since 1996 with respect of a dynamic policy of distributing a substantial proportion of our earnings to our shareholders.

As Chairman of the Board of Directors, I salute the professionalism and commitment of the teams which enabled us to achieve all we did, and express my sincere gratitude to them. I thank all my colleagues on the Board for having supported the actions of the Management Board over the year 2007 and for having participated assiduously and effectively to our work. We will continue in our endeavors to strengthen our governance practices even more, and the quality of our relations with our shareholders.



Pierre Richard

MESSAGE FROM AXEL MILLER

CHAIRMAN OF THE MANAGEMENT BOARD,
CHIEF EXECUTIVE OFFICER

With underlying net income up 12.5%, 2007 was a good year for Dexia. This achievement follows a year 2006 when the progression was 14.3%, a level well above our medium-term target of 10% a year. This good result reflects the extremely satisfactory performance of our commercial business lines which absorbed the shock of the financial markets during the second half. Some examples illustrate how Dexia not only continued its unruffled development in spite of the crisis, but even took advantage of the situation. The growth of long-term commitments in Public/Project Finance was 22.0% on a constant exchange rate. We were able to purchase a high-quality portfolio of social housing loans on the UK under favorable conditions. In project finance, where long-term commitments increased by 50%, Dexia jumped to the third position in the worldwide league of *Mandated Lead Arrangers* by Thomson Financial in 2007, after being number thirteen in 2006. In credit enhancement, new business increased by 40% in one year, and in December FSA doubled its usual share of the US insured municipal bond market to 50%. In asset management and investor services, despite poor market conditions in the second half, assets under management grew by 4% in one year and assets under administration increased by 26%. In retail and private banking, the commercial results were very good, particularly in Turkey where growth exceeded our objectives, which were nonetheless very ambitious.

Dexia also continued to work successfully on improving its operational processes. In the area of risks, internal rating models were developed and tested through 2007, and obtained homologation from the supervisory authorities for the calculation of solvency ratios under Basel II. Under this new referential, Dexia's comfort level regarding capital adequacy will be even greater. This capacity enabled us to achieve both a most remarkable development of our book of business in 2007 and also to launch a share buyback program for an amount of EUR 500 million in September.

During a year marked by a most severe financial crisis, Dexia maintained its high level of solvency, met no liquidity problem and did not have to make provisions, whilst the environment changed radically and set new challenges for the banks: pricing and risks in the credit markets; redeployment of savings; scarcity of interbank liquidity. European banks also underwent their first acid test with the new IFRS. Applied for the first time in a period of crisis, they undoubtedly exacerbated it. Over the last two quarters, the "fair value" accounting of financial portfolios caused unprecedented volatility in reported reserves and income. Value adjustments had to be made indistinctively both on effectively impaired assets and also on healthy ones for which market price increased in relation to the new liquidity situation and to the return to more normal remuneration of risks. This spread-widening influenced the reported results of banks which, like Dexia, did nonetheless not have to suffer any decrease in the quality of their debtors. In effect, this volatility, which caused a reduction of Dexia's reported net income, had no real economic significance in consideration of our economic model, the intrinsic quality of our assets and the fact that they are expected to be held to maturity.

That is why, as in previous years, these adjustments were isolated as non-operating items so as to have a better picture of the real economic performance of Dexia through the underlying results.

In all, earnings per share stood at EUR 2.18, and the return on equity at 17.8%, exceeding the Group's medium-term objective of 16%, bearing in mind that Dexia's equity level is among the highest in the industry.

In an environment which shook the world's banking sector almost to breaking point among some major names, Dexia continued its development with determination, in particular in its global business. As wise and prudent participants to the monoline industry – which fed market nervousness – Dexia and FSA anticipated the occurrence of a crisis and kept away from danger zones, particularly in the field of such complex structures as CDOs of ABS, which caused considerable losses for several major operators. We escaped those problems and all our ratings were affirmed, which enables us, *inter alia*, to gather more and more deposits from the largest world institutions. In view of our good liquidity, we have remained lenders on the short-term interbank market. Finally, our margins improved.

It is because we have managed to ride through the storm without incurring damage that our ambition is more than ever justified: to remain a major bank, committed over the long term to fulfill the expectations of our clients and the objectives of our shareholders, and keen to give our 35,202 staff members a good framework to continue making the best of their talent, with passion, to serve Dexia. Our vision for the long-term future has not changed: 2008 will be another year of challenges, but on the strength of our performance in 2007 we are better armed than ever to confront them, and to continue our development according to the plan we drew up in 2006 to create value while sticking to our mission as the bank of the local public sector and to the values which inspire us to achieve it.

On behalf of the Management Board, I thank all our members of staff for their dedication to the Group and its clients, and I thank the latter for their loyalty towards Dexia.

Axel Miller

GROUP MANAGEMENT BODIES

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.

As of December 31, 2007, the Board of Directors is comprised of 19 members.

- **Pierre Richard**
Chairman of the Board of Directors

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

- **Other members**
Gilles Benoist, *independent director*
Guy Burton
Jacques Guerber
Anne-Marie Idrac, *independent director*
Fabio Innocenzi, *independent director*
Denis Kessler, *independent director*
Serge Kubla
André Levy-Lang, *independent director*
Bernard Lux
Dominique Marcel
Augustin de Romanet de Beaune
Jan Renders
Gaston Schwertzer, *independent director*
Francine Swiggers
Marc Tinant
Sir Brian Unwin, *independent director*
Francis Vermeiren

MANAGEMENT BOARD (1)

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. With the exception of the Chairman, they are appointed for a term of four years, which may be renewed unless there is a contrary decision by the Board of Directors.

As of December 31, 2007, the Management Board is comprised of the following 10 members.

- **Axel Miller**
Chairman of the Management Board, Chief Executive Officer
- **Jacques Guerber**
Vice-Chairman of the Managment 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 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**
Chief Risk Officer
- **Marc Huybrechts**
Operations & IT

(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.

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

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 following functions at Group level report directly to the Chairman of the Management Board:

- **Nicolas Meire**
Human Resources
- **Marc Meyer**
Corporate Communications
- **Véronique Thirion**
General Auditor
- **Marie Bourlond**
Chief Compliance Officer
- **Olivier van Herstraeten**
Secretary General, in charge of Legal & Tax functions
- **Amélie Coens**
Executive Advisor to the Chief Executive Officer

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 the creation of the Group in 1996, Dexia has pursued the development of a Universal Banking activity in Europe, combined with a world leadership in Public/Project Finance.

A pioneer in European cross-border consolidation and working to the motto "short term has no future", 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 (Belgium, Luxembourg, Slovakia and, since 2006, Turkey), so that it becomes a leading European operator. This strategic direction will not only allow to exploit the significant growth potential specific to this activity, but also to take greater advantage 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 sustainable 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

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 a 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

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 (on a constant exchange rate) 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

As for Treasury and Financial Markets, an 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.

BUSINESS PLAN 2008-2010: 10% EPS GROWTH PROSPECTS CONFIRMED

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 good operational and financial performances.
Dexia updated its medium-term financial targets and rolled over its 2006-2009 business plan to 2008-2010. Dexia's strategic priorities will remain focused on expanding the Group's main franchises while emphasis will be increasingly placed on operating efficiency.
The targets can be specified as follows:
• underlying cost-income ratio of 52% in 2010;
• return on equity (Core ROE) of a minimum 16% on an overall level;
• average 10% annual growth in both EPS underlying and EPS reported;
• dividend per share increasing by at least 10% per year on average.

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. These ambitions remained unchanged.

Geographic

• Significantly improve Dexia's position as a Universal Bank in Europe.
• Acquire a still larger international presence than at present in Public/Project Finance. The historical markets (France and Belgium) should only represent a third of the business line's earnings.

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.
• Confirm our position as a leading bank in the field of renewable energy.
• 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

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 to deliver autonomously 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 these 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 these 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 a specialist intermediary in the field of public finance.

• In the activities of **Asset Management** and **Investor Services**, Dexia will continue its strong growth observed over recent years, and continue to position these activities in relation to market evolution, specific developments in each of these 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.

MAIN ACTIVITIES AND EVOLUTION OF DEXIA IN 2007 AND AT THE BEGINNING OF 2008

2007

January

The Duisenberg Arrangement is granted binding force
The Amsterdam Court of Appeal grants binding force to the Duisenberg Arrangement, based on the "Law on Collective Settlement of Mass Damage". Pursuant to the Court's judgment, the application of this law will bind all concerned clients to the Duisenberg Arrangement, as long as they do not opt out within a period of six months.

February

Settlement for the American part of the Lernout & Hauspie case
Dexia announces a settlement with the shareholders of Lernout & Hauspie Speech Products (LHSP) in the "NASDAQ Class Action" for an amount of USD 60 million (EUR 45.6 million), and a settlement with the private equity fund Stonington Partners Inc.

Land Berlin has mandated Dexia joint-bookrunner of its first 15-year jumbo bond issue
Dexia Capital Markets has been mandated as joint-bookrunner of Land Berlin's so far largest jumbo Landesschatzanweisung (German domestic municipal bond).

March

Sale of Belstar to Ethias
Dexia and Ethias confirm signing an agreement for the sale of Belstar Assurances.
Belstar was no longer in line with Dexia's strategy on the Belgian market, which is concentrating on the distribution of insurance products for private individuals at the level of the banking network of Dexia Bank Belgium, the network of exclusive agents of DVV/LAP and Corona Direct.

DenizBank takes over Global Hayat Sigorta
DenizBank, Dexia's Turkish subsidiary, takes a 99.6% stake in Turkey-based life insurer Global Hayat Sigorta. The products of Global Hayat Sigorta will be distributed by the branch network of DenizBank. The name of the company has been changed to Deniz Hayat Sigorta.

April

Partnership between Dexia Securities France and Atos Euronext Market Solutions for the implementation of a MiFID solution
Dexia Securities France and Atos Euronext Market Solutions (AEMS) announce they have entered into a partnership to develop a broker solution which ensures they will meet their MiFID requirements. A modular platform will allow the brokers to fulfill the requirements – best execution – and reporting needed by their clients.

DenizBank named "Shipping Financier of the Year"
One of the most prestigious institutions of the world maritime sector, Lloyd's of London and its main publishing organ Lloyd's List, considering DenizBank's financial contribution in the maritime sector and its positioning this sector as one the most strategic fields on which to focus, organized the Lloyd's List Turkish Shipping Awards for the first time and named DenizBank "Shipping Financier of the Year".

May

Dexia finances the first Belgian offshore wind farm
Dexia, mandated as lead arranger, and Rabobank, as mezzanine lender, have closed the financing for the construction and operation by C-Power of the first phase an offshore wind farm at Thornton Bank, located 28 km off the Belgian coast near Zeebrugge.

June

A "Financial Times Sustainable Award 2007" to Dexia for its sustainable development strategy in the regions of Eastern Europe

Dexia banka Slovensko, subsidiary of the Dexia Group established in Slovakia, receives an award as "Emerging Markets Sustainable Bank of the Year (Eastern Europe)" given by the *Financial Times* in association with the International Finance Corporation (IFC), the private sector branch of the World Bank.

July

Creation of Dexia LdG Banque, a bank issuing letters of pledge

Dexia announces the creation of a new bank issuing letters of pledge in Luxembourg, Dexia LdG Banque.

The principal activity of Dexia LdG Banque, a 100%-owned subsidiary of Dexia Banque Internationale à Luxembourg, is to refinance assets generated by the Dexia Group's public sector financing business in OECD countries and the European Economic Area, through the issuance of covered bonds.

DenizBank offers an investment credit support of EUR 250 million to enterprises

DenizBank, which day by day increases its claims in both SME banking and corporate and commercial finance with the innovative solutions it develops as a response to the differing financial needs of small, medium-sized and large enterprises, has provided an investment credit resource amounting to EUR 250 million in total for small and medium-sized Turkish enterprises and commercial and corporate entities as a result of the protocol it signed with the European Investment Bank.

August

An overwhelming majority of clients of Dexia Bank Nederland accept the Duisenberg Arrangement

An overwhelming majority of clients with share leasing products from Dexia Bank Nederland consider the Duisenberg Arrangement as a fair proposal and accept it, hereby substantially reducing legal risks.

September

Dexia establishes two private banking units in Monaco and Montevideo

The Dexia Group, through Dexia Banque Internationale à Luxembourg and its subsidiary Dexia Private Bank (Switzerland), announces the opening of two offices in Monaco and in Montevideo.

The largest milk production facility in Europe is financed by DenizBank

Sancak Group and Ata Group, Turkey's most prominent investor institutions and DenizBank, which is renowned for its intensive support for the agricultural sector, are combining forces to finance the construction of Europe's largest and most modern milk production facility in Denizli Acıpayam. DenizBank granted a loan of USD 30 million, the largest amount of credit ever to be given to one project in animal husbandry.

November

Dexia to acquire a EUR 3 billion social housing loan book from Bradford & Bingley in the United Kingdom

Dexia announces the signing of an agreement with Bradford & Bingley concerning the acquisition of a EUR 3 billion equivalent loan portfolio in the social housing sector.

The acquisition of this portfolio enables Dexia to broaden its customer base and to achieve critical size which will in turn enable it to increase its visibility on this market and make the most of its product range.

Dexia's strategy in the field of public real estate confirmed by the announcement of the creation of two real estate companies, one in Belgium and the other in France

In France, Dexia is joining with the Caisse des dépôts et consignations and the SNI Group to create Exterimmo.

In Belgium, Holding Communal, the Arco and GVA AM SA Group will be partners of Dexia, a majority shareholder with 40% of the capital, in the company Dexia Immorent.

December

Dexia Sabadell finances 106 trains for the Madrid subway

Dexia Sabadell will, together with Caja Madrid, Société Générale and the ICO, be providing the funds to finance construction of 106 trains to be run on the subway network of Madrid. The amount of the investment, in the order of EUR 450 million, will be undertaken by a special purpose vehicle company in whose capital the banks will each take a share.

A 15-year agreement signed by Dexia and Apetra

Dexia and Apetra, the agency responsible for managing strategic oil stocks in Belgium, signed a finance contract for a maximum EUR 800 million over 15 years. Dexia will also perform the function of cashier for Apetra.

2008

January

A first in the Belgian port sector for Dexia
Dexia is among the mandated lead arrangers for a EUR 286 million debt facility for Babcock & Brown Infrastructure, in the Belgian port sector.

Dexia, third bank in the world for project finance
The financial press group Thomson Financial has just published its league tables of leading banks involved in project finance during 2007. Dexia appears in the third place among bank debt arrangers, on a global basis, with a debt volume of more than USD 9.2 billion spread over 61 financing arrangements completed last year.

Dexia Asset Management is expanding to Poland
Dexia Asset Management confirms its strategy of growth towards Central Europe by opening a branch in Warsaw both for retail and institutional clients.

February

Dexia provides USD 500 million (EUR 340 million) additional capital to FSA
Dexia and its subsidiary Financial Security Assurance (FSA) announced that Dexia will contribute USD 500 million (EUR 340 million) additional capital to FSA to take advantage of increasing opportunities that have recently arisen in the US municipal and public infrastructure finance markets.

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 Banque Internationale à Luxembourg'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 (now Dexia 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) (Belgium).
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.
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.
October: Dexia opens Dexia Public Finance Bank (Switzerland), a "foreign bank representation" 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%.

2007 **February**: Dexia sells its subsidiary Dexia Banque Privée France.
March: Dexia splits from its subsidiary Belstar.
July: creation of Dexia LdG Banque, a bank issuing letters of pledge.
September: Dexia opens two private banking units in Monaco and Montevideo.

CORPORATE GOVERNANCE

INTRODUCTION: THE CORPORATE GOVERNANCE CHARTER OF DEXIA SA

The Belgian Corporate Governance Code (hereafter the "Lippens Code"), which replaces the recommendations made on this issue by the Banking, Finance and Insurance Commission, the Belgian Business Federation and Euronext Brussels became effective on January 1, 2005. The Lippens Code contains nine mandatory principles for publicly traded companies. Dexia, which has always placed an emphasis on corporate governance, intends to comply with these nine principles.

At its meeting on February 3, 2005, the Board of Directors of Dexia SA created a "corporate governance" committee within the Board (composed of directors of Dexia SA), in charge of conducting a study and formulating recommendations on the various governance issues treated by the Lippens Code and on any adaptations for the existing situation at Dexia.

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.

The corporate governance charter of Dexia SA (hereafter the "Charter") gives a detailed overview of the principal governance aspects of the company. 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. 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 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, 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.

Pursuant to the Lippens Code, the Charter has been available since December 31, 2005 on the company's Website (*www.dexia.com)* and is updated on a regular basis.

SHAREHOLDER RELATIONS

SHAREHOLDER BASE

The following table shows the principal shareholders of Dexia SA (as of December 31, 2007):

Name of shareholder	Percentage of existing shares held as of December 31, 2007
Arcofin	17.7%
Holding Communal	16.2%
Caisse des dépôts et consignations	11.7%
Groupe Ethias	6.3%
CNP Assurances	2.0%

Dexia SA directly or indirectly held 0.8% of its own shares as of December 31, 2007. The employees of the Dexia Group held 3.8% of the company shares.

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 Groupe Ethias held more than 3% of Dexia SA.

In addition, the directors of Dexia SA held 102,830 shares in the company as of December 31, 2007.

RELATIONS AMONG SHAREHOLDERS

On August 30, 2007, Dexia SA was informed of the conclusion by some of its shareholders (Arcofin, Holding Communal, Caisse des dépôts et consignations, Ethias and CNP Assurances) of an agreement to consult each other on certain occasions whilst each retained the right to decide freely on the resolutions to be passed with regard to the company. Dexia SA was informed of this agreement in accordance with Article 74, §7 of the law of April 1, 2007 on public tender offers (see section 6.5. of the General Information chapter in this annual report on page 110).

This agreement does not undermine the principles of governance in force within Dexia SA, including the role and functioning of the Shareholders' Meeting and of the Board of Directors, the latter retaining its autonomy in establishing the strategy and general policy of the Dexia Group.

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. It is based on the European club for individual shareholders and the European advisory committee of individual shareholders, who also benefit from a call center and dedicated pages on the Internet site, which are updated in real time.

The European club for individual shareholders

The European club for individual shareholders today has nearly 15,000 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 2007, Pierre Richard and Axel Miller presided over a shareholders' meeting on May 10 in Paris. Axel Miller also met with shareholders in the Nice area, during a panel forum organized in partnership with a major investment publication.

Dexia also participates with other companies in meetings organized by the Fédération française des clubs d'investissement and the Cercle de liaison des informateurs financiers in France. In 2007, Dexia met with many shareholders in Marseilles, Orleans, Strasbourg, Nancy, Toulouse, Dijon, Lyons and Nantes. Together with other partners, primarily investment publications, and following the same approach, Dexia met with many shareholders in Lille and Bordeaux. Every year, Dexia is also present at the Actionaria convention in Paris. This important exposition, which is designed for savers and held in Paris, attracts over thousands of visitors over a 2-day period and gives Dexia the opportunity to engage in direct dialogue with its shareholders.

For the first time, meetings were also organized in Belgium. Indeed meetings were held in Mons (in partnership with INVESTA) and in Louvain.

Information media

Dexia publishes a Letter to the shareholders in English, French and Dutch three times a year. This publication keeps individual shareholders up to date on developments in the Group, its activities its results and decisions taken at shareholders' meetings of Dexia SA.

The Letters to the 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: English, French 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

A key moment in the life of the company, the Ordinary Shareholders' Meeting benefits from a special information system: in official notices published in the *Belgian Gazette* and in the legal announcement bulletin, the *BALO*, in France; in notices published in the national investment 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 91,700 visitors, up 42% compared to 2006 the Website, *www.dexia.com*, confirmed in 2007 that it is a major forum for information about the Dexia Group for individual shareholders, journalists as well as 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.
In 2007, its homepage "You are a shareholder" received almost 72,000 visits, i.e. a 55% increase in visit frequency compared to 2006.
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 English, French and Dutch, 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 members, four Belgian shareholders, five French shareholders and three from Luxembourg, reflect the Group's European identity.
Its role is to advise the Group in its communication policy with regard to individual shareholders.

The Advisory Committee met twice in 2007 to review the Group's results. The Committee's work related to the content and the form of the Letter to the shareholders and the architecture of the Internet site *www.dexia.com* and its ease of navigation for individual shareholders.
The Committee also contributed to reshaping the *Shareholder Guide* with a new edition to appear in 2008.
Every year, one of the Committee's members speaks to the shareholders' meeting and reports on the work of the committee during the previous year.

Telephone information service for shareholders

The service is available in France free of charge at 0800 355 000. 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.
In 2007, the service was internationalized with the setting-up of a bilingual (French-Dutch) toll-free number for shareholders in Belgium and Luxembourg. This service is available at 00 800 33 942 942 and follows the same timetable (only from a fixed telephone line).

Relations with institutional shareholders

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

Regular information channels

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 2007, there was a wealth of financial news from Dexia, which resulted in the preparation of 56 publications, including 4 Activity Reports, 4 general presentations, 24 *ad hoc* presentations and 24 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 2007, the Management of the Group, assisted by the Investor Relations team, met several hundred investors in 17 countries and 28 cities.

CIRCULAR FMI/2007-02 FROM THE BANKING, FINANCE AND INSURANCE COMMISSION

A Royal Decree of November 14, 2007 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 December 2007, the Banking, Finance and Insurance Commission published a circular explaining this Royal Decree. Since January 1, 2008 this Royal Decree and the circular have repealed and replaced the Royal Decree of March 31, 2003 concerning the obligations of issuers of financial instruments listed for trading on a Belgian regulated market and Circular FMI/2003-02 from the Banking, Finance and Insurance Commission.

These regulations 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. The information required by Circular FMI/2007-02 from the Banking, Finance and Insurance Commission can be found under the heading "Legal and regulatory information" on the Dexia 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 specific and periodic information.

MANAGEMENT OF THE DEXIA GROUP

THE BOARD OF DIRECTORS OF DEXIA SA

Members of the Board of Directors (as of December 31, 2007) (1)

The articles of association of Dexia SA stipulate that the Board is composed of between sixteen and twenty directors.
As of December 31, 2007, the Board of Directors was composed of nineteen members. The Board of Directors of Dexia SA reflects the European identity of the Group, i.e. five nationalities are represented at Board level. Its composition also respects the French and Belgian statutory nature of Dexia. Indeed, the Board has as many Belgian members as it has French members. And each nationality represents at least one third of the Board.

*(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 members or former members of Legislative Assemblies to mention their status as such in acts and publications of profit-making companies.*

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
PIERRE RICHARD 66 years old French Director since 1996 Holds 25,710 Dexia shares	Chairman of the Strategy and Appointments Committees, member of the Compensation Committee	**2006-2010**	Chairman of the Board of Directors, Dexia SA	Director: • Air France/KLM, *Le Monde*, Generali France, EDF Energies nouvelles • Companies belonging to the Dexia Group (Dexia Bank Belgium, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg) Financial advisor to the Board of Directors of the European Investment Bank	Graduate from the Ecole Polytechnique and Ecole nationale des Ponts et Chaussées. Technical advisor to the Presidency of the Republic of France from 1974 to 1978. Director General of local authorities – 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. From 1999 to 2006, Chief Executive Officer and Chairman of the Management Board of Dexia SA. Since January 2006, Chairman of the Board of Directors of Dexia SA.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
AXEL MILLER 42 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: • Crédit du Nord • Carmeuse Holding SA Director: • 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 working for 14 years as an attorney specializing 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.
GILLES BENOIST *Independent director* 61 years old French Director since 1999 Holds 300 Dexia shares	Chairman of the Audit Committee	**2006-2010**	Chief Executive Officer, CNP Assurances	Member of the Management Board: • Groupe Caisse des Dépôts Chairman: Fédération Française des Sociétés d'Assurances (FFSA)	Law degree. Graduate of the Institut d'Etudes Politiques and student of the Ecole Nationale d'Administration (ENA). After having been a member of the Board of Directors and Secretary-General of Crédit local de France since 1987, Secretary-General of the Executive Board of Caisse des dépôts et consignations from 1993 onwards, he became Chairman of the Board of Directors of CNP Assurances on July 9, 1998; he was appointed Chief Executive Officer when the company's corporate governance was changed on July 10, 2007.
GUY BURTON 59 years old Belgian Director since 2001 Holds 3,000 Dexia shares	Member of the Compensation Committee	**2007-2011**	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 • AME Holding SA	Law degree. Joined Société Mutuelle des Administrations Publiques (now Ethias) in 1974. Secretary-General in 1991 and Chief Executive Officer in 1995.
AUGUSTIN DE ROMANET DE BEAUNE 46 years old French Director since 2007 Holds no Dexia share	Member of the Strategy Committee and of the Appointments Committee	**2007-2011**	Director General of the Caisse des dépôts et consignations	Director: • CDC Entreprises • Icade • Accor • Véolia Environnement Member of the Supervisory Board: • CNP Assurances • Société Nationale Immobilière (Chairman)	Graduate from the Institut d'Etudes Politiques de Paris (IEP) and former student of the ENA, he was in particular Financial Attaché to the Permanent Representation of France to the European Community in Brussels, Director of the Office of the Budget Ministry, Director of the Office of the Ministry of Employment and Associate Manager of Oddo Pinatton Corporate. He was then appointed Deputy General Secretary to the Presidency of the Republic of France before being appointed Deputy Director of Finance and Strategy and a member of the Executive Committee of Crédit Agricole SA.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
JACQUES GUERBER 59 years old French Director since 2007 Holds 975 Dexia shares		**2007-2011**	Vice-Chairman of the Management Board of Dexia SA	Director: • Crédit du Nord • Companies belonging to the Dexia Group (Dexia Bank Belgium, Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Financial Security Assurance Holdings Ltd) Chairman of the Supervisory Board: • Dexia Municipal Agency	Former student of the Ecole Polytechnique and the Ecole nationale des Ponts et Chaussées, he started his career at the Ministry of Equipment in 1973. He joined the Caisse des dépôts et consignations in 1983. He became a member of the Management Board of Crédit local de France in 1988. Director General of Crédit local de France in 1993, he became Chairman of the Management Board in 2000. In 2003, he was appointed member of the Management Board of Dexia SA, in charge of Public/Project Finance and Credit Enhancement. He has been Vice-Chairman of the Management Board of Dexia SA since January 1, 2006.
ANNE-MARIE IDRAC *Independent director* 56 years old French Director since 2004 Holds no Dexia share		**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. She was Director of Terrestrial Transport at the Ministry of Equipment, Transport and Tourism from 1993 to 1995. She was Secretary of State 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* 46 years old Italian Director since 2006 Holds 500 Dexia shares		**2006-2010**	Chief Executive Officer of Banco Popolare Soc. Coop.	Vice-Chairman: • Credito Bergamasco • Banca Aletti & C. • Banca Populare di Lodi S.p.A. • Banca Populare di Verona – SGSP S.p.A. • Banca Populare di Novara S.p.A. Member and Chairman of the Committee for Union and Labor Affairs at the ABI (Associazione Bancaria Italiana)	Fabio Innocenzi is Chief Executive Officer of Banco Popolare. He is also Vice-Chairman of Credito Bergamasco, Banca Popolare di Novara S.p.A., Banca Aletti & C. and Banca Popolare di Lodi S.p.A.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
DENIS KESSLER *Independent director* 55 years old French Director since 1999 Holds 15,285 Dexia shares	Chairman of the Compensation Committee and member of the Appointments Committee	**2006-2010**	Chairman and Chief Executive Officer, SCOR	Chairman: • SCOR Global Life (ex SCOR Vie) • SCOR Global P&C • SCOR Global Life US Reinsurance Company (US) • SCOR Reinsurance Company (US) • SCOR US Corporation (US) • SCOR Italia Riassicurazioni S.p.A. (Italy) • SCOR Holding (Switzerland) AG Director: • BNP Paribas • Bolloré • Dassault Aviation • Cogedim SAS • Invesco 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 Counselor to The Conference Board.
SERGE KUBLA 60 years old Belgian Director since 2005 Holds no Dexia share		**2006-2010**	Mayor of Waterloo	Other position within the Dexia Group: • director of Dexia Bank Belgium	Solvay Business School (three out of four years). From 1976 a councilor for Waterloo, where he was alderman with responsibility for sports and then, from 1982, mayor. Since 1977, he has been active in regional and national politics. In 2002, for half the year he chaired the European Council of Industry. Since 2004, he has been active in regional politics.
ANDRÉ LEVY-LANG *Independent director* 70 years old French Director since 2000 Holds 38,000 Dexia shares	Member of the Audit Committee and of the Strategy Committee	**2006-2010**	Emeritus Associate Professor, Université Paris-Dauphine	Director: • SCOR Member of the Supervisory Board: • Paris Orléans	Graduate of the Ecole Polytechnique. PhD in Business Administration from Stanford University. Former Chairman of the Management Board of Paribas, Associate Professor at the University of Paris-Dauphine and company director.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
BERNARD LUX 58 years old Belgian Director since 2005 Holds no Dexia share		**2005-2009**	Rector-Chairman of the Université de Mons	Lecturer at the Warocqué faculty of Economic Sciences, in charge of strategic management and human resources management courses Chairman of the Board of Directors: • SA WHESTIA Member of the Board of Directors and of the Compensation Committee: • SA SOGEPA Member of the Board of Directors and Vice Chairman: • SWL Federal member of the Conseil supérieur de l'emploi Other function in the Dexia Group: director of Dexia Bank Belgium	PhD in applied economic sciences, author of studies and scientific articles.
DOMINIQUE MARCEL 52 years old French Director since 2005 Holds no Dexia share		**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: • Compagnie des Alpes Chairman: • Financière Transdev Director: • Accor • CNP Assurances • Icade Other function in the Dexia Group: • Vice-Chairman of the Board of Directors 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 Labor 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 Groupe Caisse des Dépôts and member of the Management Board of the Caisse des dépôts et consignations.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
JAN RENDERS 58 years old Belgian Director since 2001 Holds no Dexia share		**2004-2008**	General Chairman of ACW	Chairman of the Board of Directors: • HIVA (Hoger Instituut voor de Arbeid) • Arcopar • Arcofin • Sociaal Engagement – cvba met een sociaal oogmerk • Duurzame toekomst vzw • Wereldsolidariteit vzw Member of the Management Board: • Service externe de prévention et de protection au travail (IDEWE) • IBEVE ASBL (Institut Belge pour l'Environnement et la Vigilance dans les Entreprises) Chairman of the Management Board: • Huis van de Arbeid vzw	BA in sociology. He started his career in 1972 as advisor in the research department of ACV. He was appointed National Secretary of ACW from 1990 until 1997. In 1997 he became Deputy General-Secretary of ACW. He was appointed General Chairman in 2002.
GASTON SCHWERTZER *Independent director* 75 years old Luxembourger Director since 1999 Holds 17,160 Dexia shares		**2006-2010**	Law PhD Company director Chairman of Luxempart Chief Executive Officer Audiolux	Chairman: • Foncier et Participations (previously Sichel) • Presta-Gaz • Luxempart Energie • Energus • Socipar • Orchimont • Immobilière Ville Haute • Centre Bourbon • Immobilière de l'Alzette • Immobilière Schwertzer Geiben • Rangwee • Sichel Esch • Audiocom • Grands Magasins Porte Ouverte Director: • Société électrique de l'Our • Foyer Finance • Dexia Banque Internationale à Luxembourg • TRIEF Corporation (Groupe Wendel) • Winvest Sicar (Wendel) Chief Executive Officer: • Audiolux Other function in the Dexia Group: director of Dexia Banque Internationale à Luxembourg	Long 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). He is also Honorary Consul for the Republic of Nicaragua.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	OTHER MANDATES AND FUNCTIONS	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
FRANCINE SWIGGERS 55 years old Belgian Director since 2007 Holds no Dexia share	Member of the Strategy Committee and of the Appointments Committee	**2007-2010**	Chairman of the Management Board, Arcofin	Chairman of the Management Board: • Arcoplus • Auxipar • Arcopar • Arcosyn Director: • VDK Spaarbank • Aquafin • Interfinance Other function in the Dexia Group: • director of Dexia Crédit Local	Graduate in Applied Economics and Master of Business Administration (K.U. Leuven). She has been a member of the Management Board of the Arco Group since 1997 and Chairman of this Board since 2007. Previously she had a career of 20 years at BACOB Bank where she was Head of Strategic Planning from 1995.
MARC TINANT 53 years old Belgian Director since 2001 Holds 100 Dexia shares	Member of the Audit Committee	**2006-2010**	Vice-Chairman of the Management Board, Arcofin	Member of the Management Board: • Arcoplus • Auxipar • Arcopar • Arcosyn Chief Executive Officer and Vice-Chairman of the Board of Directors: • EPC Director: • Retail Estates (Sicafi listed in Brussels) • SRIW (Walloon Regional Investment Company)	Graduate and Master's Degree in economics. Before joining the Arco Group in 1991, he was General Advisor to the Management Board of the Walloon Regional Investment Company.
SIR BRIAN UNWIN *Independent director* 72 years old British Director since 2000 Holds no Dexia share	Member of the Compensation Committee	**2006-2010**	Chairman of Assettrust Housing, Limited	Chairman: • European Center for Nature Conservation Director: • English National Opera Company • 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. He became President of the European Investment Bank in 1993. Honorary President since 2000.
FRANCIS VERMEIREN 71 years old Belgian Director since 2004 Holds 1,700 Dexia shares	Member of the Strategy Committee and of the Appointments Committee	**2005-2009**	Mayor of Zaventem	Chairman of the Board of Directors: • Holding Communal Director: • Elia • Asco Industries • Publi-T • Vivaqua Intercommunale	Former insurance inspector. Former manager of a tax office. Now active in politics at a national level.

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.

On a proposal from the Appointments Committee, on November 15, 2007 the Board of Directors drew up directors' profiles of expertise. These profiles of expertise form an integral part of the internal rules of the Board of Directors.

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 listed companies.

Procedure for nominating and assessing members of the Board of Directors

Appointment

The Appointments Committee is responsible for proposing to the Board of Directors the appointment of each new director. Each candidate is proposed on the basis of his/her potential contribution in terms of knowledge, experience and specialization in one or more of the following fields: vision and strategy, leadership and management skills, financial and accounting expertise, international experience and knowledge of the Group's business lines.

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 stipulates that non-executive directors of the company are to conduct a regular assessment of their interactions with executive management and meet at least once a year without the Chief Executive Officer and 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 1, 2007, in connection with setting the Chief Executive Officer's compensation for the 2006 fiscal year (variable portion) and for the 2007 fiscal year (fixed compensation, setting the system for calculating the Chief Executive Officer's variable compensation in 2007, and the distribution of stock options in 2007).

Changes in the composition of the Board of Directors of Dexia SA in 2007

During the 2007 financial year, significant changes concerning the composition of the Board of Directors of Dexia SA were as follows:

1. The following decisions were made by the Ordinary Shareholders' Meeting of May 9, 2007:

- the definitive appointment as a director for a new four-year term to expire at the end of the 2011 Ordinary Shareholders' Meeting of Dexia SA, of Augustin de Romanet de Beaune, who was co-opted by the Board of Directors of Dexia SA, effective as of January 1, 2006, replacing Francis Mayer, deceased;
- the resolution to proceed with the renewal of the mandate as a director for a four-year term to expire at the end of the 2011 Ordinary Shareholders' Meeting of Guy Burton;
- the appointment as a director for a four-year term to expire at the end of the 2011 Ordinary Shareholders' Meeting of Jacques Guerber. Mr. Guerber's appointment replaced outgoing director Anne-Claire Taittinger, whose term expired at the end of the 2007 Ordinary Shareholders' Meeting.

2. At its meeting on August 30, 2007, the Board of Directors co-opted Francine Swiggers, with effect from November 1, 2007, as a provisional replacement for Rik Branson, who had resigned. The definitive appointment of Francine Swiggers will be subject to approval by the Dexia SA Ordinary Shareholders' Meeting to be held on May 14, 2008.

3. At its meeting on November 15, 2007, the Board of Directors co-opted Catherine Kopp, with effect from February 1, 2008, as a provisional replacement for Anne-Marie Idrac, who had resigned. The definitive appointment of Catherine Kopp will be subject to approval by the Dexia SA Ordinary Shareholders' Meeting to be held on May 14, 2008.

New directors

As indicated above, four new directors were named in 2007: Francine Swiggers, Catherine Kopp, Augustin de Romanet de Beaune and Jacques Guerber.

- Francine Swiggers, a graduate in applied economics and holder of a Master in Business Administration (K.U. Leuven), has been a member of the Management Board of the ARCO Group since 1997 and is Chairman of this Board since 2007. Formerly she had a 20-year career with BACOB Bank, where she was Head of Strategic Planning as from 1995. Today she is also director with several companies within the ARCO Group, Dexia Crédit Local, VDK Spaarbank and the water treatment company Aquafin.

- Catherine Kopp has been General Manager of Human Resources of the Accor Group since 2002. After studying mathematics, she worked for the IBM group, where she held several management positions (human resources, marketing and sales) before being appointed General Manager and then CEO of IBM France. From 2001 to 2002, she was Head of Human Resources for the LVMH Group, member of the Executive Committee. Catherine Kopp is also member of the Board of Directors of Schneider Electric.

In 2006, the Prime Minister of France appointed her member of the High Authority for the Fight against Discrimination and for Equality. Catherine Kopp is Knight of the National Order of the Legion of Honor.

• Augustin de Romanet de Beaune is a graduate of the Institute of Political Studies in Paris (IEP) and a former student of the Ecole Nationale d'Administration (ENA). He began his career in the Budget Department of the Ministry of Economy and Finance. In 1990, he became Financial Attaché to the Permanent Representation of France with the European Community in Brussels. In 1993, he became Head of the Budget Office. In 1995, he became Chief of Staff to the French State Secretary responsible for the Budget, Special Adviser to the Ministry of Economy, Finance and Planning, then Deputy Director for the sector of transport, roads, industry and research in the Budget Department. In 1999, he was appointed Director of the investment company Oddo et Cie and the following year a managing partner of Oddo Pinatton Corporate. In 2002, he became Chief of Staff to the Minister responsible for Budget and Budget Reform and Deputy Chief of Staff to the Minister of Economy, Finance and Industry. In 2004, he was named Chief of Staff to the Minister of Employment, Work and Social Cohesion, then Deputy Chief of Staff to the Prime Minister's Office. In 2005, he served as Deputy Secretary General to the Presidency of the Republic of France. In October 2006, he was appointed Deputy Director of Finance and Strategy and member of the Executive Committee of Crédit Agricole SA. Since March 2007, he has been Managing Director of the Caisse des dépôts et consignations. Furthermore, Augustin de Romanet de Beaune was a Professor at the IEP in Paris from 1986 until 1990, then at the ENA from 1992 until 1995.

• Jacques Guerber is a former student of the Ecole Polytechnique and the National College of Bridges and Highways. He began his career in 1973 with the Air Transport Department. After holding posts in the Departmental Equipment Division for the Haute-Garonne, and then for the Yvelines, he joined the Caisse des dépôts et consignations in 1983. Regional Delegate in Champagne-Ardenne until 1985, he then occupied a post at the head office of the Caisse des dépôts et consignations, becoming a member of the Management Board of Crédit local de France in 1988. Managing Director of Crédit local de France in 1993, he became Chairman of the Management Board in 2000. In 2003, he was appointed a member of the Management Board of Dexia SA in charge of Public/Project Finance and Credit Enhancement. Since January 1, 2006, he has been Vice Chairman of the Management Board of Dexia SA. He is also a director of several companies in the Dexia Group, including Dexia Bank Belgium, Dexia Crédit Local and Financial Security Assurance Holdings, as well as Crédit du Nord.

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 to those recommended by the Lippens Code. At its meeting on November 15, 2007 the Board of Directors decided to align them to the criteria defined by the Company Code, the Lippens Code and the principles of governance recommended in the Bouton report.

The criteria for independence 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 scope of consolidation (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. An 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 or 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

• of significance to Dexia SA or a company associated 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 controlling shareholder, or a shareholder holding more than 10% 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 Chief Executive Officer of another company in which an executive director or Chief Executive Officer of Dexia SA is a non-executive director or a Chief Executive Officer, 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.

Based on these criteria, the Board of Directors of Dexia SA has seven independent directors as of December 31, 2007.
They are:
- Anne-Marie Idrac
- 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 Axel Miller, Chief Executive Officer, and Jacques Guerber, Vice Chairman of the Management Board, 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 articles of association 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 (CEO). 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 is a maximum of four years. Board members can be re-elected.
The number of renewals of mandates of non-executive directors of the company is limited to two. Only mandate renewals made from May 10, 2006 are taken into account for application of this limitation.
The age limit for directors is 72. The directors concerned resign with effect from the date of the Ordinary Shareholders' Meeting following their birthday. This rule does not apply to mandates in force since the Ordinary Shareholders' Meeting in May 2006 which may be exercised until their normal expiry date.
The Board of Directors is entitled to deviate from the above rules when it deems it to be in the interests of the company.

Duties and responsibilities of the Board of Directors

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 furthermore 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 in order to assess the challenges and the strategic issues facing Dexia and its various business lines;
- reviews the strategic recommendations made by the Management Board;
- decides on the strategy of Dexia and its various business lines to be implemented by the Management Board, sets priorities, approves the annual budget and, more generally, sees that the chosen strategy and the human and financial means committed are appropriate;
- defines the values of the Dexia Group after receiving the opinion 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 measures necessary to ensure the integrity of the financial statements;
- assesses the performances of members of the Management Board;

• supervises the performances of the statutory and internal auditors;

• defines the organization of the Management Board in terms of its composition, operation and obligations on the recommendation of the Chief Executive Officer; the Board sets the compensation for the members of the Management Board on the recommendation of the Compensation Committee and the recommendation of the Chief Executive Officer for members of the Management Board other than the Chief Executive Officer.

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 obligations toward its shareholders are understood and met and reports to the shareholders on the performance of its duties.

Operation of the Board of Directors

Articles of association

The company's articles of association 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 adopted 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 of all the 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, bonds convertible or redeemable in shares, warrants or other financial instruments eventually conferring the right to shares, when the amount of the capital increases which would result from the issue of these shares or the conversion or redemption of these bonds or the exercise of these warrants or other financial instruments exceeds 10% of the amount of capital existing prior to these decisions.
- 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 articles of association.
- 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 rules of the Board of Directors of Dexia SA, which were set up in 1999 and codify a set of rules designed to allow the Board to exercise its full powers and to optimize the contribution of each member, were substantially modified in 2005 and at the beginning of 2006, primarily because of the new organizational structure of the Dexia Group and the implementation of the Lippens Code.

Consequently, on the one hand from concrete proposals arising from the Board of Directors' self-assessment in 2006 and on the other hand on a proposal from the Appointments Committee, the Board of Directors amended the Board's internal rules on March 1 and November 15, 2007, principally on the following points:

• implementing the principle of limiting the number of renewals of directors' mandates to two;

• fixing an age limit of 72 years for directors, with the possibility of dispensation by the Board of Directors if it deems it to be in the interests of the company;

• defining the competences of Appointments and Remuneration Committees in more detail;

• inserting directors' criteria for independence and profiles of expertise in the Board's internal rules;

• updating the rules applicable to directors with regard to own-account transactions on Dexia securities and other financial instruments.

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;
• own-account transactions on 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 effective attendance at three quarters of the meetings at least 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 specialist 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 specialist committees are chosen on the basis of their specific skills. They are assisted by outside experts as needed. The missions of these specialist 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 composition 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 copy of the minutes described above.

The auditors' report must also include a separate qualification 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 and financial instruments, the internal rules stipulate that the directors declare the following to the Chief Compliance Officer:

- at the time they take office, the Dexia securities or financial instruments that they hold;
- after each transaction its details, in order to make the appropriate publications;
- at the end of each year, an update of the Dexia securities or other financial instruments 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 securities for a period of 1 month prior to the publication of the financial results ("statutory restriction period");
- any transaction on Dexia securities during periods communicated to them by the Chief Compliance Officer, following their entry on a list of occasional insiders within the context of a specific file or transaction ("*ad hoc* restriction 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 securities 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 articles of association.

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 during the 2007 financial year

Attendance by Board members

The Board of Directors met seven times in 2007. The directors' attendance rate at Board meetings was 80%.

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

Pierre Richard	100%
Axel Miller	100%
Gilles Benoist	100%
Rik Branson	67% (1)
Guy Burton	71%
Augustin de Romanet de Beaune	80% (2)
Jacques Guerber	100% (3)
Anne-Marie Idrac	14%
Fabio Innocenzi	43%
Denis Kessler	57%
Serge Kubla	100%
André Levy-Lang	86%
Bernard Lux	71%
Dominique Marcel	71%
Jan Renders	57%
Gaston Schwertzer	100%
Francine Swiggers	100% (4)
Anne-Claire Taittinger	67% (5)
Marc Tinant	86%
Brian Unwin	100%
Francis Vermeiren	100%

(1) In a total of 6 meetings.
(2) In a total of 5 meetings.
(3) In a total of 4 meetings.
(4) In a total of 1 meeting.
(5) 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, nomination and compensation of the members of the Management Board), the Board concentrated in particular on the following matters:

- process of integrating DenizBank into Dexia and Dexia's strategy in Turkey;
- adoption of a procedure in relation to the exercise of external functions by Dexia executives, in line with new regulatory provisions in force;
- composition of the Board of Directors and specialist subcommittees;
- 2007 Dexia strategic review;
- impact of the ABN AMRO case on Dexia;
- values of the Dexia Group;
- presentation of the new institutional campaign on the theme of "short term has no future";
- progress made in projects and transactions involving disinvestment (particularly Belstar and Dexia Banque Privée France) and acquisition (*inter alia*, Global Hayat and the acquisition of a loan portfolio held by Bradford & Bingley);
- discussion and consideration of the internal audit report in 2006 and approval of the audit plan for the year 2007;
- report from the Chairman of the Board of Directors of Dexia SA on the operation of the Board and on the internal audit of the Group in 2006;
- consideration of the report on risk assessment and surveillance in 2006;
- progress made on ongoing proceedings in the Netherlands within the context of the Dexia Bank Nederland (Legiolease) case;
- progress made in the various ongoing proceedings within the context of the Lernout & Hauspie case;
- principal lines of Dexia policy and its achievements with regard to sustainable development;
- different actions undertaken by Group entities with regard to social responsibility;
- shareholding plan for Group members of staff, as well as the stock option plan for 2007;
- process of self-assessment of the Board of Directors;
- strategy concerning the buyback program of own shares;
- strategy and development of Public/Project Finance and Credit Enhancement activities;
- activities of FSA;
- financial crisis associated with subprimes on the US markets and the situation of FSA;
- process of renewing mandates for the auditors of Dexia SA and its principal subsidiaries;
- Dexia policy concerning the implementation of Basel II;
- Dexia's capital adequacy ratios under Basel II;
- directors' profiles of expertise;
- directors' criteria for independence;
- rules applicable to directors concerning own-account transactions on Dexia securities and other financial instruments;
- minutes of meetings of specialist committees.

Conflicts of interest in 2007

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.
At its meeting on March 1, 2007, the Board considered the amount of compensation to be paid to members of the Management Board. Since the Chief Executive Officer is also Chairman of the Management Board, he abstained (in compliance with Article 523 of the Company Code) from participating in the Board's discussion and voting relative to his own compensation. An excerpt from the minutes relating to matters concerning Axel Miller is provided hereafter.

Compensation Committee Report dated February 12, 2007

A.-C. TAITTINGER presents the Compensation Committee Report dated February 12, 2007, a detailed account of which will be given to the meeting.

[…]

Decisions concerning Axel Miller

On the basis of recommendations from the Compensation Committee, the Board of Directors unanimously, but without A. Miller, who insofar as he is concerned – as there is a conflict of interest – did not take part in the deliberations or the vote in that regard, took the following decisions:

Variable compensation in 2006 for Axel Miller

The Board of Directors decides to attribute the Chief Executive Officer a variable compensation for the year 2006 as follows:

	Average % of the 3 parts	Maximum extent	Variable compensation 2006
Axel Miller	60.67%	EUR 1,631,250	EUR 689,625

Fixed compensation in 2007 for Axel Miller

The Board of Directors decides to attribute the Chief Executive Officer a variable compensation for the year 2006 as follows:

	Fixed compensation 2007
Axel Miller	EUR 825,000

Principle of the variable compensation in 2007 for Axel Miller

Considering the benchmarking report and the positive outcome of a true variability in application of the variable compensation 2006, without any notable increase of the global envelope, the Board of Directors decides to maintain the system of variable compensation put in place in 2006 with the following adjustments:

- *some minor adjustments are approved to the formula for part 1 contained in the Appendix;*
- *as for the Chief Executive Officer, it is decided to delete part 2 (as the latter has no specific responsibilities measurable in comparison to quantifiable objectives). In this case, it is proposed to have part 1 (Group formula) taken to two thirds of the maximum extent of his variable compensation;*
- *of course the pivot principle (target percentage) situated at one half of each part still applies.*

Options 2007

The Board of Directors decides to attribute the following number of options to the Chief Executive Officer under the 2007 option plan:

	Number of options 2007
Axel Miller	150,000

Compensation paid by Dexia SA to its directors in 2007

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 specialist 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 2007.

Compensation paid to the Chairman of the Board of Directors

On April 26, 2005, the Board of Directors set the 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.

Payment of social security contributions

Every Board member of Dexia SA is considered in Belgium as a self-employed 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.

This is the case for, for instance, Board members not resident in Belgium who already benefit, in their country of residence, from social insurance and who are required to contribute in Belgium to an unrecovered annuity. Likewise, a Board member resident in Belgium who is subject to the salaried employees system or to the system applicable 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 persons qualifying for this payment are those who were directors of the company as of January 1, 2005 for all social insurance contributions due from January 1, 2000 as well as any

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

	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	10,000	0	0	44,000	0
R. Branson	15,000	8,000	0	0	0	4,000	27,000	0
G. Burton	20,000	10,000	0	0	4,000	0	34,000	22,500 (1)
A. de Romanet de Beaune	0	0	0	0	0	0	0 (2)	0
J. Guerber	0	0	0	0	0	0	0	0
A.-M. Idrac	20,000	2,000	0	0	0	0	22,000	0
F. Innocenzi	20,000	6,000	0	0	0	0	26,000	0
D. Kessler	20,000	8,000	0	0	2,000	2,000	32,000	0
S. Kubla	20,000	14,000	0	0	0	0	34,000	16,875 (1)
A. Levy-Lang	20,000	12,000	0	4,000	0	2,000	38,000	0
B. Lux	20,000	10,000	0	0	0	0	30,000	22,500 (1)
D. Marcel	0	0	0	0	0	0	0 (3)	20,000 (4)
J. Renders	20,000	8,000	0	0	0	0	28,000	0
G. Schwertzer	20,000	14,000	0	0	0	0	34,000	61,973.38 (5)
F. Swiggers	5,000	2,000	0	0	0	0	7,000	19,500 (4)
A.-C. Taittinger	5,000	4,000	0	0	2,000	0	11,000	0
M. Tinant	20,000	12,000	0	10,000	0	0	42,000	0
B. Unwin	20,000	14,000	0	0	4,000	0	38,000	0
F. Vermeiren	20,000	14,000	0	0	0	4,000	38,000	0

(1) Directors' and other fees earned as a director of Dexia Bank Belgium.
(2) Augustin de Romanet de Beaune does not wish to receive directors' or other fees as a director of Dexia SA.
(3) Dominique Marcel does not wish to receive directors' or other fees as a director of Dexia SA.
(4) Directors' and other fees earned as a director of Dexia Crédit Local.
(5) Directors' and other fees earned as a director of Dexia Banque Internationale à Luxembourg.

new director who meets the required conditions. The amount of the contributions owed for the years 2000 to 2007 and paid by Dexia totaled EUR 121,040.69 in 2005, EUR 119,400.67 in 2006 and EUR 54,579.65 in 2007.

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

Specialist committees created by the Board of Directors

In order to review in detail the matters submitted to the Board of Directors, it has established four specialist 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 specialist committees have indeed 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

Composition
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 are (as of December 31, 2007):
- Pierre Richard, Chairman of the Board of Directors
- Axel Miller, Chief Executive Officer
- André Levy-Lang, independent director (1)
- Francine Swiggers, director (2)
- Francis Vermeiren, director
- Augustin de Romanet de Beaune, director (3)

(1) A. Levy-Lang was appointed member of the Strategy Committee from March 1, 2007, replacing D. Kessler.
(2) F. Swiggers was appointed member of the Strategy Committee from November 1, 2007, replacing R. Branson.
(3) A. de Romanet de Beaune was appointed member of the Strategy Committee on May 9, 2007, replacing F. Mayer, deceased.

Responsibilities (as of December 31, 2007)

The Strategy Committee meets as required, on the initiative of the Chief Executive Officer, to examine the strategic positioning of the Dexia Group, considering the evolution of the Group's environment and its markets as well as its development lines in the medium term, and to study important files, prior to their examination by the Board of Directors, if they require particular confidentiality by virtue in particular 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 formed within it 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 business lines;

- a project of alliance or partnership that implies a significant change in the shareholding structure of Dexia SA.

Operation and activities in 2007

The Strategy Committee did not meet in 2007.

Audit Committee

Composition

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. However, the most important criterion for selecting committee members remains 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 the Audit Committee are (as of December 31, 2007):

• Gilles Benoist, independent director and chairman of the committee

• André Levy-Lang, independent director

• Marc Tinant, director.

Responsibilities (as of December 31, 2007)

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:

- considers the work of the statutory auditors and discusses their observations, comments and recommendations giving them the opportunity at each meeting to speak solely in the presence of its members;

- suggests possible additional work;

- ensures respect of the policy of independence of the statutory auditors and gives an opinion on their appointment;

• examines the existence and implementation of the procedures to assess and control credit, market and operational risks; to that end, the Audit Committee considers the conclusions of internal audit tasks 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 2007

The Audit Committee met five times in 2007: on January 19, February 23, May 21, August 27 and November 12, to study the following issues:

• review of the Dexia corporate and consolidated financial statements and results for the period ended December 31, 2006;

• 2006 report on the internal control and on internal audit activities;

• presentation of the Compliance Plan 2007;

• management of Group shareholders' equity and the evolution of the Basel II process;

• report on risk assessment and monitoring in 2006;

• monitoring the independence process for the auditors;

• review of the Dexia corporate and consolidated financial statement and results of the period ended March 31, 2007;

• state of implementation of the audit plan 2007 as of March 31, 2007;

• quarterly risk review;

- review of the Dexia corporate and consolidated financial statements and results for the period ended June 30, 2007;
- monitoring of the Compliance situation in the Group;
- renewal of the mandate of Dexia Group's auditors;
- half-yearly report on internal audit and its activities for the period ended June 30, 2007;
- monitoring costs and their elasticity compared to the evolution of earnings;
- development of retail activities;
- evolution of the Lernout & Hauspie case;
- evolution of the situation at Dexia Bank Nederland;
- monitoring major IT projects;
- the financial and the subprime crisis, and the situation of FSA;
- procedure relative to transactions on Dexia securities by members of staff;
- review of the Dexia corporate and consolidated financial statement and results of the period ended September 30, 2007.

Attendance of each individual director at Audit Committee meetings

The individual attendance rate of directors at Audit Committee meetings was 100% in 2007, except for André Levy-Lang whose attendance rate was 40%.

Compensation Committee

Composition

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 meetings, but he may not be a member of the Compensation Committee (since he is not a non-executive director).

The members of the Compensation Committee are (as of December 31, 2007):

- Denis Kessler, independent director and chairman of the committee (1)
- Brian Unwin, independent director
- Pierre Richard, Chairman of the Board of Directors
- Guy Burton, director.

(1) D. Kessler was appointed member and chairman of the Compensation Committee on March 1, 2007, replacing A.-C. Taittinger.

Responsibilities (as of December 31, 2007)

The responsibilities of the Compensation Committee include recommendations concerning:

- the compensation for the Chairman of the Board, and the Chief Executive Officer and, based on the Chief Executive Officer's recommendation, the compensation for the members of the Management Board;
- the granting of stock options in application of the general principles defined by the Board of Directors.

The committee is also consulted on the compensation and incentives for the members of the Management Boards of Dexia Bank Belgium, Dexia Crédit Local and Dexia BIL, as well as on the employee shareholding policy.

In performing its tasks, the Committee may call on external consultants to:

- make a comparative analysis of the compensation of members of the Management Board (benchmark);
- present proposals to the Board of Directors to improve existing programs if necessary.

It also makes recommendations on the fees paid to directors and the allocation of those fees to directors.

Operation and activities in 2007

The Committee meets at least twice per year, at the latest on the date the Board establishes the accounts for the financial year. It may also be convened at the request of the Chairman of the Board of Directors or two of its members.

The Compensation Committee met twice in 2007: on February 12 and November 7, to study the following issues:

- compensation of the Group's executives;
- publication in the annual report of information relating to the compensation of Group executives, in accordance with the Lippens Code;
- 2007 employee share plan;
- 2007 stock option plan;
- principles of the 2008 stock option plan;
- implementation of new pension regimes applicable to members of the Management Board of Dexia SA in order particularly to establish consistency between Belgian and French pension regimes applicable to them.

Attendance of each individual director at Compensation Committee meetings

The individual attendance rate of directors at Compensation Committee meetings was 100% in 2007.

Appointments Committee

Composition

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 remains expertise and independence of mind.

The members of the Appointments Committee are (as of December 31, 2007):

- Pierre Richard, Chairman of the Committee since March 1, 2007 and Chairman of the Board of Directors
- Axel Miller, Chief Executive Officer
- Augustin de Romanet de Beaune, director (1)
- Denis Kessler, independent director (2)
- Francine Swiggers, director (3)
- Francis Vermeiren, director.

(1) A. de Romanet de Beaune was appointed member of the Appointments Committee on May 9, 2007, replacing F. Mayer.
(2) D. Kessler was appointed member of the Appointments Committee on March 1, 2007, replacing A. Levy-Lang.
(3) F. Swiggers was appointed member of the Appointments Committee on November 1, 2007, replacing R. Branson.

Responsibilities (as of December 31, 2007)

The Appointments Committee prepares decisions for the Board of Directors relating to:

- proposals for the appointment and renewal of the mandate of directors made by the Board to the shareholders' meeting, as well as proposals for the co-opting of directors;
- determining criteria for independence enabling a director to be described as "independent";
- qualification of an existing or new member of the Board of Directors as an independent director;
- appointment of members of the specialist committees of the Board of Directors and their chairman;
- appointment and renewal of the mandate of the Chief Executive Officer;
- appointment and renewal of the mandate of the Chairman of the Board;
- proposals from the Chief Executive Officer concerning the composition, organization and mode of operation of the Management Board of Dexia SA;
- amendments to the internal rules of the Board of Directors.

The Appointments Committee is also 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.

For these purposes, the Committee is responsible for monitoring procedures adopted by major listed companies in terms of composition and operations of Boards of Directors.

The Appointments Committee meets at least once a year prior to the Board of Directors' meeting called to prepare the resolutions to be submitted to the shareholders' meeting and, during the year, on a justified request from one of its members.

Operation and activities in 2007

The Appointments Committee met twice in 2007: on February 1 and August 29, to study the following issues:
- composition of the Board of Directors;
- composition of the specialist committees;
- qualification of independent directors;
- directors' profiles of expertise;
- self-assessment of the Board of Directors;
- amendments to the internal rules of the Board of Directors.

Attendance of each individual director at Appointments Committee meetings

The individual attendance rate of directors at Appointments Committee meetings was 100% in 2007, except for A. de Romanet de Beaune who gave his apologies for not attending the meeting of the Appointments Committee on August 29, 2007.

THE MANAGEMENT BOARD OF DEXIA SA

Following the reorganization of the Group's operational management structure in force since January 1, 2006 and continuing in 2007, changes were made in the composition of the Management Board and in the mandates exercised by its members within the Group.

Composition

The Management Board is composed of a maximum of ten members. It 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. With the exception of the Chairman, they are appointed for a term of four years which may be renewed unless there is a contrary decision by the Board of Directors.

COMPOSITION AS OF DECEMBER 31, 2007

Axel MILLER
Chairman of the Management Board
Chief Executive Officer
Supervision of the following departments: Secretariat General, Tax & Legal Management; Human Resources; Communications; Internal Audit and Compliance

Jacques GUERBER
Vice-Chairman of the Management Board
General coordination
ALM Committee
Credit Committee
Sustainable development

Xavier de WALQUE
Chief Financial Officer
Supervision of Dexia Insurance Services

Rembert von LOWIS
Strategy and Development
Relations with institutional investors and rating agencies

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

Bruno DELETRÉ
Financial Services to the Public Sector, Project Finance and Credit Enhancement

Hugo LASAT
Personal Financial Services (retail and private banking)
Asset Management

Alain DELOUIS
Treasury and Financial Markets

Claude PIRET
Chief Risk Officer

Marc HUYBRECHTS
Operations & IT

Responsibilities

The Management Board is entrusted with the management of the company and of the Dexia Group, for which it manages and coordinates the different business lines, in the context of the strategic objectives and the general policy defined by the Board of Directors. In addition, he ensures the execution of the decisions taken by the Board of Directors.

Operation

Since the creation of Dexia SA in 1999, the Management Board has operated according to a set of internal rules (hereinafter the "Regulations"). Amended on several occasions, these Regulations define its role and mode of operation. 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 composition 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 specialist committees, for which the Management Board has an acknowledged right of opinion or initiative, the Chief Executive Officer presents to and defends with the Board of Directors the points of view previously debated by the Management Board.

• 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. In exceptional cases, decisions may be taken by the Management Board in writing with the unanimous consent of its members.

• Rules relating to meetings
Management Board meetings are convened by its Chairman, in principle once a week. If necessary, meetings can be convened at any time by the Chairman or if two or more members so desire. Any member of the Management Board who is unable to attend may be represented by another member of the Board, but a member may not represent more than one other member. Each member of the Board may propose an item for the agenda which is set by the Chairman. On the decision of its Chairman, the Management Board may also meet in the form of a Group Executive Committee to deal with transversal subjects of a certain importance.
• The Regulations also specify the basic principles for compensation of the members of the Management Board (see hereafter).

Compensation

Compensation of members of the Management Board

Fixed and variable compensation
The compensation of the members of the Management Board is set by the Board of Directors of Dexia SA upon recommendation of the Compensation Committee. The compensation of the members of the Management Board has been the subject of a study conducted by the Compensation Committee with the assistance of a specialist external consultant.
The compensation of the members of the Management Board is composed of a fixed portion and a variable portion.
The amount of the fixed compensation is set on the basis of the type and extent of the responsibilities of each member (with reference to the market for comparable positions).

The variable compensation of the members of the Management Board, with the exception of the Chief Executive Officer and the Vice Chairman, is divided into 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's performance is determined by reference to the budget target.
• A second **business** part, specific to each member of the Management Board in relation to their responsibilities. The assessment of this part is made within the context of the performance management system in place since January 1, 2007, by which a management contract is established for each member of the Management Board (except the Chief Executive Officer). This management contract sets a series of tasks to be carried out and objectives to be achieved for the year 2007. Quarterly or half-yearly meetings, as the case may be, are provided between the Chief Executive Officer and the persons concerned, in order to assess the achievement of those objectives. In the majority of cases, achievement of the objectives is measured in relation to performance indicators included in the management contract.
• A third **individual** part based on the achievement of personal objectives specific to each member of the Management Board. These personal objectives are set in relation to Dexia's internal leadership model. The setting and assessment of the achievement of these objectives is by the Chief Executive Officer.

The variable compensation of the Chief Executive Officer and the Vice Chairman is divided into two parts:

- a first **Group** part based on a formula linked to the results of Dexia SA (as described above); and
- a second **individual** part based on the achievement of personal objectives. These personal objectives are set in relation to Dexia's internal leadership model. The setting and assessment of the achievement of these objectives in the case of the Vice-Chairman is by the Chief Executive Officer and in the case of the Chief Executive Officer by the Compensation Committee.

Each of these parts gives rise to the application of a percentage, the target rate of which is one half. The maximum amount of variable compensation is fixed for each member of the Management Board, which assumes that each criterion represents between 0 and maximum X% of the fixed compensation. These maximum amounts and target rates have been fixed as follows:

(% of fixed compensation)	Maximum extent Group part	Maximum extent business part	Maximum extent individual part	Total maximum extent
Axel Miller	150%	-	75%	225%
Jacques Guerber	106.67%	-	53.33%	160%
Dirk Bruneel	50%	50%	50%	150%
Xavier de Walque	50%	50%	50%	150%
Bruno Deletré	56.67%	56.67%	56.67%	170%
Alain Delouis	56.67%	56.67%	56.67%	170%
Marc Huybrechts	50%	50%	50%	150%
Hugo Lasat	56.67%	56.67%	56.67%	170%
Claude Piret	50%	50%	50%	150%
Rembert von Lowis	50%	50%	50%	150%

Any compensation received by a member of the Management Board in his capacity as director of a company of the Dexia Group is deducted from his fixed or variable compensation.

Extralegal pensions

Some members of the Management Board benefit from an extralegal pension scheme set up by Dexia. Various schemes are applicable to each of the members.

- Jacques Guerber and Rembert von Lowis are entitled, under certain conditions, to an annual retirement pension at the time of retirement the amount of which is equal to 75% of the average gross fixed compensation over the two years preceding retirement. That amount is nonetheless reduced by amounts received by way of legal pension of a private origin. An additional survival pension is also provided for the beneficiaries in the event of death. In 2007, Dexia decided to close this extralegal supplementary pension scheme.
- Axel Miller, Dirk Bruneel, Claude Piret and Xavier de Walque are entitled, under certain conditions, in particular a minimum career of 35 years, to benefits equivalent to an annual retirement pension, if they are alive at the time of retirement, of which the amount is equal to 80% of their fixed compensation at a ceiling. In 2007, Dexia decided to close this extralegal supplementary pension scheme whilst maintaining the rights acquired and to come for persons affiliated before December 31, 2006.
- Hugo Lasat and Marc Huybrechts are entitled, under certain conditions, to the scheme under the new extralegal pension plan for Belgian members of the Management Board appointed in 2007 with a maintenance of the rights acquired and to come for beneficiaries under schemes formerly applicable to them. At the time of retirement, they will be entitled to a capital sum constituting a capitalization of the annual contributions. The latter represent a fixed percentage of the annual fixed compensation at a ceiling.

COMPENSATION AND OTHER BENEFITS OF MEMBERS OF THE MANAGEMENT BOARD DURING THE YEAR 2007

(In thousands of EUR)	Gross fixed compensation (A)		Gross variable compensation		Pension plan (B)	Cover for death, disability, medical treatment	Other benefits (C)
	2006	2007	2006	2007			
Axel Miller	725	825	989.63	1,039.50	137.8	(D)	26.32 (E)
Jacques Guerber	625	640	671.25	607.57	(B1)	(D)	-
Dirk Bruneel	560	560	439.60	403.20	90.8	(D)	6.32 (F)
Xavier de Walque	500	500	525	485.00	90.8	(D)	6.32 (F)
Bruno Deletré	-	450	-	443.70	-	(D)	-
Alain Delouis	-	430	-	326.51	-	(D)	-
Marc Huybrechts	-	425	-	391.00	88.7	(D)	6.32 (F)
Hugo Lasat	-	450	-	430.95	90.8	(D)	6.32 (F)
Claude Piret	-	470	-	408.90	90.8	(D)	6.32 (F)
Rembert von Lowis	500	500	410	360.00	(B1)	(D)	-

(A) For Jacques Guerber, Rembert von Lowis, Bruno Deletré and Alain Delouis, "employer" social contributions are paid, in addition to the amounts indicated in this section, by the Dexia Group.
(B) Amount borne by Dexia in 2007 for supplementary pension plans. (B1): a total amount of EUR 1,017,083 was paid by way of extralegal supplementary pension. This contribution does not constitute an acquired benefit.
(C) A company car is provided to each of the members of the Management Board for business and private use. The costs relating thereto are not included in the amounts indicated in this section.
(D) Annual collective premiums of EUR 157,993 were paid in 2007 in favor of Belgian members of the Management Board for additional cover for death, permanent disability and the costs of medical treatment, and EUR 36,526.6 in favor of the French members of the Management Board for additional cover for death, permanent disability and medical costs.
(E) Lump-sum annual indemnity for representation costs and rental of a car for private use.
(F) Lump-sum annual indemnity for representation costs.

Stock option plan

Since its unification, the Dexia Group has each year put stock option plans in place for the benefit of certain members of staff of the Dexia Group. The options issued under this plan are subscription rights each giving the right, within a limited exercise period, to acquire a new Dexia share at a exercise price equal to the value of the Dexia share at the time of grant of the options.
The members of the Management Board received Dexia options under the 2007 plan.

	2006		2007	
	Number of Options	Exercise price (1)	Number of Options	Exercise price (2)
Axel Miller	120,000	EUR 18.62	150,000	EUR 23.25
Jacques Guerber	90,000	EUR 18.62	70,000	EUR 23.25
Dirk Bruneel	80,000	EUR 18.62	60,000	EUR 23.25
Xavier de Walque	80,000	EUR 18.62	70,000	EUR 23.25
Bruno Deletré	-	-	70,000	EUR 23.25
Alain Delouis	-	-	70,000	EUR 23.25
Marc Huybrechts	-	-	50,000	EUR 23.25
Hugo Lasat	-	-	70,000	EUR 23.25
Claude Piret	-	-	50,000	EUR 23.25
Rembert von Lowis	80,000	EUR 18.62	60,000	EUR 23.25

(1) The exercise price is equal either to the closing price of the Dexia share on Euronext Brussels on the trading day prior to June 30, 2006 or the average of the closing prices of the Dexia share on Euronext Brussels during the 30 days 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.
(2) The exercise price is equal either to the closing price of the Dexia share on Euronext Brussels on the trading day prior to June 29, 2007 or the average of the closing prices of the Dexia share on Euronext Brussels during the 30 days preceding June 29, 2007, without that price being lower than 95% of the average of the 20 opening prices of the Dexia share on Euronext Brussels preceding June 29, 2007.

Employee share plan

Since 2000, Dexia has each year put an employee share plan in place. The share plan is offered to all members of staff of the Group and enables them to subscribe to new Dexia shares with a discount of 20%, by virtue of a lock-up period of five years. Certain members of the Management Board participated in the 2007 employee share plan.

	Number of shares subscribed under the 2007 plan	Subscription price	Amount of discount
Axel Miller	-	N/A	N/A
Jacques Guerber	12,077	EUR 16.56 (1)	EUR 4.14
Dirk Bruneel	12,685	EUR 16.94 (2)	EUR 4.23
Xavier de Walque	-	N/A	N/A
Bruno Deletré	13,292	EUR 16.56 (1)	EUR 4.14
Alain Delouis	1,064	EUR 16.56 (1)	EUR 4.14
Marc Huybrechts	9,735	EUR 16.94 (2)	EUR 4.23
Hugo Lasat	12,690	EUR 16.94 (2)	EUR 4.23
Claude Piret	12,690	EUR 16.94 (2)	EUR 4.23
Rembert von Lowis	-	N/A	N/A

(1) The subscription price is equal to the average of 20 opening prices of the Dexia share on Euronext Brussels preceding November 15, 2007, reduced by approximately 20%.
(2) The subscription price is equal to the average of 30 closing prices of the Dexia share on Euronext Brussels preceding November 16, 2007, reduced by approximately 20%.

Conditions relating to departure

Axel Miller, Jacques Guerber, Dirk Bruneel, Xavier de Walque, Rembert von Lowis, Claude Piret and Marc Huybrechts 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 and under-subsidiaries of the Group in relation to the general principles and orientations decreed by the Group Compensation Committee.
Fixed compensation is determined by taking account of local market references and the responsibilities carried.
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.
Taking individual performances into account revolves in particular around the annual assessment to which each executive is subject. In fact, each top executive is assessed with regard to the achievement of objectives, in particular financial and commercial targets, assigned to them within the context of annual budget procedures.
A comparative analysis is carried out annually of the competitive practices observed on 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 decreed at a global level.

DEXIA GROUP CONTROL

INTERNAL CONTROL

Internal audit

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 and approved by the Audit Committee of Dexia SA.
• Internal audit's responsibilities are performed by a network of audit departments that conduct their mission under the direction of the Group General Auditor, who reports directly to the Chief Executive Officer, Chairman of the Management Board. The General Auditor has direct access to the Audit Committee to which he/she regularly reports on the internal audit operations within the Group. At the same time, both the Audit Committee and the Chairman of the Board may call on the General Auditor to perform an audit.

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

• Since January 1, 2007, the organizational structure of the audit line has been adapted to align it with the organization of the Group by segments and to move towards greater integration of the audit teams. To that end, a single audit plan has been implemented and the supervision of audit tasks is ensured by segment transversally for the Group as a whole.

To oversee management of the line, an Internal Audit Executive Committee was also established. It is composed of the General Auditors of Dexia SA, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg and Dexia Crédit Local, the five heads of segments and the head of the Planning, Tools and Reporting division. This division was put in place at the beginning of 2007 within Dexia SA and its operational entities. Its role is to support the audit line after its reorganization. It therefore has the aims of managing audit planning, preparing activity reports for the attention of management, implementing and maintaining the tools necessary for the good operation of the audit line, coordinating work with operational risk teams and finally producing performance indicators for the performance of its tasks.

The assessment of risks and elaboration of the audit plan 2008-2010 related to the entire Dexia Group. It enabled the perfection of a single audit plan, thus improving the transversal and global view of the risks resulting from the Group's activities.

The global approach of the risk universe, the methodology of joint audit, the performance of "transversal" tasks – if necessary, if not, local in relation to needs, and the modes of taking account and monitoring at Group level contribute to Dexia having an integrated and effective internal audit system.

2007 tasks

A major part of the audit plan for the Dexia Group was realized in the form of "transversal tasks", namely tasks carried out simultaneously at Dexia SA and in the Group's operational entities: Dexia Crédit Local, Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg as well as in certain of their subsidiaries/branches, depending upon the subjects tackled.

Several of these tasks relate to effective implementation of the Basel II project: internal rating systems for financing projects (SLE) and local authorities in Western Europe (SPL), the quality of data in the Fermat tool and the Quality Control line were covered.

Other transversal tasks related to organization, risk management and control mechanisms framing the lines of activity of the principal business lines, such as client management in Public/Projet Finance, and the management of Group liquidity both in the short and the long term.

The support functions (Accounting, Strategic Planning and Management Information, IT, Human Resources) are the subject regular tasks within the context of the perennial audit plan.

Finally, the audit department of Dexia SA performed several tasks jointly with the audit departments of subsidiaries such as FSA in the United States, Dexia Kommunalbank Deutschland, subsidiary of Dexia Crédit Local in Germany, and Dexia Bank Nederland.

Moreover, almost 400 man-days, from Dexia SA and the operational entities, were allocated to five tasks performed jointly with the auditors of DenizBank, in that entity and some of its subsidiaries.

The audit tasks performed in 2007 gave rise to the establishment of plans for the correction of weaknesses detected in the internal audit system. Each action plan was approved by the Management Board of the entity concerned and reported, depending upon its importance, to the Management Board of Dexia SA, and makes the object of regular monitoring, so as to ensure that the recommendations made are effectively implemented.

Ethics and compliance

Dexia has an independent Compliance function which assesses the compliance of internal codes of conduct, policies and procedures to the legal obligations and best practices which apply to its activities.

Reporting directly to the Chief Executive Officer, Chairman of the Management Board of Dexia SA, the Chief Compliance Officer supervises a network of Compliance Officers operating in each of the operational entities and subsidiaries of the Group.

The management of Dexia expressed its commitment to integrity through an *Integrity Policy* relying on the following principles:

• application of the same principles of ethics and conduct within all Dexia entities;

• respect for the laws and regulations and promotion of a climate of transparency;

• creation of relations of confidence with clients, members of staff and shareholders;

• definition of a policy for the prevention of fraud or any other misuse of assets, systems, information or procedures;

• continued integrity, particularly in conducting transactions or providing information to the financial markets.

Rules of good conduct for all members of staff of the Group are brought together in the Code of Business Ethics and complete this policy. They contain the following principles:

• observance of legal and regulatory requirements;
• professionalism and the duty of discretion;
• reliability and respect with regard to clients;
• loyalty to the Dexia Group;
• mutual respect for persons and opinions.

The Compliance function is a part of the holding company's internal audit and subject to examination by internal audit. As the regulations require, it is independent of the internal audit function.

Principles

With regard to the fight against money laundering and the financing of terrorism, Dexia has conceived and implemented a mechanism based on the strictest international standards, respecting local rules and the requirements of the supervisory authorities for the Group's international establishments. The Dexia Group undertakes to participate actively in international initiatives in the fight against money laundering, terrorism and other criminal activities in particular by the implementation of tools for prevention, monitoring and surveillance and by continuing to deploy common software for the analysis of suspect transactions.

As for abuse of the markets, conflicts of interest, investment services or in other regulated fields, Dexia monitors and regularly transposes directives, laws and regulations as they are disseminated and enter into force. Detailed rules and specific monitoring cover the own-account transactions of members of staff and executives, preventing insider dealing.

2007 was also marked in particular by the implementation of the MiFID directive with all the operational entities of Dexia subject to these new obligations with regard to investment services. Under the supervision of the Compliance function, a project structure coordinated the implementation and review of operational processes affected in order to ensure compliance with this new directive. That transversal analysis carried out within the Group was arranged specifically within each of the entities concerned so that the specific features associated with national transpositions could be integrated.

Finally, the accompaniment of local and international commercial developments (new countries, new markets, new products) and the integration of new entities were given particular attention.

Organization

The Compliance function is organized on the basis of the Compliance Charter approved in 2002 by the Board of Directors of Dexia which stated the fundamental principles of the Compliance function, its task and its organization in the Group.

At the beginning of 2007, a new organization of the Compliance function was drawn up by the heads of Compliance at Dexia SA and the three main entities, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Crédit Local, and ratified by the Executive Committee of Dexia SA.

This new structure was gradually put in place over the second half of 2007. It is overseen by the monthly Compliance Committee, the composition of which was reviewed. Its aim is to ensure consistency intra-Group and between business lines, so that it better reflects the transversal architecture of the Dexia Group and for the optimum exploitation of competences.

Indeed a transversal business line responsibility has been attributed to each of the Heads of Compliance at Dexia Crédit Local, Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg in order to create an interface between the business line and the Compliance function (to represent the function at the business line, executive and credit committees, to define policies per business line, to give effective support to the latter).

Among the attributions of this Compliance Committee are the strategic planning of the function, ratification and consolidation of annual action plans, monitoring transversal projects, and ratification of all the methodologies and tools intended to improve management of the risks of non-compliance.

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

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 Dexia's practices of taking the French evolutions into consideration in the area of good governance.

This report can be found on Dexia's Website (*www.dexia.com)*.

EXTERNAL CONTROL

Board of Statutory Auditors

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.

Until the end of the financial year 2007, Dexia was audited by a college of auditors consisting of two audit companies:

• PricewaterhouseCoopers SCCRL, an audit firm, represented by Robert Peirce, a certified public accountant;

• Mazars & Guérard SCCRL, an audit firm, represented by Xavier Doyen, a certified public accountant.

The Board of Directors of Dexia SA proposed to the Ordinary Shareholders' Meeting on May 14, 2008 that it appoint a new auditor Deloitte Reviseurs d'entreprises SC s.f.d. SCRL, a company represented by Messrs B. De Meulemeester and F. Verhaegen, certified public accountants, replacing the previous auditors when their mandate ended, for a term of three years closing at the end of the Ordinary Shareholders' Meeting in May 2011.

The choice of new auditor was made at the end of a call for tender process led by the Finance Department, in collaboration with Internal Audit and the Audit Committee.

Compensation of the Board of Auditors

The table on page 51 gives a summary of the compensation paid to the members of the Dexia SA Board of Auditors for their services in 2007.

PRICEWATERHOUSECOOPERS (in EUR)	Services rendered to Dexia SA	Services rendered to the Dexia Group (consolidated amounts)
a) Audits of the financial statements	113,000	6,277,435
b) Certification work	-	692,271
c) Tax advice	131,225	458,342
d) Due diligence	15,703	15,703
e) Other work (not certification)	314,206	950,951
TOTAL	**574,134**	**8,394,702**

MAZARS & GUÉRARD (in EUR)	Services rendered to Dexia SA	Services rendered to the Dexia Group (consolidated amounts)
a) Audits of the financial statements	113,000	3,073,459
b) Certification work	22,998	70,537
c) Tax advice	-	5,177
d) Due diligence	17,355	17,355
e) Other work (not certification)	-	33,182
TOTAL	**153,353**	**3,199,710**

Protocol on the prudential structure of the Dexia Group

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, which was slightly modified in 2003, 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*).

SHAREHOLDER INFORMATION

EVOLUTION OF THE STOCK MARKET PRICE IN 2007

2007 proved a globally bad year for financial markets both in terms of performances of the various stock markets and of the different sector indices, with a special mention for the financial sector as a whole.

All investor fears focused on the financial sector (Banks and Insurance), which came off as the great loser of the year, due to the subprime and financial crisis in the USA.

The crisis came to a head in three steps during the year 2007, in March, in July and in November, periods marked by jolts on the indices which became increasingly severe as time passed and losses or impairments were announced. In the end, the Euro Stoxx Banks lost almost 9% and the Stoxx Banks almost 17%.

The Dexia share, which began 2007 rather well, reached its highest level in May at EUR 24.96, but the negative impact of the financial crisis and its extent had an adverse effect on the price. The share finally closed at EUR 17.22 on December 31, posting an annual loss of 17.01%. Despite Dexia's low degree of exposure to the crisis throughout the year, and despite reassuring messages, the flow of bad news from other sector operators had a contagious effect, weighing on the share price.

The 2007 results published on February 29, 2008 confirm that Dexia did not have to endure any economic losses in 2007, as witnessed by the progress made in net income (+12.5% (1)), earnings per share (+9.7% (1)) and dividend (+12.3%). From all points of view, performances were in line with 2006-2009 financial targets.

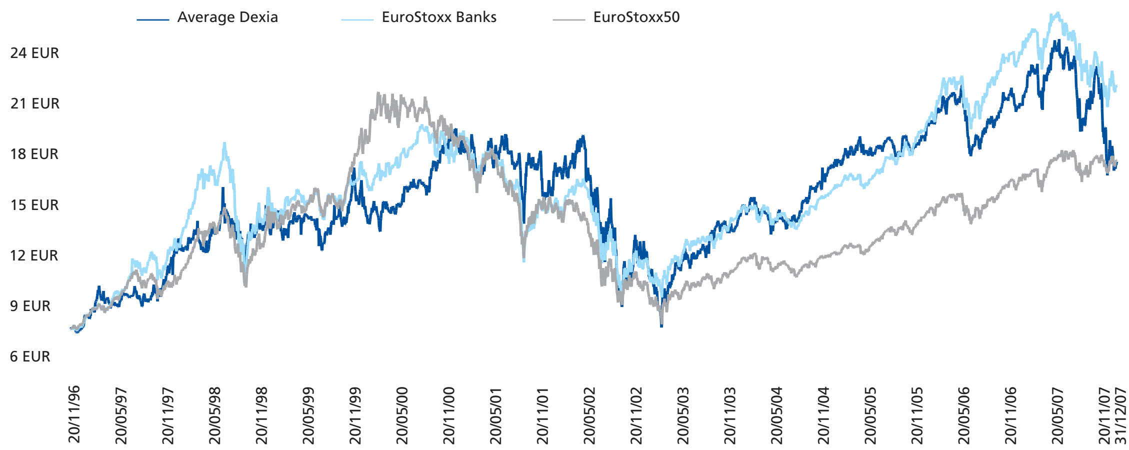
(1) Excluding non-operating items.

STOCK EXCHANGE DATA	As of December 31, 2006	As of December 31, 2007
Share price (1) (in EUR)	20.75	17.22
Stock market capitalization (in millions of EUR)	24,136	20,295

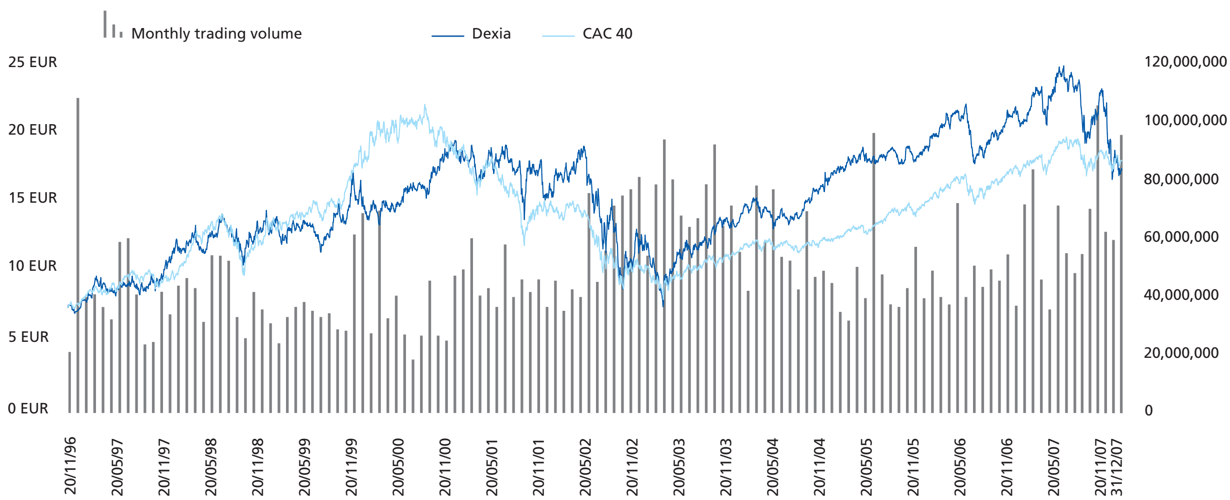
(1) Average closing prices on Euronext Brussels and Euronext Paris.

DEXIA'S STOCK MARKET PERFORMANCE	Brussels	Paris
Share price as of Dec. 31, 2006 (in EUR)	20.75	20.75
Share price as of Dec. 31, 2007 (in EUR)	17.23	17.21
Highest price/Lowest price (in EUR)	24.95 / 16.38	24.96 / 16.39
Average daily trading volume (in millions of EUR)	69.82	58.22
Average daily trading volume (in thousands of shares)	3,355	2,766

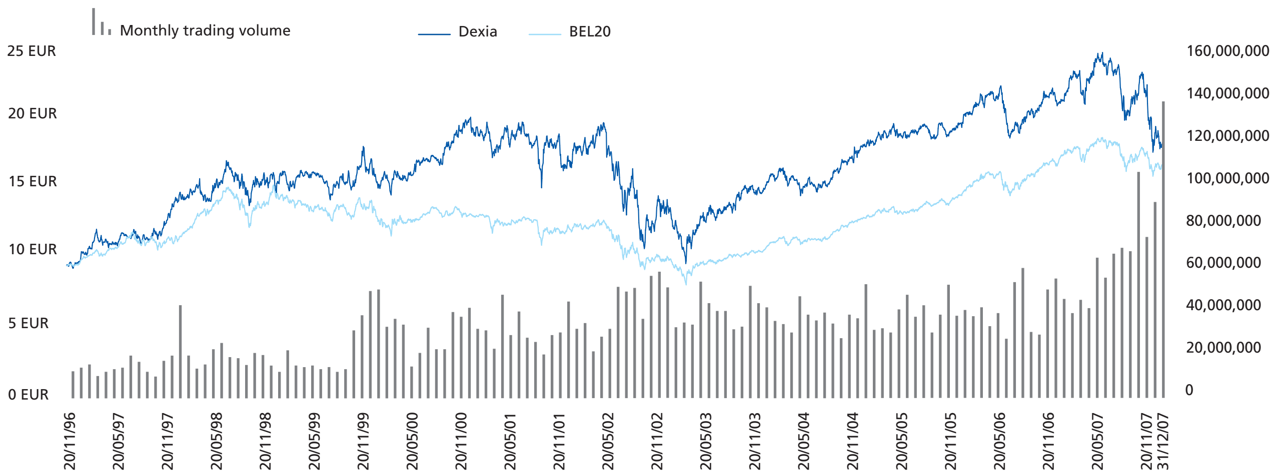
DEXIA'S STOCK MARKET PERFORMANCE (FROM NOVEMBER 1996 TO END DECEMBER 2007)



DEXIA'S STOCK MARKET PERFORMANCE IN PARIS AND TRADING VOLUMES (FROM NOVEMBER 1996 TO DECEMBER 2007)



DEXIA'S STOCK MARKET PERFORMANCE IN BRUSSELS AND TRADING VOLUMES (FROM NOVEMBER 1996 TO END DECEMBER 2007)



DEXIA'S POSITION IN THE PRINCIPAL EUROPEAN INDICES

	Weighting in index	Position
BEL20	8.03%	5
CAC 40	1.54%	22
Euronext 100	0.99%	30
Next CAC 70	1.09%	30
FTSE EuroTop 100	0.41%	89
Dow Jones EuroStoxx Banks	2.57%	12

DEXIA SHAREHOLDERS' BASE AS OF DECEMBER 31, 2007

	Percentage of Dexia SA capital held
Arcofin	17.7%
Holding Communal	16.2%
Caisse des dépôts et consignations	11.7%
Groupe Ethias	6.3%
CNP Assurances	2.0%

NUMBER OF SHARES

	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Number of shares	1,175,222,680	1,145,261,366	1,107,469,030	1,163,184,325	1,178,576,763
of which own shares	*32,546,412*	*40,050,935*	*20,550,020*	*490,607*	*8,967,312*
Number of options	43,301,416	50,684,800	55,903,030	58,697,872	62,817,843
Total number of current/ potential future shares (1)	1,218,524,096	1,195,946,166	1,163,372,060	1,221,882,197	1,241,394,606

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

DATA PER SHARE

	2003	2004	2005	2006	2007
Earnings per share – EPS (in EUR)					
- basic under Dexia GAAP (1)	1.24	1.58			
- basic under EU GAAP (1)		1.63	1.87	2.49	2.18
- diluted under EU GAAP (2)		1.62	1.85	2.45	2.15
Average weighted number of shares					
- basic (3)	1,157,363,982	1,118,723,767	1,091,316,100	1,104,950,054	1,162,666,262
- diluted (3)		1,124,050,279	1,103,413,861	1,120,893,987	1,179,329,735
Net assets per share (in EUR) (4)					
- under Dexia GAAP (5)	9.25	9.95			
- related to core shareholders' equity (6)		8.87 (8)	9.86	11.60	12.87
- related to total shareholders' equity (7)		10.32 (8)	12.25	13.21	11.51
Dividend (in EUR)					
Gross dividend	0.53	0.62	0.71	0.81	0.91 (11)
Net dividend (9)	0.40	0.47	0.53	0.61	0.68 (11)
Net dividend for shares with a VVPR strip (10)	0.45	0.53	0.60	0.69	0.77 (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	2003	2004	2005	2006	2007
Pay-out ratio (in %) (1)					
- under Dexia GAAP	42.1	38.7			
- under EU GAAP		37.6	37.9	34.3	42.0 (2)
Price-earnings ratio (3)	11.0x	10.7x	10.4x	8.3x	7.9x
Price to book ratio (4)	1.5x	1.7x	2.0x	1.8x	1.3x
Annual yield (in %) (5)	3.9	3.7	3.6	3.9	5.3

(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, 2006 and 2007).
(5) The ratio between the gross dividend per share and the average share price as of December 31.

RELATIONS WITH SHAREHOLDERS

Dexia is attentive to the quality of its relations with its shareholders. These relations are described in the chapter Corporate governance in this annual report (see page 25).

SHAREHOLDERS' CALENDAR IN 2008

Thursday March 13	Lille	In partnership with FFCI (1)
Monday March 17	Paris	Meeting of the European Consultative Committee of Individual Shareholders
Tuesday March 18	Louvain-la-Neuve	In partnership with INVESTA
Tuesday March 25	Bordeaux	In partnership with FFCI (1)
Wednesday May 14	Brussels	Shareholders' meetings
Thursday May 15	Paris Maison de la Chimie	Meeting chaired by Axel Miller and Pierre Richard, in partnership with *Investir*
Tuesday May 20 (2)	Bruges	In partnership with VFB (3)
Thursday May 22	Marseilles	In partnership with FFCI (1)
Thursday September 11	Strasbourg	In partnership with *La Vie Financière* Meeting chaired by Axel Miller
Tuesday September16	Lyons	In partnership with FFCI (1)
Monday October 6	Brussels	Meeting of the European Consultative Committee of Individual Shareholders
Tuesday October 9	Toulouse	In partnership with FFCI (1)
Monday October 13	Nantes	In partnership with FFCI (1)
Friday November 14 – Saturday November 15	Paris – Palais des Congrès	Actionaria Convention

(1) Fédération française des clubs d'investissement.
(2) To be confirmed.
(3) Vlaamse Federatie van beleggingsclubs en beleggers.

HUMAN RESOURCES

The Human Resources (HR) mission is to sustain Dexia's local and international ambitions with a global, client-oriented and businesslike HR strategy focusing on (1) supporting and challenging management to optimize their HR decisions, (2) offering our human capital a differentiating value proposition on their investments (engagement, ability, ambition) at Dexia.

The HR vision is reflected in four axes:

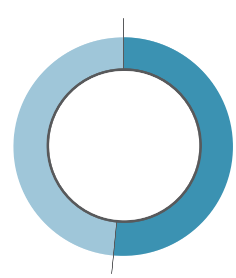
- attract and onboard the right people in the most efficient way;
- develop and deploy talents in a local and international context so as to provide the business with talented and skilled people to achieve short and long-term business objectives;
- motivate and retain people by
  - developing and fostering autonomous and dynamic leaders;
  - providing competitive reward packages;
  - providing a motivating work environment;
- partner of the business in order to
  - increase change readiness;
  - facilitate business integration and development;
  - guarantee global coherence in people management;
  - provide efficient HR services;
  - position the business challenges in the social dialogue.

WORKFORCE

At the end of 2007, Dexia employed 35,202 people of 78 nationalities in 37 countries (including the joint venture RBC Dexia Investor Services and the self-employed networks of Dexia Bank Belgium and Dexia Insurance Belgium) against 33,321 in 2006, an increase in global workforce of 5.65%.
While 2006 was marked by significant geographic expansion (acquisition of DenizBank and the setting up of the joint venture RBC Dexia Investor Services), the geographic and entity scope remained rather unchanged in 2007. However, 2007 was characterized by a large inflow of new talents and a high level of internal mobility.

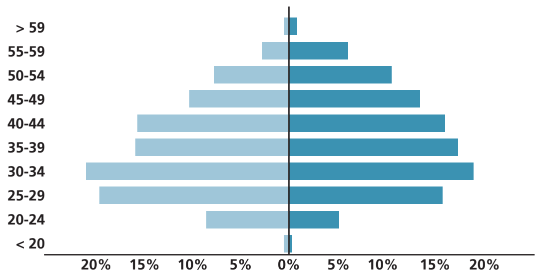
SOME KEY FIGURES ON THE WORKFORCE

- Seniority: more than 64% of members of staff have joined the Group since less than ten years ago, which proves the strong development recorded since the creation of Dexia in 1996. The average length of service of Group members of staff is 10.4 years;
- men/women: the overall division of workforce between men and women was well balanced, at 51.5% and 48.5% respectively;
- age: Group members of staff are young, in total 46.6% are less than 35 and 59.6% less than 40 years of age. The average age is 38.7 for men and 36.1 for women, while the overall average age is 37.5;
- turnover: 8.0% of workforce on indefinite-term contracts;
- part-time: 14.6% of Group members of staff work part time;
- training days: the average number of days of training per employee is 2.12 per year.



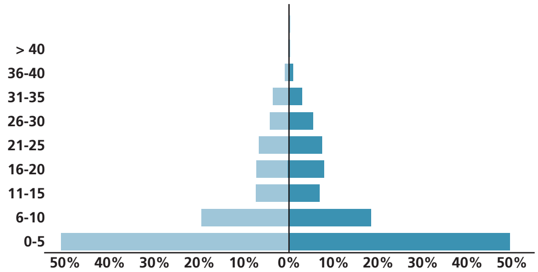
GENDER BREAKDOWN

MEN	51.51%
WOMEN	48.49%



AGE PYRAMID

MEN
WOMEN



SENIORITY PYRAMID

MEN
WOMEN

35,202 MEMBERS OF STAFF IN 37 COUNTRIES

Belgium (1-2)	15,226
Turkey	7,306
Luxembourg (2)	3,797
France (2)	2,558
Canada (2)	1,937
Slovakia	856
United Kingdom (2)	564
United States	553
Australia (2)	353
Italy (2)	306
Ireland (2)	228
Spain (2)	228
Switzerland (2)	222
The Netherlands (2)	169
Singapore (2)	153
Germany	149
Austria	131
Russia	108
China (2)	72
Japan	57
Denmark	47
Israel	40
Jersey	35
Poland	30
Mexico	18
Sweden	16
Other countries	43
Total workforce as of December 31, 2007	**35,202**

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

HR integration of DenizBank

In 2006 DenizBank became part of Dexia. DenizBank started more or less from scratch ten years ago under the leadership of its chairman and a small group of dedicated employees and rapidly grew to employ 7,488 people by December 31, 2007. 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. This is successfully managed with an operational day-to-day reality of a yearly recruitment pace of more than 1,500 people over the last three years, a rapid growth in branches, providing six training days on average per person in 2007 and keeping the turnover below market level. This is realized within an increasingly competitive market environment. For HR, the year 2007 was dominated by the cooperation and integration of HR principles and practices between Dexia and DenizBank. Following the principle that change is agreed and not imposed, various projects in all HR domains have been jointly initiated.

Dexia has clearly underlined the importance of the undertaking by offering to assign 12 long-term secondees, most of them as directors and two of them as executive members of the Board of Directors of DenizBank. 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.

ATTRACT & ONBOARD

RECRUITING

Dexia's growth ambitions and its international expansion require a Group-wide coordinated recruitment approach anchored soundly at a local level. In 2007 Dexia recruited about 4,000 new talents (including more than 1,500 at DenizBank, but excluding recruitment for the self-employed networks) through a well-balanced series of recruitment events (campus recruitment, job fairs, Dexia Job Days, testing of "Second Life" Internet community), the recruitment portals of the local entities and via external search.

FAVORING MOBILITY

Mobility – internal and international – was further encouraged and has become a key 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 one Group.

In 2007, 191 members of staff moved to another company within the Group.

BRANDING

In 2007, special emphasis was placed on the strategic project "Employer of Choice". Employer branding has become a cornerstone for recruiting new talents on the job market but also for retaining the existing talents within Dexia. Dexia strengthened or regained its branding position on the market and won several awards and nominations in 2007. Some of them are worth mentioning:

- ranked 15 in the list of megabanks among Most Admired Companies (*Fortune*);
- best practice on company commitments to trade union rights (UN Global Impact);
- winner of Eastern Europe Sustainable Bank of the Year: Dexia banka Slovensko (*Financial Times*);
- shipping Financier of the Year by DenizBank (Lloyd's);
- nominated for Oscars du Mécénat in France (Admical);
- nominated Top Employer in Belgium (Corporate Research Foundation);
- ranked second in Employer Attractiveness in Belgium (Randstad);
- ranked second in Companies Prize for Families Welcomed in Belgium (Ligue des Familles);
- best European internal electronic newsletter by Dexia Bank (FEIEA).

DEVELOP & DEPLOY

DEXIA CORPORATE UNIVERSITY

The main challenge for the Dexia Corporate University (DCU) in 2007 was to develop a Single Learning Offer for Dexia in order to propose a harmonized and coherent training offer strategy across the Group.

In this context, the Learning & Development Committee was created in June 2007. This committee is in charge of the prioritization and program development in the Group learning and development area and is composed of the heads of training of the main Dexia entities.

Also in June 2007, the Dexia Corporate University launched the Leadership Competence Center that brings together all leadership actions (trainings, coaching and leadership network) at Group level. In 2007, the Competence Center laid the foundations of what will be in 2008 a global leadership training offer for the Group: a training path based on the Dexia Leadership Model and adapted to the different management levels within the Group.

Finally, the Dexia Corporate University has been strongly involved in cascading and implementing the Dexia leadership model and the values and is now working very actively at the Innovation project.

The Dexia Innovation plan was approved by the Executive Committee in August 2007. It is built around three pillars:

- the full involvement of management: innovation was one of the main topics in the Dexia Campus Seminar in October;

• the main Dexia Corporate University trainings have been completed with new modules on Innovation (Lead Corporate Executive Program, Marco Polo…);
• the implementation of a clear and effective innovation process.

In general, during 2007, the University continued to provide very high-quality programs with the objective of helping Dexia managers develop their knowledge and competences and supporting their professional evolution. Twelve new trainings were developed during the year.

The University also facilitated the strategic reflection among Group managers through different activities and initiatives:
• in October, Dexia Campus brought together the Group's top managers. The interactive sessions and the workshops organized during this 2-day seminar required the full and very active involvement of the participants;
• management breakfasts organized during the year for senior managers were also important occasions for exchange and networking.

A new edition of the Marco Polo program was launched in June, with 22 participants coming from different entities (DenizBank, Dexia Crediop and Dexia New York among others) and going to 11 cities in 6 countries.

Some 1,500 participants attended at least one of the 34 Dexia Corporate University training courses (102 sessions) in 2007.

INTEGRATED PERFORMANCE MANAGEMENT

Performance Management starts with a clear definition of objectives and priorities.

In 2006, all members of the Executive Committee and all senior executives reporting directly to the CEO signed a management contract, including clearly defined objectives and priorities for the year to come.

In 2007, these contracts were extended to the entire strategic management team.

Ultimately, in 2008, this performance management approach will be further cascaded throughout the organization.

DEXIA'S IDENTITY FRAMEWORK

Moving from an entity-driven organization to a more cross-entity organization and becoming a "true European banking group" means going further in putting an international and integrated organization in place with a new operating mode, decision-making and change processes and budget management.

In order to consolidate this unique and integrated identity of the Group, considerable work was done on giving a precise and assertive definition of the Group's identity framework (who are we, vision, strategy, mission, leadership model, values and corporate motto).

After the leadership model in 2006, a particular focus has been placed on communicating the values and the corporate motto in 2007.

The leadership model

A leadership model determines which competences are expected from leaders by describing these competences through specific forms of behavior. The leadership model is the anchor point for all management development initiatives and HR tools.

Dexia's leadership vision is based on five pillars: Dexia, Innovation, People, Vision & Customer. Competences expected from a manager at Dexia and linked to these pillars have been described through specific forms of behaviors.

In 2007, the emphasis was placed on cascading this leadership culture throughout the organization. The first step in the implementation of a leadership culture consists in setting an example and applying a 360° feedback assessment on senior management level. The 360° feedback is aimed at providing an employee with the opportunity to receive feedback on his/her leadership behavior within the organization. In 2007, around 330 top managers went through this feedback process, involving almost 6,200 senior managers giving feedback.

The values

In 2007, Dexia introduced common values (respect, ambition, passion) as a way of uniting members of staff around a common purpose. Dexia worked on defining behavioral models for each value.

Respect

• People are the heart of our project: our clients, our people, our shareholders, the communities in which we operate deserve respect and a long-term commitment.
• Our differences make us richer and we put diversity at the very heart of our project, towards our clients, our people and our commitments.
• We demonstrate integrity and behave in accordance with Dexia's professional, ethical and legal framework.
• We stand by our decisions or actions and take responsibility for them.
• We earn customer loyalty and respect through long-term commitment to customer satisfaction.

Ambition

• We are entrepreneurs who work continuously to improve our financial, environmental and social performance. To achieve this, we set ourselves ambitious goals in terms of growth and the creation of value.
• The quest for excellence is our driving force. We go the extra mile, enabling us to provide our customers with first-class products and services.
• We innovate constantly, ceaselessly questioning the status quo. In everything we accomplish, we always endeavor to apply the most demanding standards and to attain a higher standard of quality.
• We dare to dream.

Passion

• We are passionate ambassadors when we represent Dexia to the outside world.

• We pursue our ambitions with enthusiasm and commitment.

• We do not hesitate to invent and undertake the transformations necessary to the achievement of our ambitions.

• We celebrate success.

Short term has no future

Dexia has drawn up a strategy with clear long-term engagements. In order to underline this commitment further, Dexia adopted a new corporate motto in 2007. By confirming that "short term has no future", Dexia expresses its personality and its difference in conceiving and running out its business lines.

MANAGING TALENTS

The management and development of talents is a vital aspect of Group HR strategy.
Managing the development of members of staff, whilst constantly reconciling the organization's skill requirements and individual aspirations must enable Dexia to have the resources it needs offering the appropriate career prospects to its members of staff.
The talent review is an important stage of the Talent Management strategy. It aims at achieving a better knowledge of our internal talents and our needs and should allow to implement actions which deal with the issues identified.
A joint talent review process enables the Group and its entities to assess the situation each year with regard to its internal skills, the potential and the professional aspirations of its members of staff. This exercise allows to anticipate career developments and skill requirements and to prepare succession plans.
In order to sustain the development of talents, Dexia has put a unique Development Center methodology in place based on the Dexia leadership model and permitting the development of identified potential. Development Center Days aim to assess the situation regarding leadership skills and to implement an individual development plan preparing executives to manage their career evolution.
Assessment centers have also been developed on the basis of a common approach in order to give uniformity to the criteria and tools used both within the context of selecting external candidates and in internal promotion. Indeed, for selection at certain seniority levels, an identical assessment center will be called upon whatever the entity or the country in which the post is to be filled.

DIVERSITY

Diversity has been an important topic for Dexia over recent years. At an early stage several internal and external documents have been prepared (for example: *Principles of Social Management* (2002), *White Paper* (an action plan on the place of women in the Dexia Group, 2004), *HR Quality Charter* (2005) and diversity charters in France and Belgium co-signed by Dexia. Related to the *White Paper,* 2006 was the year in which the action plan reached full speed by the formation of a work group to assess the results and the associated recommendations. This action plan was further put into concrete diversity actions in 2007. Some examples of the various local/Group initiatives and actions are:

• the creation of an external and internal Dexia Women's Network within Belgium, namely WINGS (Women Innovating NetworkinG Solidarity), with two external and one internal meeting for all female executives based on several preparatory workshops;

• the integration of specific leadership KPI on diversity in the management contract of top management;

• the creation of a diversity manager position at Group level;

• Dexia Banque Internationale à Luxembourg's *Prix Féminin* for an external new business project.

Additionally, Dexia is facing a large number of retirements in the coming years and should be prepared for this as human capital should be passed on to the younger colleagues. In this context Dexia has a duty to provide employees with a clear career plan. Concrete initiatives were launched, focusing on the older employees of Dexia.

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

MOTIVATE & RETAIN

GLOBAL REWARD STRATEGY

In 2007, priority was given to a further integration of the job leveling exercise for top management (defined as the strategic management team) and cascading this down to the next level, defined as the Group executive team. Furthermore, Dexia reviewed its pension plans in the light of inter-company mobility and started with the implementation of "defined contribution" pension plans. As a result several "defined benefit" pension plans were closed and replaced. A further focus was also placed on integrated reward benchmarking and on a reward strategy for international mobility.

EMPLOYEE SHAREHOLDING PLAN: A VERSATILE UNIFYING TOOL

The capital increases reserved for members of staff have the objective of involving these members of staff in the evolution of the share and of strengthening the feeling of belonging by creating a common tool whatever the entity or the country in which the member of staff is active. The percentage of capital held by Dexia members of staff has, since its creation, been one of the federating elements within the Group. In fact, in 2000, on the launch of the first shareholding plan, the Chairman of the Board of Directors fixed as its objective that within five years 5% of the capital would be held by members of staff. That objective was achieved in June 2005 with a share of capital held by members of staff which, since then, has been around 4% depending upon transactions involving exits from previous plans reaching maturity. These results place Dexia in the global Top 30 of companies which have implemented employee shareholding plans.

Exit from the 2002 Plan

In 2007 Dexia members of staff were to leave the 2002 shareholding plan and could consider the attraction of the offers made to them. Indeed the classic offer posted a return of more than 191%; similarly, the leveraged offer presented a return of more than 744% to members of staff who opted for that formula.

New 2007 Plan

As in previous years, there are two offers: the classic offer and the leveraged offer. In 2007 the latter takes three forms, namely the "standard" option, the "average" option and the "click" option. These different offers are presented in every country in which Dexia operates, within the appropriate legal and fiscal limits. The shares subscribed for in each of these offers are locked up for five years (except in the case of early exit).

The classic offer

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

The leveraged offer

In the leveraged offer, by virtue of a specific financial mechanism, members of staff who acquire a share (with a 20% discount) find themselves heading 10 Dexia shares. At the end of five years, if the stock market price has increased, the member of staff receives, in shares or cash, the amount of their initial investment increased by a percentage of the increase calculated on 10 shares. If the share price is lower at maturity than the benchmark price (before application of the discount), the amount of the member of staff's initial investment is guaranteed.

New participants

In 2007, the capital increase operation was offered for the first time in Turkey.

Evolution of employee shareholding

At the close of these two major operations, as at December 31, 2007, Dexia members of staff held more than 45.3 million shares, or 3.84% of the capital.

PARTNER

FOSTERING THE SOCIAL DIALOGUE

The European Works Council (EWC) at Dexia has 26 permanent and 26 substitute staff representatives from 9 entities of Dexia with more than 150 members of staff.
2007 was a very buoyant year for the European Works Council with:

- three plenary meetings: a novelty in 2007 was that an EWC was organized for the first time exclusively dedicated to HR, with the heads of business lines presenting their strategy and its impact on HR. This exercise will be repeated each year;
- one extraordinary meeting dealing with Dexia co- or outsourcing policy;
- six 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;

• four meetings of the Commission Social Affairs with Diversity as a key theme for 2007;

2007 saw three major achievements:

1. The formalization of the sourcing policy the EWC was consulted about:

• Dexia will try to avoid social consequences when co- or outsourcing: this means that Dexia will take natural staff movements into account in phasing the envisaged operations;

• Dexia will analyze whether the co- or outsourcing company is capable of maintaining the employment and of guaranteeing a correct collective statute;

• Dexia is committing itself to consult its social partners whenever there is a case of co- or outsourcing.

2. The signature of an endorsement to the principles of social management in relation to the social rules to be followed in the event of an entity being sold. On December 19, 2007, the Dexia EWC and management signed a major endorsement to the Principles of Social Management in force within the Group since 2003. After several months of negotiation, this endorsement completes the principles of social management by specifying the line of conduct which Dexia intends to follow in the event of a transfer of any majority holding (departure of an entity concerned from the Group's scope). In more concrete terms this means that the Group will inform and consult the different staff representatives concerned at a local and a European level. Upstream, it will also inform potential acquirers that the contents of their social project will be taken into account in the choice, just like the industrial project and the financial aspect of their proposal. Finally, there will be specific monitoring with the EWC Board until the departure of the entity concerned from the Group's scope. This endorsement, which results from open discussion between management and the elected members of the EWC throughout 2007, reaffirms the importance Dexia attaches to the quality of social dialogue.

3. The commencement of discussions on a global framework agreement: the EWC, management and the UNI (Union Network International) had initial discussions on a global framework agreement for Dexia. Several meetings are planned for 2008.

Social dialogue was intensive not only at Group level. A number of entities concluded collective agreements between management and the staff representatives in 2007:

• no fewer than 37 different collective agreements were concluded throughout 12 entities with a staff representative structure in place;

• 79% participations in social elections in the entities.

BUSINESS PARTNERSHIP

HR considers the strategic partnership with the business as one of the core elements in realizing its mission and vision. A strong focus is therefore placed on establishing closer links (in the HR structure and organization) with the business lines, on aligning the HR strategy and the business strategy and on increasing HR involvement in business initiatives. Special attention will be paid in 2008 to supporting the business in the various change processes locally and internationally.

SUSTAINABLE DEVELOPMENT

DEXIA SUSTAINABLE DEVELOPMENT REPORT 2007

ORIENTATION OF THE 2007 REPORT

The Dexia Group has chosen to orient the data in its sustainable development report 2007 more specifically in order to respond to the exact expectations of the extra-financial rating agencies and SRI analysts on this subject, as well as those of its shareholders, clients, members of staff and society in general.
Dexia wishes to highlight the manner in which it takes account, in all of its activities, of the two issues it has identified as priorities in its sustainable development policy:
- the fight against climate change;
- the management and development of talents in the company.

The corresponding pages are illustrated with the points of view of international experts on those subjects.
Furthermore, concerned to limit its direct environmental impact, Dexia is reducing its use of printed paper and prefers an interactive support placed online at its Internet site *www.dexia.com.*

PRINCIPAL SUBJECTS DEALT WITH IN THE SUSTAINABLE DEVELOPMENT REPORT 2007

Introduction

- Group profile
- Message from the Chairman of the Board of Directors
- Conversation between the Chairman and the Vice-Chairman of the Management Board
- Opinion by Corinne Lepage

Commitment

- Sustainable commitments
- Risk management
- Action plan monitoring
- Key indicators

Anticipation

- Fight against climate change
- Talent management and development

Action

- Public sector and project finance
- Individual customers and fund management
- Shareholders
- Employees
- Environment
- Surrounding society

Annexes

- Feedback from the 2006 satisfaction survey
- Reporting process
- Table of indicators
- External opinion concerning certain sustainable development indicators
- Reference system comparison table

A first stage in the Group's carbon neutrality strategy
In 2007 the Dexia Group committed itself to an original carbon neutrality strategy combining the reduction and the offsetting of the Group's CO_2 emissions, centered around projects linked to its Public/Project Finance activity and located in the principal European countries in which it operates.
The acquisition of a wind park project with a power output of 20 MW situated in Lower Normandy was concluded at the end of 2007. This park, to be constructed in 2008, should be operational in March 2009, and produce approximately 53,000 MWh per annum. This production of renewable energy should offset the emission of some 17,700 tons of CO_2 each year from the Dexia Group's electricity consumption.
To learn more about the Group's offset strategy and the projects retained: www.dexia.com.

RISK MANAGEMENT

CREDIT RISKS

MANAGEMENT OF THE RISK

General principles

Credit risk is the potential loss (decrease of asset value and default of payment) Dexia may incur due to the deterioration of the solvency of an exposure. Dexia manages its credit risk by measuring, controlling and optimizing the credit risk taken by the Group.
Dexia Risk Management oversees the Dexia credit risk policies under the supervision of the Group Executive Committee or of specialized risk committees. They set the guidelines for the Group on limits and delegations, determine the decision-making process and implement risk assessment methods for each business line and each operational unit.

Credit risk limits

A limit is assigned to each counterpart according to technical rules defined by counterpart type. These rules are contained in the credit risk policies approved by the Risk Policy Committee or by the Credit Line Committee and implemented at entity level. The limits set at Dexia are defined to manage the general risk profile and avoid concentration on a counterpart.
Other kinds of limits are or can be assigned:
• limits by sector;
• limits by product.
These limits are independent of each other.
Operating entities have responsibility for day-to-day monitoring of limits but report to Group Risk Management.
In order to take the most recent events into account, specific limits can be frozen at any time by Risk Management or the appropriate committee.

Rating procedure

Within the context of the Basel II project, Dexia Group implements a set of internal rating systems.
Each rating assigned to a counterpart corresponds to an assessment of the risk level of the counterpart (e.g. the probability of default of the counterpart), expressed through an internal rating scale. In addition to this counterpart rating which determines its Probability of Default (or PD) – each transaction is also provided with a Loss Given Default parameter (or LGD) – which represents an estimation of the losses Dexia could face in case of default of the related counterpart (after taking account of Credit Risk Mitigants) – and a Credit Conversion Factor (or CCF) for off-balance-sheet commitments.
Without exception duly justified, the rating assigned to a counterpart takes account of the risk of the country in which the counterpart is established.
Within the Dexia Group, Credit Risk Analysis Centers (CRACs) are responsible for assigning a rating to all counterparts. Ratings benefit from a regular monitoring at least once a year in accordance with the Group's relevant procedure. This monitoring involves the possibility of proposing an outlook, placing the counterpart on a watch list or when necessary qualifying it as a default counterpart. The notion of default has been harmonized from the beginning of the Basel II project with the impairment notion used in IFRS. The distinction between the two notions of default required by the first Basel II texts has been implemented and used since then:
• counterparts with "doubtful loans" (D1), i.e. counterparts that have difficulties honoring their credit or for which it is estimated that they will have difficulties in doing so in the near future;
• counterparts with "non-performing loans" (D2), i.e. counterparts with non-performing loans and for which a return to a normal situation is considered difficult.
To ensure the quality and consistency of the overall rating process assignment and the quality of the rating assigned, Credit Risk sets up the Quality Control function. This function is one of the 3 IRS containment functions, which are: Validation, Model Management and Quality Control. It is defined, in accordance with regulatory directives, as an internal and independent audit. Its main objectives are to ensure that the IRS is being used properly, that it is operationally effective and that the audit trail is maintained in the rating process. This function reports to the Rating Committees.

ORGANIZATION

Committees

In addition to the Management Board, the Risk Policy Committee and the Management Credit Committee defined above, several specialized committees dealing with credit risk management exist at Group level.

- The Group Credit Committee approves transactions not delegated to business lines or entities, and subcommittees have been set up within the Group (the entities, subsidiaries and branches) based on delegation rules.
- The Group and Entity Watch-list Committee monitors sensitive assets.
- The Group and Entity Default Committee defines and monitors counterparts in default according to Basel II by application of rules prevailing within Dexia.
- The Group Rating Committee ensures that internal rating systems are properly applied and that the rating process is appropriate and accurately applied.
- The Credit Lines Committee assigns and monitors limits for specific types of counterparts (bank, insurance and country).

Credit risk IT systems

Basel II has been a great opportunity for Dexia to reinforce the integration of its risk management IT systems. In order to foster best practices in its IT systems and to ensure state-of-the-art answers to Basel II requirements, Dexia has completely refunded its credit risk IT systems.

DEXIA'S CONSOLIDATED EXPOSURE

Definition

The credit risk exposure is:

- the net carrying amount for balance-sheet assets other than derivative contracts (i.e. accounting value after deduction of specific provision);
- the net carrying amount (i.e. mark-to-market value) plus add-on for derivatives contracts. The add-ons represent an estimation of the potential future credit risk Dexia is taking when it invests into derivative contracts. This potential future credit risk is calculated by multiplying the notional of the derivative contract by a coefficient (also named add-on) that depends on two parameters: (i) the residual maturity of the derivative products (the longer the residual maturity, the higher the add-on) and (ii) the nature of the underlying asset (the more volatile the underlying asset, the higher the add-on). For instance, an interest rate swap with a residual maturity of more than 5 years will receive a coefficient of 1.5% that will be applied to the notional of the contract in order to calculate the add-on.
- the full commitment amount for off-balance-sheet commitments. The full commitment is either the undrawn part of liquidity facilities or the maximum amount Dexia is committed to pay for the guarantees it has granted to third parties. When credit risk exposure is guaranteed by a third party whose weighted risk is lower than that of the direct borrower, the exposure is then reported as it was directly held by the third-party guarantor (except in 2006, as explained hereunder).

Scope

Credit risk exposure is based on a scope that encompasses the fully-consolidated subsidiaries of Dexia Group and includes 50% of the joint venture RBC Dexia Investor Services.

Comparative information with respect to the previous period

In the frame of Basel II and in order to be compliant with IFRS 7 requirements regarding the definition of maximum credit risk exposure, Dexia redefined its concept of credit risk exposure in 2007.

As a result, the 2007 exposure is based on the carrying amount for balance-sheet assets, the net carrying amount plus add-on for derivative contracts and the full commitment amount for off-balance-sheet assets as explained above.

The 2006 exposure was based on:

- the gross outstanding amount for balance-sheet assets, which is equal to the outstanding principal amount plus accrued interest and unpaid amounts (if any) before deduction of the specific provisions;
- the net carrying amount plus add-on for derivative products (no changes with 2007);
- the full commitment amount for off-balance-sheet assets (no changes with 2007).

In addition, the breakdown of the credit risk exposure per type of counterpart is influenced by the way guaranteed exposure is reported. In 2006, it was systematically reported as a direct exposure on the guarantor. In 2007, it is reported as a direct exposure on the guarantor only when it generated less weighted risk than an exposure on the direct borrower as explained above.

Exposure by category of counterpart

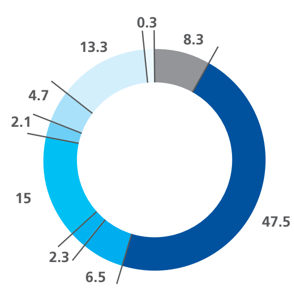
The Group's total exposure increased to EUR 902.5 billion as of December 31, 2007, against EUR 806.6 billion one year earlier (increase of 11.9%).
The mix of counterpart in Dexia's portfolio is very stable. Half of the exposure is on the local public sector (EUR 429 billion, up 8.4% compared to year-end 2006).

Exposure by geographical region

As of December 31, 2007, the Group's exposure was concentrated in the European Union (54.2%, EUR 489.4 billion at year-end 2007 against EUR 438.6 billion one year earlier), particularly in France (12.1%) and in Belgium (11.5%). The Group's exposures in the United States and Canada represented 37.1% of total exposure, slightly lower than as of December 31, 2006.

FSA RISK MANAGEMENT

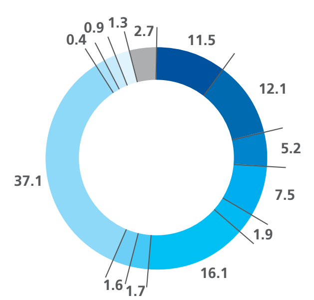
Financial Security Assurance (FSA) restricts its business to market sectors characterized not only by low probability of default but also by low loss severity and high recovery rates in the unlikely event of a claim on its guarantee. All transactions must be at least investment-grade quality before FSA 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 increasing over time, and to have self-correcting mechanisms triggered to restore protection if collateral performance falls below established minima. 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



BREAKDOWN OF DEXIA GROUP EXPOSURE BY CATEGORY OF COUNTERPART (%)
(AS OF DECEMBER 31, 2007)

CONSOLIDATED EXPOSURE: EUR 902.5 BILLION

- Central governements
- Local public sector
- Corporates
- Monolines
- ABS/MBS
- Project finance
- Individuals, SMEs & self-employed
- Financial institutions
- Other



BREAKDOWN OF DEXIA GROUP EXPOSURE BY GEOGRAPHICAL REGION (%)
(AS OF DECEMBER 31, 2007)

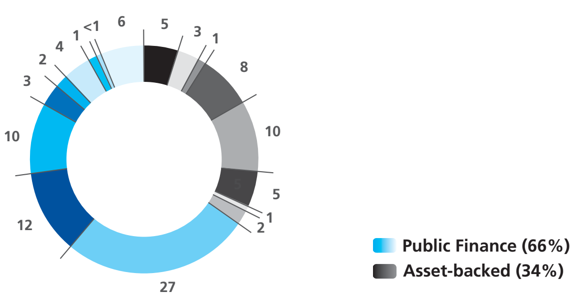
CONSOLIDATED EXPOSURE: EUR 902.5 BILLION

- Belgium
- France
- Germany
- Italy
- Luxembourg
- Other EU countries
- Rest of Europe
- Turkey
- United States and Canada
- South and Central America
- South-East Asia
- Japan
- Other

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: 88% of net par insured is of A quality or higher and 58% is AA or higher (see charts).

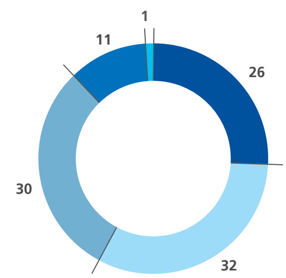


FSA INSURED PORTFOLIO (%)
(AS OF DECEMBER 31, 2007)

**TOTAL NET OUTSTANDING:
USD 426.5 BILLION**

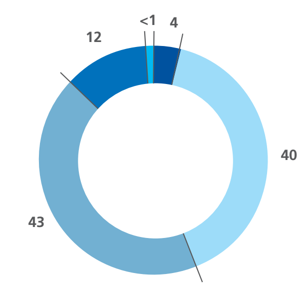
- Residential Mortgage-Backed Securities (RMBS)
- Consumer
- Collateralized bond obligations (CBOs) (1)
- Collateralized loan obligations (CLOs) (1)
- Pooled corporate credit default swaps (CDS) (1)
- Financial products (2)
- Other asset-backed
- International asset-backed (3)
- General obligations of cities, states and school districts
- Tax-supported
- Utility
- Heath care
- Housing
- Transportation
- Education
- Other municipal
- International infrastructure

(1) Includes US and international. CDS of CBOs and CDS of CLOs are included in CBOs and CLOs respectively CDS referencing obligations outside the pooled corporate sector are included in the appropriate asset-backed or public finance categories.
(2) Guaranteed investment contracts issued by FSA's Financial products affiliates.
(3) Exludes CBOs, CLOs and pooled corporate CDS.



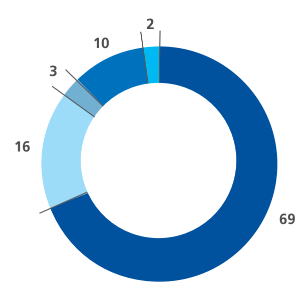
OVERALL (PUBLIC FINANCE + ASSET-BACKED) (1) (%)

**TOTAL NET PAR OUTSTANDING:
USD 426.5 BILLION**



PUBLIC FINANCE (1) (%)

**TOTAL NET PAR OUTSTANDING:
USD 282.7 BILLION**



ASSET-BACKED (1) (%)

**TOTAL NET PAR OUTSTANDING:
USD 143.8 BILLION**

- AAA
- AA
- A
- BBB
- BIG: below investment grade

(1) Internal FSA rating expressed in Industry terms.

THE BASEL II PROJECT

For the Basel II project, 2007 was a year of intense activity. After the introduction of the application file and the impact study at the end of 2006, the file took its normal course and all the deadlines were observed, at the price of very considerable involvement on the part of all the risk management teams. The file was deemed to be complete at the end of March 2007, and then sent to all the relevant authorities responsible for the supervision of the Group's subsidiaries, in application of Article 129 of Directive 2006/48/CE of the European Parliament and Council. That long process was concluded on December 18, 2007 with approval by the Banking, Finance and Insurance Commission, as the supervisory authority for the Dexia Group on a consolidated basis, of the use of a method based on advanced internal ratings (AIRBA - Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel II. From January 1, 2008, the Dexia Group will therefore use this method for calculating its capital requirements for credit risk and the publication of its solvency ratios.

The Dexia Group was able, within the deadlines imposed, to produce the two "double run" reports for the closing dates of March 31 and September 30, 2007. These two exercises led to significant improvements in the quality of data, the correction and flexibility of their processing, although efforts must continue in this regard. They also confirmed the interest of the AIRBA approach, which assures the Dexia Group of a substantial reduction of its capital requirements under Pillar I, in view both of its very conservative risk profile and its significant activity in the retail segments, and above all the local public sector, which as a consequence of their risk characteristics are the principal beneficiaries of the reform.

At a methodology level, major work was carried out in connection with the requirements of the homologation process, the completion of rating systems, the refinement of methods and the many recommendations formulated both internally and externally. The validation and quality control processes were also strengthened considerably.

As for operational risk, where the Dexia Group opted until now for the standardized approach, the information file was submitted to the regulator in June 2007, and its examination will take place in 2008. Incident reporting reached cruising speed, and the Risk and Control Self-Assessment (RCSA) process covers the entire Group, including its foreign subsidiaries and branches.

The Basel II project led to a considerable improvement of risk management within the Group, including its essential aspect of consolidated data control: in this field, Basel II completed the integration of the successive mergers which formed the Dexia Group with a high level of requirement. Beyond the development of models and processes, the tools put in place for Basel II are frequently extended for management and reporting purposes. The project phase gradually made way for permanent management, and steering as well as management bodies were adapted as a consequence.

Under Pillar I, over and above the action taken under the terms and conditions of the approval received at the end of 2007 and the perfection of some rating systems subject to roll-out, the principal work in 2008 will be the production of regulatory reports within short deadlines associated with external communication and regulatory constraints, a huge technical and operational challenge faced by all major banking groups.

Pillar II, the object of recent regulatory provisions, will attract most attention in 2008. This year Dexia will submit a file to the regulator describing the qualitative aspects of its approach; the quantitative account will follow in 2009. The deepening of the ICAAP (Internal Capital Adequacy Assessment Process) will continue, as the Group is paying particular attention to generalization of the integration in the management and steering of its activity of use of the RAROC in decision taking with regard to risk, financial and strategic plans and capital management in particular.

Dexia is heavily involved in the work in progress, both at a Belgian and a European level, aiming to resolve the problems encountered by the sector in the implementation of Basel II, and more generally, to improve the prudential control of transnational groups.

MARKET RISKS

MANAGEMENT OF THE RISK

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

Dexia's exposure to market risk as measured in Value at Risk (VaR) terms, mainly stems from general interest rate risk and specific interest rate (spread) risk reflecting today's volatility in credit markets, while its market exposure arising from trading positions in equity, exchange and other risk factors remains much lower.

Dexia Group has adopted the 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 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 a 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 and triggers, Dexia applies a wide set of supplementary risk measures based on their capacity to grasp the risks inherent to each particular activity line. Depending on the activity line's business content

and orientation, Dexia chooses among nominal, maturity and authorized market limits, sensitivity limits and Greeks and scenario analysis.
Outside the trading activities, Dexia supports high quality Credit Spread Portfolios on its banking books. These portfolios are not subject to 99% 10 day VaR limits, given their different investment horizon. Their volume and sensitivity is however constrained via the global risk appetite exercise.
The Dexia Group uses its internal VaR model for the regulatory 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. At the end of 2007, Dexia received the approval to extend this model to the Dexia Crédit Local scope for application on the December 31, 2007 figures.
A request to obtain an additional internal model approval (for equity and specific interest rate risk) has been introduced to the National Banking Commissions.

ORGANIZATION & CONTROL

Dexia's Management Board, advised by Risk Management Group (RMG), determines the strategic direction of market risk management (overall risk appetite, methodological choices, organization of reporting and of the decision processes).
These decisions are consequently translated into policies, guidelines and procedures at the level of the different Group companies.
RMG defines the calculation methods to be applied at Group level as to P/L and risk measurement.
Day-to-day responsibility for implementing sound and robust market risk management and follow-up (such as the computation of the risk indicators, control of the respect of limits and the breach of triggers) is attributed to the local risk management teams of the major Group entities (subsidiaries included). These teams are also in charge of reporting to local supervisory and regulatory bodies. The entire process is coordinated at Group level to ensure overall consistency and the quality of risk control within the entire Group.
The Market Risk and Guidelines Committee (MRGC) meets on a monthly basis and deals with all the topics related to market risk. The committee is composed of the members of the Management Board of the Group in charge of Treasury and Financial Markets and Risk Management, the Heads of business lines and Group and local Heads of Market Risk Management and ALM. Its agenda covers a wide range of topics including risk and trigger reporting, limit definition and review, new product approval proposals, guideline discussion, risk governance & standards and risk concepts & measurement methodology.

TFM MARKET RISK EXPOSURE

Treasury and Financial Markets (TFM) activities of Dexia are mainly oriented as a support function for the Group. TFM assumes trading activities as well as non-trading risk positions that arise from short-term balance-sheet and capital management activities. TFM also manages the Credit Spread Portfolio (CSP) activity line and the public finance bond denominated exposure. As a regular practiser of financial market products

TFM'S VALUE AT RISK (1)

(in millions of EUR)	2006 IR (2) & FX (3) (Trading and Banking)	2006 EQT (4) Trading	2006 Credit Spread Trading (Only 4Q) (5)	2007 IR (2) & FX (3) (Trading and Banking)	2007 EQT (4) Trading	2007 Credit Spread Trading (Full Year)
Individual	Avg 25.2	Avg 2.3	Avg 11.7	Avg 30.0	Avg 6.2	Avg 25.4
	Max 43.7	Max 6.6	Max 16.0	Max 58.0	Max 16.0	Max 57.4
Global	Avg. 29.8	Incl. Only 4Q 2006 for VaR Spread (5)		Avg 61.6		
	Max 58.9			Max 100.3		
	Limit 142			Limit 142		

DENIZBANK'S VALUE AT RISK (6)

(in millions of EUR)	2006 IR (2) & FX (3) (Trading and Banking)	2006 EQT (4) Trading	2007 IR (2) & FX (3) (Trading and Banking)	2007 EQT (4) Trading
Individual	Avg 2.6	Avg 3.3	Avg 4.1	Avg 0.8
	Max 3.4	Max 6.2	Max 5.3	Max 1.0
Global	Avg 5.9		Avg 4.9	
	Max 9.6		Max 6.3	

(1) DenizBank excluded.
(2) IR: interest rate.
(3) FX: forex.
(4) EQT: equities.
(5) Calculation of the VaR on Credit Spread Trading started only in the last quarter of 2006.
(6) Applied to DenizBank Financial Services Group on a consolidated basis.

and operations, CSP develops expertise in spreads, credit instruments and techniques that can be used by core business lines to manage the balance sheet and the global or specific credit exposures.

Value at Risk

The detailed VaR usage of TFM is disclosed in the table on page 69. In 2007, the TFM's average Value at Risk amounted to EUR 61.6 million (vs EUR 29.8 million in 2006 which includes one quarter of VaR on Credit Spread Trading as the calculation started only in 4Q 2006). DenizBank's VaR is mentioned apart in the lower table on page 69.

Interest rate sensitivity of the Credit Spread Portfolio and the public finance bond denominated exposure (banking book)

Dexia manages a high quality investment portfolio (and related investment program) focusing exclusively on credit spread. Its volume and sensitivity are constrained via the global risk appetite exercise. TFM credit spread exposure (CSP-banking book) amounted to EUR 70.8 billion as of December 31, 2007.
The main asset classes are banks, covered bonds, MBS and ABS. The average rating of this exposure stood at AA- as of December 31, 2007.
Public finance bond denominated exposure is the part of public finance business operated in bond format and not only via loans. The public finance denominated bond exposure (banking book) amounted to EUR 78.1 billion as of December 31, 2007.
The main asset classes are local authorities and public sector related bodies.
The average rating of this exposure stood at AA- as of December 31, 2007.
• Interest rate sensitivity
The interest rate risk of the Credit Spread Portfolio is hedged, as its purpose is the credit spread. Therefore, it has a very limited sensitivity to change of interest rate.
• Credit spread sensitivity
As of December 31, 2007 the sensitivity in fair value after a basis point spread increase amounted to EUR -41.4 million for the (banking) Credit Spread Portfolio and EUR -60.1 million for the (banking) public finance bond denominated exposure.

ASSET AND LIABILITY MANAGEMENT (ALM)

MANAGEMENT OF THE RISK

Structural interest rate, equity, forex and liquidity risks are managed and supervised by the Group's Asset and Liability Management function (ALM).

Interest rate

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 to TFM and captured by a market risk management driven approach (VaR limits & triggers, sensitivity limits, daily follow-up...);
• long-term ALM, which is not delegated and falls under the direct decision and control authority of 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 the Dexia balance sheet, a calculation of the sensitivity of the net present value of the ALM positions is used as the main ALM indicator. This indicator is completed by measuring the sensitivity of Dexia's earnings to a possible adverse change in interest rates under IFRS hedge accounting regime. The risk exposure as measured in economic and accounting terms is primarily on long-term interest rates in Europe and results from the structural imbalance between Dexia's assets and liabilities. Sensitivity risk measures reflect the balance-sheet exposure to first & second order sensitivity and behavioral risk.

Equity

Value at Risk measurement approach is applied to assess the portfolio's vulnerability to adverse changes in equity prices, volatility or correlation. Among others, the market risk management framework includes Earnings-at-Risk and Stress-Test measures that provide an indication of the maximum accounting loss under different scenario calculations.

(Structural) Fore

Although Dexia's reporting currency is the euro, its assets, liabilities, income and expense are also denominated in other currencies (e.g. USD, CAD, TRY). The ALCO decides on hedging the foreign currency risks. Furthermore, Dexia analyzes the opportunity to hedge all or part of the currency risk relating to participation investments in foreign currencies.

Liquidity

Regarding liquidity management, Dexia adopts a prudent policy that targets a careful monitoring and supervision of Dexia's available funding sources and their use. 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, in 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.

The second issue is addressed by assessing Dexia's liquidity profile under various distressed liquidity scenarios and for different periods (including off-balance-sheet and liquidity commitments).

A global liquidity contingency plan is part of the guidelines and is tested on a regular basis.

ORGANIZATION & CONTROL

ALM risks are globally managed by the Dexia Group ALM Committee.

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 on investment strategies in local entities (interest, forex, equities).

ALM EXPOSURE

Long-term ALM interest rate risk exposure (ALM sensitivity)

Long-term ALM falls under the direct decision and control authority of the ALCO Group (ALM Committee), which meets on a monthly basis.

The sensitivities measure the change in the balance-sheet net economic value if interest rates raise by 1% across the entire curve. Dexia Group's ALM long-term sensitivity amounts to EUR -116 million as of December 31, 2007 (vs EUR -494 million as of December 31, 2006), excluding insurance companies, pension funds and DenizBank.

ALM equity exposure (listed shares sensitivity)

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 that could be recorded in accounting results if there is a decline in value.

LISTED SHARES SENSITIVITY – BANKING COMPANIES PORTFOLIO

(in millions of EUR)	Market value	VaR	% VaR/MV (1)	EaR
March 31, 2006	1,671	91	5.4%	(9)
June 30, 2006	1,461	103	7.0%	(17)
September 30, 2006	1,453	106	7.3%	(8)
December 31, 2006	1,527	106	7.0%	(2)
March 31, 2007	1,471	103	7.0%	0
June 30, 2007	1,490	92	6.2%	(1)
September 30, 2007	1,558	117	7.5%	(11)
December 31, 2007	1,105	97	8.7%	(11)

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

LISTED SHARES SENSITIVITY – INSURANCE COMPANIES PORTFOLIO

(in millions of EUR)	Market value	VaR	% VaR/MV (1)	EaR
March 31, 2006	1,815	81	4.5%	(3)
June 30, 2006	1,554	81	5.2%	(2)
September 30, 2006	1,679	94	5.6%	(2)
December 31, 2006	1,795	100	5.6%	(1)
March 31, 2007	1,727	104	6.0%	(1)
June 30, 2007	2,030	106	5.2%	(3)
September 30, 2007	2,236	144	6.4%	(23)
December 31, 2007	2,451	170	6.9%	(36)

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

LIQUIDITY

Dexia adopts a conservative approach for liquidity risk management in which its future funding needs never exceed its secured funding capacity.
In 2007, Dexia updated its liquidity risk management framework in which its liquidity needs are assessed as realistically as possible; taking into consideration the liquidity needs arising from its current on and off-balance-sheet as well as the needs arising from future planned transactions. Moreover, this new framework measures Dexia's liquidity needs under a set of severe stress scenarios including both bank-specific and market stresses.

Dexia sets limits over a 3-year horizon for the ratio between its future available liquidity reserves and funding needs. It also sets absolute limits on its ongoing future liquidity needs and systematically challenges its financial plan from a liquidity perspective. This framework is compliant with the latest regulatory recommendations and best practices.
Dexia manages its liquidity risk by diversifying its funding sources. It has access to a wide variety of funding markets:
- retail deposits (mainly Belgium, Luxembourg and Turkey);
- capital markets via triple A covered bonds (Obligations Foncières or Pfandbriefe) or double A bonds;
- Central Bank deposits, CP/CDS, fiduciary deposits, deposits of other clients than banks and interbank deposits;
- repos and ECB tenders.

Dexia has implemented very restrictive internal ratios: the Group can rely on secured funding to square all liquidity positions and is fully independent of the unsecured markets.
It should also be noted that the switch from "entity approach" to "Group approach" implemented as of January 2007 has greatly contributed to the overall efficiency of liquidity management and in particular to the success of containing the impact of the recent crisis. Although the liquidity positions remain in the entities where they are created, our cash and liquidity activity line ensures that a common strategy is applied throughout the Group. A daily practice of cash and collateral exchanges between all entities in the Group has removed all bottlenecks preventing this approach. Such a Group-wide approach has proven to be a guarantee for an efficient and safe management of liquidity risk.
The robustness of Dexia's liquidity framework has been seriously put to the test during the 2007 financial turmoil. The results of this test were very satisfying.
In conclusion, Dexia's conservative approach towards liquidity management allowed the Group to overcome the crisis without any harm. Moreover, its strong liquidity position enabled the Group to take advantages of the crisis by reinforcing its commercial position and revenues.

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 70 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 RISK MANAGEMENT FRAMEWORK

No.	Scenario	Description	
		Dexia long-term rating	Market conditions
1	**Ongoing**	Unchanged	Normal
2	**Systemic**	Unchanged	Systemic crisis
3	**Downgrade**	-3 notches	Normal
4	**Downgrade +**	-3 notches	Systemic crisis

OPERATIONAL RISK MANAGEMENT

The operational risk management framework 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 & Security Committee, chaired by the Head of Group Operational Risk, ensures the development of a consistent Group-wide operational risk framework integrating 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.

The Dexia Group has continued for the fourth year to gather operational risk events in a central database. The most significant events including a risk mitigation action plan defined by the Line Management are reported to the Management Board by the Operational Risk function. The Risk & Control Self-Assessment exercise, as required by the Basel II reform, was expanded in 2007 to cover all major Dexia operations. Furthermore, within the area of Information Risk and Business Continuity, some local guidelines were harmonized at Group level and recommendations were made to mitigate risks in specific projects.

The same framework is currently under development at DenizBank and its subsidiaries, where a central Operational Risk Management Department has been set up in 2007. The Group policy and guidelines will be gradually implemented, starting with the central collection of operational losses.

Finally, the Dexia Group will use the standardized approach to calculate the regulatory capital for operational risk in 2008.

ECONOMIC CAPITAL

Economic capital figures produced in the year 2007 are based upon a methodology comparable to the one used in 2006, yet significantly more robust. It notably includes most of the second Basel II pillar prescriptions.

The framework allows for a thorough coverage of all the risks facing the Dexia Group. Their assessment is done at a high severity level (99.97%, one-year), corresponding to the AA/Aa2 criteria of rating agencies.

The following figures are pro forma. The major evolutions include the entry of DenizBank (EUR +1.1 billion) and a 50% share of RBC Dexia Investor Services (EUR +0.2 billion) in the consolidated scope. And the insurance activities have been mainly reallocated to Personal Financial Services.

At year-end 2007, total economic capital amounted to EUR 12.4 billion (EUR 11.2 billion as of year-end 2006). This increase of EUR 1.3 billion comes mainly from the development of loan and bond portfolios.

The amounts of economic capital required by each business line were as follows:

• Public/Project Finance and Credit Enhancement: EUR 6.0 billion (EUR 5.5 billion as of year-end 2006). This growth results mainly from the increase in size of the loan and project finance portfolios, with longer maturities.

• Personal Financial Services: EUR 2.5 billion (EUR 2.3 billion as of year-end 2006). The increase can be partially attributed to the growth of retail activities in Turkey.

• Asset Management, and Investor Services: EUR 0.3 billion (EUR 0.3 billion as of year-end 2006).

• Treasury and Financial Markets: EUR 1.6 billion (EUR 1.3 billion as of year-end 2006), largely explained by the increasing size of the Credit Spread Portfolio.

• Equity not allocated to the business lines: EUR 2.0 billion (EUR 1.8 billion as of year-end 2006). This growth comes from the increases in size and value of the equity and real estate 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, RISK-WEIGHTED ASSETS, ASSET QUALITY AND RATINGS

RISK-WEIGHTED ASSETS

Dexia's total risk-weighted assets amounted to EUR 159.4 billion at year-end 2007, up 19.5% in one year. This evolution is mainly explained by the organic growth.

CAPITAL ADEQUACY

At the end of 2007, Tier 1 capital amounted to EUR 14,549 million, an 11.7% increase because of higher retained earnings.
The AFS reserves on bonds and cash flow hedge reserves are not part of the regulatory equity.
The positive AFS reserves on shares are added to Tier 2 equity. They would have been deducted from Tier 1 equity if negative. This is explained in the accounting principles and rules of the consolidated financial statements published in the annual report.
Tier 1 ratio decreased slightly from 9.8% at the end of 2006 to 9.1% at the end of 2007, mainly stemming from the increase of the risk-weighted assets which is higher than the equity growth. These ratios are well above the regulatory requirements.
For the calculation of the solvency ratio in 2007, the treatment of qualified participations in banking and insurance institutions remains the same as in 2006, being the deduction of the total regulatory equity.
As of December 18, 2007 the Banking, Finance and Insurance Commission (CBFA - Belgium), the supervisor of the Dexia Group on a consolidated basis, has given its approval for using the Advanced Internal Ratings Based Approach (AIRBA) method to calculate the capital requirements for credit risks in the framework of the first Basel II pillar.

From January 1, 2008 onwards, the Dexia Group will use this method to calculate the capital requirements for credit risks and to publish its solvency ratios. The standard approach will be used to assess the operational risks. More information is available in section "The Basel II project" of this chapter.

ASSET QUALITY

The asset quality ratio (i.e. the ratio between the impaired loans and the gross outstanding loans ratio) stood at 0.50% at the end of 2007 (0.61% at the end of 2006).
The bad debt coverage ratio decreased slightly: 67.2% in 2007 (against 69.3% in 2006).

RATINGS

The high rating levels reflect the financial strength of the Dexia Group. In 2007, Moody's, Standard & Poor's and Fitch confirmed their Aa1/AA/AA+ rating on the three core operating banks of the Dexia Group. DBRS assigned first-time AA (high) ratings on Dexia's three operating banks in 2007.
The ratings of FSA and Dexia Municipal Agency are the highest financial ratings that can be given to a counterpart (Aaa/AAA/AAA respectively by Moody's, Standard & Poor's and Fitch). The triple-A financial strength rating of FSA with a stable outlook was recently affirmed by the three rating agencies, as part of their evaluation of the effect of mortgage market turbulence upon the ratings of financial guaranty companies.
FSA is now the only major financial guarantor with triple-A ratings and stable outlooks from the three rating agencies, which reflects its long-term commitment to conservative underwriting and pricing discipline.

RISK-WEIGHTED ASSETS (in millions of EUR)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007
20% weighted counterparts	45,102	47,199	45,414	47,065	47,531
50% weighted counterparts	14,783	15,216	15,886	17,343	19,161
100% weighted counterparts	65,393	67,490	71,657	78,840	84,795
Trading portfolio	8,091	8,905	8,459	9,036	7,896
TOTAL	**133,369**	**138,810**	**141,416**	**152,284**	**159,383**

CAPITAL ADEQUACY (in millions of EUR, except where indicated)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007
Tier 1 capital	13,028	13,497	14,045	14,098	14,549
Total regulatory capital	13,754	14,275	14,795	15,101	15,345
Tier 1 ratio	9.8%	9.7%	9.9%	9.3%	9.1%
Capital adequacy ratio	10.3%	10.3%	10.5%	9.9%	9.6%

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

QUALITY OF RISKS (in millions of EUR, except where indicated)	Dec. 31, 2006	Dec. 31, 2007
Impaired loans	1,359	1,218
Portfolio impairments (1)	942	818
Asset quality ratio (2)	0.61%	0.50%
Coverage ratio (3)	69.3%	67.2%

(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)	Dexia Bank	Dexia Crédit Local	Dexia BIL	FSA	Dexia Municipal Agency
Moody's	Aa1	Aa1	Aa1	Aaa	Aaa
Standard & Poor's	AA	AA	AA	AAA	AAA
Fitch	AA+	AA+	AA+	AAA	AAA
DBRS	AA (high)	AA (high)	AA (high)	–	–

FINANCIAL RESULTS

PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (1)

Changes in the scope of consolidation

In 2006

• 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 in the first quarter of 2006.

• The private banking activities in the UK were sold, effective in the second quarter of 2006.

• Banque Artesia Nederland (BAN) was sold, effective in the last quarter of 2006.

• DenizBank was acquired in two tranches (75% in October and the balance in December). It was fully consolidated in the fourth quarter, but minority interests were present for 25%, as the mandatory tender offer on that tranche of shares became effective on December 22, 2006. As of December 31, 2006, the shareholding of Dexia in DenizBank stood at 99.8%.

In 2007

• As of June 30, 2007 Dexia Banque Privée France and Belstar Assurances SA left the scope of the Group following the closing of their sale.

• Deniz Hayat Sigorta AS, a Turkish insurance company, is consolidated as from April 1, 2007.

• Dexia Lettre de Gage (LdG) Banque SA, a 100%-owned subsidiary of Dexia BIL, is fully consolidated as from July 1, 2007. Dexia LdG Banque SA's principal activity will be the refinancing of assets generated by the Group's public sector financing business in OECD countries and in the European Economic Area through the issuance of covered bonds.

• The consumer credit company Fidexis was sold in the fourth quarter of 2007.

Pro forma financial statements

The changes in scope of consolidation were taken into account to establish pro forma financial statements for 2006 so as to enable comparisons. In absolute figures, the difference between the reported and pro forma 2006 net income – Group share is EUR +56 million (income higher by EUR 211 million; costs higher by EUR 139 million; cost of risk higher by EUR 23 million; taxes higher by EUR 4 million).

In 2007, a new analytical treatment was introduced. The former subsegment called "Insurance Services" no longer exists. Results from the Insurance activities (Dexia Insurance Services alone, i.e. without FSA and Dexia Sofaxis) is allocated to the distribution business lines, i.e. Personal Financial Services and Public/Project Finance and Credit Enhancement, and to a lesser extent Treasury and Financial Markets and Central Assets. 2006 results by business lines are proformatted accordingly.

"Underlying" and "non-operating" items

"Underlying" results exclude the effects of the changes in 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 mark-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 mark-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 79 of this report.

Impact of the credit and financial crisis

An in-depth review of the risks related to US non-prime credit exposure and of the impacts of the financial crisis is provided within the 4Q and full year 2007 presentation for analysts and investors as well as in the FSA 2007 results and business profile presentation. Both presentations are available on Dexia's Website: *www.dexia.com*.

CONSOLIDATED STATEMENT OF INCOME

Foreword

To assess these results appropriately, it must be noted that material variations in the scope of consolidation took place in 2006 and 2007, the main ones being the acquisition of DenizBank and the disposals of Banque Artesia Nederland, Dexia Banque Privée France and the private banking business in the United Kingdom. Based on today's scope of consolidation, 2006 net income – Group share (pro forma) would have been EUR 2,806 million instead of EUR 2,750 million.

(1) The analysis of Dexia SA's financial statements can be found in the note 4 to the financial statements on page 228 of this report.

Net income – Group share

Net income – Group share amounted to EUR 2,533 million in 2007, down 7.9% year-on-year.

In the second half of the year, the ongoing financial crisis led to negative marks on certain financial portfolios, with impacts more particularly through the statement of income in the credit enhancement activity (FSA) and in Treasury and Financial Markets (TFM). In the present circumstances, these adjustments are accounting requirements which do not reflect a weakening of creditworthiness of the assets, because the spread widening is mainly due to liquidity dislocations rather than credit deterioration. Given the high quality of the underlying assets which suffered from negative marks, Dexia expects that these negative adjustments will reverse over time.

Non-operating items were material in both 2006 and 2007 (respectively EUR 706 million and EUR 171 million). 2006 benefited from high amounts of capital gains (of which EUR 236 million resulting from the creation of the joint venture RBC Dexia Investor Services and EUR 280 million from the sale of Banque Artesia Nederland) while capital gains booked in 2007 were offset by the negative mark-to-market of FSA's CDS (EUR 297 million post-tax). Excluding these non-operating items and on a pro forma basis, underlying [2] net income – Group share climbed a EUR +262 million, or +12.5% (+13.1% on a constant exchange rate) to EUR 2,362 million.

Over the full year 2007, all commercial business lines came with double-digit growth of their underlying net income – Group share: +15.0% (+18.5% on a constant exchange rate) in Public/Project Finance and Credit Enhancement, +11.0% in Personal Financial Services, +12.3% in Asset Management and +13.0% in Investor Services (+17.1% on a constant exchange rate). Treasury and Financial Markets (-22.7%) suffered from the mark-to-market of certain financial instruments.

(2) "Underlying" results exclude the non-operating factors, i.e. both the nonrecurring elements of the period, described and quantified individually, and also the variations of the mark-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 is however deceptive for 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 mark-to-market variations on this book in any period are not underlying results, as they will eventually add up to zero.

CONSOLIDATED STATEMENT OF INCOME

(in millions of EUR)	2006	2007	Variation
Income	**7,005**	**6,896**	**-1.6%**
of which net commissions	*1,307*	*1,502*	*+14.9%*
Expenses	**(3,474)**	**(3,834)**	**+10.4%**
Gross operating income	**3,531**	**3,062**	**-13.3%**
Cost of risk	(124)	(163)	+31.5%
Impairments on (in)tangible assets	0	(7)	n.s.
Tax expense	(569)	(256)	-55.0%
Net income	**2,838**	**2,636**	**-7.1%**
Minority interests	88	103	+17.0%
Net income – Group share	**2,750**	**2,533**	**-7.9%**

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

(in millions of EUR)	2006	2007	Variation
Income	**7,005**	**6,896**	**-1.6%**
Changes in scope of consolidation	*212*	*-*	*n.s.*
Income pro forma	**7,217**	**6,896**	**-4.4%**
Non-operating items	*697*	*(99)*	*n.s.*
Underlying income	**6,519**	**6,995**	**+7.3%**
Expenses	**(3,474)**	**(3,834)**	**+10.4%**
Changes in scope of consolidation	*(139)*	*-*	*n.s.*
Expenses pro forma	**(3,613)**	**(3,834)**	**+6.1%**
Non-operating items	*(4)*	*(1)*	*-80.7%*
Underlying expenses	**(3,610)**	**(3,833)**	**+6.2%**
Gross operating income pro forma	**3,603**	**3,062**	**-15.0%**
Non-operating items	*694*	*(99)*	*n.s.*
Underlying gross operating income	**2,910**	**3,162**	**+8.7%**
Cost of risk pro forma	**(147)**	**(163)**	**+11.3%**
Non-operating items	*(35)*	*(6)*	*-82.2%*
Underlying cost of risk	**(112)**	**(157)**	**+40.7%**
Net income – Group share	**2,750**	**2,533**	**-7.9%**
Changes in scope of consolidation	*56*	*-*	*n.s.*
Net income – Group share pro forma	**2,806**	**2,533**	**-9.7%**
Non-operating items	*706*	*171*	*-75.7%*
Underlying net income – Group share	**2,100**	**2,362**	**+12.5%**

(1) i.e. excluding the non-operating items (described on page 79 of this report). (2) Pro forma 2006 as defined on page 76.

Income

Total income in 2007 amounted to EUR 6,896 million, slightly down (-1.6%) versus the year-earlier period. On a constant scope of consolidation and stripping out non-operating items, the increase was EUR +7.3% or EUR 475 million). This strong performance stems from the growth of underlying revenues across all business lines but one: EUR +261 million in Public Finance (+10.2% and +12.7% on a constant exchange rate); EUR +123 million in Personal Financial Services (+4.6%); EUR +33 million in Asset Management (+13.4%), EUR +51 million in Investor Services (+13.7%). Total underlying income in Treasury and Financial Markets went down by 13.8% (EUR 78 million) after taking into account a EUR 180 million (pre-tax) negative mark which occurred in the third and the fourth quarters of the year. This is explained by the effect of widening credit spreads on TFM's trading portfolios, among which the 6% part of the Credit Spread Portfolio accounted in trading is by far the largest. Given the quality of the underlying assets, the negative marks made during the second half of the year on the above portfolio – which are only related to spread widening and not to credit events, of which none are foreseen so far – will reverse to zero in the coming years. Revenues from Central Assets and non-operating factors amounted to EUR 87 million in 2007, EUR 710 million lower than in 2006. The gains realized in 2006 by the creation of the joint venture RBC Dexia Investor Services and the sale of Banque Artesia Nederland, and the fair-value adjustment in FSA's insured derivative portfolio accounted for much of this shortfall.

Costs

Expenses stood at EUR 3,834 million in 2007, up 10.4% or EUR +360 million versus the same period in 2006. On an underlying pro forma basis, costs rose EUR 223 million or +6.2%. On a constant exchange rate, the increase in costs was +6.5%. This increase stems from the continued investment in many business developments, particularly Public/Project Finance international expansion, strong growth of originations at FSA and increased investments in Turkey.

The **cost-income ratio** was 55.6% in 2007, compared to 49.6% in 2006. Excluding the non-operating items discussed above, the underlying cost-income ratio came down from 55.4% in 2006 to 54.8 % in 2007. This is satisfactory as the progressions of business volumes have been healthy, therefore building a strong basis for future revenues.

Gross operating income

Gross operating income was affected by the consequences of the negative mark-to-market adjustments described above. It amounted to EUR 3,062 million in 2007, down 13.3% versus 2006. On a constant scope of consolidation and on an underlying basis the gross operating income increased by 8.7% (+9.1% on a constant exchange rate).

Cost of risk

For the full year 2007 the cost of risk amounted to EUR 163 million compared to EUR 124 million one year earlier. On an underlying basis the cost of risk rose from EUR 112 million in 2006 to EUR 157 million in 2007. This evolution stems mainly from increased activities (FSA, Turkey, international development). Overall the provisions remained nevertheless at a low level. The **cost of risk ratio** (net charge as a percentage of total net outstanding commitments) for banking activities stood at 4.3 basis points in 2007.

Taxes

Tax expense (comprising both current and deferred tax) went down from EUR 569 million in 2006 to EUR 256 million in 2007, mainly stemming from non-operating items, the main one being the tax impact of the negative mark-to-market valuation in the second half of the year. Stripping out the non-operating items, the underlying tax expense amounted to EUR 535 million in 2007, down 13.8% versus the same period of last year. The underlying effective tax rate (ETR) stood at 18.5% which is slightly below the expected underlying ETR which is 20%, because of the adjustment in the differed tax liabilities due to a change in the tax rate in Italy, some adjustments in the tax provisions in New York and the positive outcome of some claims.

Overall financial performance

Return on equity [3] (ROE) declined to 17.8% in 2007 from 23.1% in 2006. Excluding the non-operating items and on a pro forma basis, ROE would have been 16.6% in 2007 against 17.6% in 2006, primarily because a capital increase was carried out in September 2006.

Earnings per share (EPS) were calculated on the basis of 1,163 million shares (average weighted number) as of December 31, 2007 and 1,105 million shares as of December 31, 2006, an increase of 5.2% mainly due to the issuance of new shares mid-September 2006 in connection to the acquisition of DenizBank. EPS reached EUR 2.18 (undiluted) in 2007 against EUR 2.49 in 2006. This decline stems from the 7.9% decrease of net income – Group share and the change in the number of outstanding shares. On an underlying basis, (undiluted) EPS rose 9.7% from EUR 1.85 in 2006 to EUR 2.03 in 2007.

The Group's **Tier 1 ratio** [4] stood at 9.1% as of December 31, 2007 versus 9.8% at the end of 2006. The reduction in solvency ratios mainly came from the expansion in risk-weighted assets resulting from the exceptionally strong business activity in the second half of the year and share buybacks.

Proposed dividend

The Board of Directors will propose a gross dividend of EUR 0.91 per share, up 12.3% compared to 2006. Subject to Shareholders' Meeting approval thereon, the dividend will be paid on May 22, 2008.

(3) The ratio between the net income – Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).

(4) The shareholders' equity is considered after income appropriation. For the calculation of the solvency ratio in 2007, the treatment of qualified participations in banking and insurance institutions remains the same as in 2006, being the deduction of the total regulatory equity.

MAIN ITEMS REPORTED AS NON-OPERATING

The non-operating factors comprise both the nonrecurring items and the variations of the mark-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 mark-to-market variations on this book in any period are not underlying results, as they will eventually add up to zero.

Income

In 1Q 2006: interest discount on loans accepting "Dexia Offer" (EUR +4.3 million); capital gains (EUR +236.6 million); mark-to-market of FSA's CDS portfolio (EUR +24.1 million).
In 2Q 2006: interest discount on loans accepting "Dexia Offer" (EUR +3.3 million); capital gains (EUR +67.0 million); mark-to-market of FSA's CDS portfolio (EUR -3.1 million).
In 3Q 2006: interest discount on loans accepting "Dexia Offer" (EUR +2.4 million); capital gains (EUR +131.0 million); mark-to-market of FSA's CDS portfolio (EUR -1.5 million).
In 4Q 2006: interest discount on loans accepting "Dexia Offer" (EUR +1.8 million); capital gains net of provisions (EUR + 221.4 million); mark-to-market of FSA's CDS portfolio (EUR +5.7 million).

In 1Q 2007: interest discount on loans accepting "Dexia Offer" (EUR +0.6 million); capital gains (EUR +38.8 million); mark-to-market of FSA's CDS portfolio (EUR -9.4 million).
In 2Q 2007: interest discount on loans accepting "Dexia Offer" (EUR -1.8 million); capital gains (EUR +158.0 million); mark-to-market of FSA's CDS portfolio (EUR -33.8 million).
In 3Q 2007: interest discount on loans accepting "Dexia Offer" (EUR +0.8 million); capital gains (EUR +40.0 million); mark-to-market of FSA's CDS portfolio (EUR -215 million).
In 4Q 2007: interest discount on loans accepting "Dexia Offer" (EUR +0.5 million); capital gains (EUR +118.6 million); mark-to-market of FSA's CDS portfolio (EUR -203.3 million).

Costs

Nil.

Cost of risk

In 1Q 2006: net release of prior provisions for share leasing at Dexia Bank Nederland (EUR +13.0 million).
In 2Q 2006: net charge for share leasing at Dexia Bank Nederland (EUR -42.0 million).
In 3Q 2006: net release of prior provisions for share leasing at Dexia Bank Nederland (EUR +13.8 million).
In 4Q 2006: net charge for share leasing at Dexia Bank Nederland (EUR -19.8 million).

In 1Q 2007: net release of prior provisions for share leasing at Dexia Bank Nederland (EUR +4.4 million).
In 2Q 2007: net release of prior provisions for share leasing at Dexia Bank Nederland (EUR +0.5 million).
In 3Q 2007: net charge for share leasing at Dexia Bank Nederland (EUR -7.9 million).
In 4Q 2007: net charge for share leasing at Dexia Bank Nederland (EUR -3.2 million).

Impairments on (in)tangible assets

Nil.

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, and so are particular tax entries.

In 2Q 2006: reimbursement of taxes following the settlement of a tax dispute (EUR +6.8 million).

In 1Q 2007: liquidation of the holding company which owned Dexia Bank Nederland (EUR +66.9 million).
In 3Q 2007: tax credit recognized by Dexia Bank Nederland further to an agreement signed with the tax authorities (EUR 58 million); tax impact of the mark-to-market of FSA's CDS which is more important this quarter (EUR +75.2 million).
In 4Q 2007: tax impact of the mark-to-market of FSA's CDS which is more important this quarter (EUR +71.2 million).

CONSOLIDATED BALANCE SHEET

Total consolidated balance sheet amounted to EUR 604.6 billion as of December 31, 2007, increasing with EUR 37.8 billion (+6.7%). Liabilities increased by EUR 39.8 billion while total equity decreased by EUR 2 billion.

Total equity

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.

Total shareholders' equity of the Dexia Group amounted to EUR 14.5 billion as of December 31, 2007 against EUR 16.3 billion as of December 31, 2006, i.e. a decrease of some EUR 2 billion mainly due to the mark-to-market valuation of the financial instruments in the gains and losses not recognized in the statement of income in the context of the liquidity crisis (subsequent to the so-called subprime crisis).

Core shareholders' equity amounted to EUR 16.1 billion, i.e. a growth of 11.6% mainly due to the net income of the period (EUR 2.5 billion) less the payment of the dividend done in May 2007 (EUR 0.9 billion). Capital increases of the year have been compensated by the acquisition of treasury shares.

The gains and losses not recognized in the statement of income 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 -1.6 billion, down by EUR 3.4 billion. The available-for-sale reserve, down by EUR 3.4 billion was deeply influenced by the widening of the fixed-income spreads in the context of the liquidity crisis. The cash-flow hedge reserve increased by EUR 64 million. Translation reserve diminished by EUR 29 million as USD exchange rate decrease was almost compensated by TRY exchange rate change.

Minority interests, at EUR 1.7 billion rose by EUR 44 million mainly due to the result of the period less the deduction of the dividend paid.

Liabilities

The amount of customer deposits and debt securities (savings bonds, certificates and bonds) reached EUR 330.7 billion at the end of 2007 (+9.9%). Their relative share in the total of the balance sheet amounted to 54.6%. Customer deposits stood at EUR 126.7 billion at the end of 2007, an increase of +9.1%. Debt securities increased to EUR 204 billion, up 10.4% mainly due to the issuance of non-subordinated securities and of certificates of deposits increasing respectively by EUR 12.3 and 8.4 billion.

Subordinated debts increased by 12.4%, to EUR 4.9 billion due to the issuance of debt for an amount of EUR 1,082 million and of GBP 150 million while an amount of USD 500 million of debt was reimbursed.

The interbank liabilities increased by 2.2%, to EUR 178.7 billion.

Assets

Loans and advances to customers increased by +7.1% and stood at EUR 242.6 billion as of December 31, 2007 due to good commercial activity. Loans to customers rose by EUR 25.4 billion and reverse repurchase agreements decreased by EUR 9.9 billion.

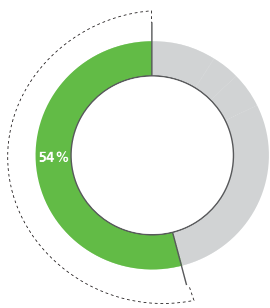
Financial assets at fair value through profit or loss and financial investments reached EUR 257.9 billion (i.e. +15.5%) as of December 31, 2007.

Interbank assets decreased by 30% mainly due to the reverse repurchase agreements.

CONSOLIDATED BALANCE SHEET (in millions of EUR)	2006	2007	Variation
Total liabilities and equity	**566,743**	**604,564**	**+6.7%**
Total liabilities	548,308	588,170	+7.3%
Due to banks	174,754	178,681	+2.2%
Customer borrowings and deposits	116,165	126,680	+9.1%
Derivatives	30,489	31,365	+2.9%
Debt securities	184,746	204,013	+10.4%
Subordinated debts	4,345	4,885	+12.4%
Total equity	**18,435**	**16,394**	**-11.1%**
Core shareholders' equity	14,433	16,112	+11.6%
Total shareholders' equity	16,299	14,525	-10.9%
Minority interests	1,710	1,754	+2.6%
Assets	**566,743**	**604,564**	**+6.7%**
Due from banks	78,215	54,776	-30.0%
Loans and advance to customers	226,502	242,619	+7.1%
Financial assets at fair value through profit or loss and financial investments	223,207	257,855	+15.5%
Derivatives	24,032	29,218	+21.6%

ACTIVITY AND RESULTS OF THE BUSINESS LINES

PUBLIC/PROJECT FINANCE AND CREDIT ENHANCEMENT



CONTRIBUTION OF THE BUSINESS LINE TO THE NET INCOME

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 represents around one half of its net income, are basically its long-term relationship with local players and its capacity for innovation. The vast range of products Dexia offers to its public sector clients allows the bank to address all their needs, taking advantage of a complete multi-product offer: loans or structured loans, capital market solutions, insurance services, debt management, insurance products and so on. For several years, moreover, 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. Such client diversification allows Dexia to deliver high average margins without impairing the Group's low risk profile (social housing, hospitals, non-profit organizations...);
- to continue its geographical expansion towards promising markets which will provide a solid basis for growth in the medium term. In terms of geographic development, Dexia has been extremely active over the last two years, and established notably in Canada, Mexico, Japan, India and China as well as in Central and Eastern Europe.

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 consciously refraining from operating in sectors such as mining and manufacturing.

Dexia is also one of the major players in Credit Enhancement business, through its American subsidiary FSA, which started to operate in the 1980s and now holds about one quarter of the insured US municipal bond market. FSA's activity outside the United States is also significant and is developing steadily.

The expected long-term real growth of the global public finance market (2%-4%) will stem from a variety of factors, such as the increase of population and GDP, the ongoing decentralization process currently observed in many countries, an ageing population which will generate new demand and increasing infrastructure needs in developing countries. Despite this moderate annual growth rate at a global level, the total increase of debt over the next ten years is estimated at more than USD 1,500 billion, i.e. more than three times Dexia's current total public finance commitments.

As a 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 MEMBER STATES OF THE EUROPEAN UNION

As world leader in Public/Project Finance, Dexia means to develop and share its expertise and knowledge of the European sub-national public sector.

For seven years, the Research Department has published an annual Economic Outlook on territorial public finance in the European Union. This study has become a reference tool for European decision-makers. Using five indicators (expenditure, investment, revenues, budget balance and debt), the last edition, published in December 2007 in English, French and Dutch, provides an overview of the institutional and financial situation regarding the sub-national public sector in the 27 countries of the European Union between 2000 and 2006 and presents the main events of the year 2007. It also provides a specific focus on the sub-national public sector in the two new Member States of the European Union: Bulgaria and Romania.

The Economic Outlook is accompanied by a set of 12 sheets providing key figures for national and sub-national public finances per country and data on European structural and cohesion funds, twinning between European municipalities and even the place of women in the local political life of different EU countries. This document is published in collaboration with the European Council of Municipalities and Regions.

These two publications can be downloaded from the Website *www.dexia-creditlocal.fr.*

Five major trends emerge:

1/ The strengthening of decentralization and regionalization processes

The European Union of 27 Member States includes 92,500 local, regional or federated governments. The territorial organization of Europe is marked by its great diversity, and by its perpetual evolution. Several major fundamental trends emerge on a European scale. Indeed, the decentralization process is ongoing in several European countries, strengthening the competences and the autonomy of local authorities. Municipalities are confirmed in their role at a local level but, in order to respond better to the expectations of their populations, they are increasingly prompted to merge or combine by way of inter-municipal cooperation. We also observe a trend towards regionalization which is reflected by the strengthening of regions or Federated States (Spain, Germany), and even by the creation of a new regional level (Denmark, Slovenia).

2/ The increase of sub-national public expenditure

The sub-national public sector occupies an increasingly important position in the European economy. Sub-national (local, regional and Federated States) public expenditure increased in volume by +2.6% per year on average between 2000 and 2006 and in particular by +2.3% in 2006. Sub-national expenditure amounted to EUR 1,825 billion in 2006, representing 15.7% of European GDP and 33.6% of the total EU27 expenditure.
The increase of sub-national public expenditure is essentially explained by decentralization, which is reflected in many countries by transfers of competences in favor of sub-national governments (Spain, Italy, Estonia, Poland, France etc). Those transfers sometimes fall within the context of the creation of a new tier of local government (Slovakia, Czech Republic). The momentum of expenditure also results from the increased proportion of operating and social expenditure in sub-national budgets (health, education, social aid etc). The latter has been increasing due to the growing public service needs of populations.

3/ The sharp increase of sub-national public investment

Over the years, the sub-national public sector remains the most important public investment. Sub-national investment expenditure grew in volume by +2.8% per year on average between 2000 and 2006, with a particularly noteworthy growth rate in 2006 (+6.6%). In all, sub-national public sector investment expenditure was EUR 196 billion in 2006, or 1.7% of European GDP and 67.4% of total public investment.
This sharp increase in sub-national investment in 2006 is principally attributable to countries of the EU 12 (particularly Romania, the Baltic States, Poland and Bulgaria), where investments increased by +28.9% in 2006. In those countries, significant infrastructure requirements and an acceleration of the implementation of local projects co-financed by European structural and cohesion funds added momentum to sub-national investments.

4/ The growth of sub-national public revenue, particularly of tax receipts

Sub-national public sector revenue grew on average by +2.4% per year over the 2000-2006 period. That growth resulted from significant financial transfers from central to sub-national governments (new grants, sharing national taxation) and the creation of new specifically local taxes. The growth of revenue increased in 2006 (+3.6%), driven by the momentum of tax revenues (+4.8%) and good economic performance. In 2007, significant local finance reforms were implemented in several European countries: overhaul of the entire financing system (Denmark, Slovenia), changes to local taxation (Bulgaria, Spain) and the evolution of transfers from central to sub-national governments (Portugal, Austria, Romania).

5/ The good budget health of the sub-national public sector

The budget deficit of the sub-national public sector, which has become more pronounced since 2000, was reduced in 2006 to some EUR 29 billion. Its weighting in GDP is still modest (0.25%), above all if we compare it to the deficit of the entire public sector (1.6% of European GDP), of which it represents approximately 15%.
The sub-national public sector debt, which in 2006 was EUR 1,190 billion, is taken to 43% by the States with a federal structure, in particular Germany. Sub-national public sector debt grew on average by +2.9% per year between 2000 and 2006, above all in the new Member States (+15.5% per year on average against +2.8% in the EU 15) where local governments, starting off with a low level of debt, call increasingly on credit in order to respond to growing investment requirements. The weighting of sub-national public sector debt in GDP remained relatively stable over the period from 2000 to 2006, at around 10% (and around 6% if we exclude the debt of the Federated States). In 2006, the sub-national public sector bore less than 16.6% of total public debt (and 9.5% without the Federated States).
Keeping these indicators under control was facilitated by budgetary and prudential rules governing local management. It has also been made possible in some countries by an increased association of the sub-national public sector in the control and governance of public finances, for example by way of internal stability pacts.

THE US MUNICIPAL MARKET IN 2007

The US public sector financing market is characterized by its very strong disintermediation. Indeed, more than 95% of financing is arranged and sold through the US bond markets. 2007 was a record year for municipal bond issuance in terms of volume. USD 429 billion of bonds were issued last year, 10% above 2006 and 5% above the previous record reached in 2005.
The flat yield curve for the municipal market observed in 2007 attracted the interest of issuers. This encouraged municipalities to increase their level of new fixed rate borrowing (USD 320 billion, 11% more than in 2006).
As a consequence, the principal amount of bonds issued exclusively for refunding was down both in absolute value (USD 76 billion, 3.5% less than in the previous year) and in market share (21.6% in 2007, against 23.4% in 2006). The amount of new issues increased by 12% (at USD 276 billion) compared to 2006, while the number of issues was stable.
During the months of November and December, uncertainty on the market led to a decrease of bond issuance (by 34% between October and November, then stable from November to December).
31% of the municipal bonds issued in 2007 were general obligation bonds, and the rest were revenue bonds. The main issuers with nearly 60% of the market issuance were state governments, state authorities, counties and cities.
The penetration of bond insurance in this market was 47% in 2007, down from 49% in 2006.
The year was still marked by growing interest in Public Private Partnership (PPP) financing in North America.

ACTIVITY

Growth strategy

Dexia presented its growth strategy in Public/Project Finance and Credit Enhancement (PPFCE) in September 2006. Four growth drivers were identified: innovation, client and product diversification and geographical expansion. We provide a short update below.

• **Innovation** is a key element and appears to be conclusive. In public finance, this is for instance evidenced by financial engineering activity growing at a high 11%-pace with an increasing part realized outside of the Belgian and French home markets when comparing 2007 and 2006. In project finance, the proportion of loan production associated with value-added mandated lead arranger positions expanded (47% in 2006 and 53% in 2007). Dexia has improved from the thirteenth in 2006 to the third position in 2007 in the *Thomson Financial* and *Euromoney* league tables of worldwide project finance mandated lead arrangers. Five years ago, Dexia was ranked eightieth.

• **Client diversification**, the second targeted objective, aims at enlarging the client base beyond local authorities. This strategy, which started a few years ago in France and Belgium and is rapidly expanding in these countries, was successfully launched in 2007 in Germany with municipal utilities providing services like gas, electricity or social housing.

• **Product diversification** is the third pillar of the strategy. The ambition is to develop the offer of products and services responding to our clients' needs. As an illustration, strong growth of assets under management (+16%) proved to be a hit.

• The last pillar of the strategy is **geographical expansion**. The proportion of tomorrow's growth markets (e.g. Central and Eastern Europe, Japan, Canada, Mexico, Turkey) within the business line's originations was up by more than 50% between 2006 and 2007, to a level above 10% of total originations.

2007 was indisputably a great year for Public/Project Finance. Most Group entities contributed to this momentum.

Long-term commitments and originations

Long-term commitments climbed to EUR 322.3 billion, up a solid +22% on a constant exchange rate compared to the end of 2006 (+19% with the negative impact of currencies, especially the US dollar). Commitments in the public sector recorded a +15% rise. In corporate and project finance, commitments rose to EUR 52.4 billion, representing a 50% increase.
Long-term originations for the full year 2007 amounted to EUR 80.4 billion, up 28%. This strong increase is mainly attributable to strong originations in Belgium, the United States and the United Kingdom, and also to the strong development of the Japanese branch and the Turkish subsidiary. By segment, corporate and project finance experienced a 59% growth, nearly three times the very satisfactory progression posted in public finance (20%).

(in millions of EUR)	Long-term commitments (1) Dec. 31, 2006	Dec. 31, 2007	Variation	Long-term originations (1) 2006	2007	Variation
Europe						
Belgium	30,845	34,692	+12.5%	5,210	7,751	+48.8%
France	65,026	70,660	+8.7%	12,810	13,107	+2.3%
Luxembourg	2,085	2,114	+1.4%	98	478	x4.9
United Kingdom	9,480	13,245	+39.7%	2,261	6,319	x2.8
Sweden	3,932	3,754	-4.5%	1,062	805	-24.2%
Italy	37,253	39,172	+5.2%	5,787	5,099	-11.9%
Iberia (Spain & Portugal)	8,854	10,671	+20.5%	2,146	2,585	+20.5%
Germany	30,975	33,694	+8.8%	6,354	6,366	+0.2%
Central and Eastern Europe	5,119	6,727	+31.4%	2,687	1,768	-34.2%
Turkey	2,312	3,271	+41.5%	873	2,381	x2.7
North and Central America						
United States and Canada	46,136	50,015	+8.4%	10,350	13,249	+28.0%
Mexico	486	1,305	x2.7	470	507	+7.8%
Asia and non-allocated						
Japan	704	6,180	n.s.	752	4,673	n.s.
Headquarters and other countries (2)	27,314	46,806	+71.4%	11,780	15,265	+29.6%
Fully-consolidated subsidiaries	**270,521**	**322,308**	**+19.1%**	**62,640**	**80,353**	**+28.3%**
of which public sector	*235,546*	*26,897*	*+14.6%*	*48,593*	*58,209*	*+19.8%*
of which corporate & project finance	*34,975*	*52,411*	*+49.9%*	*13,963*	*22,144*	*+58.6%*
Equity-accounted companies						
Austria (Kommunalkredit Austria) (3)	24,223	29,049	+19.9%	9,933	10,494	+5.6%
TOTAL MANAGED BY THE DEXIA GROUP	**294,744**	**351,357**	**+19.2%**	**72,574**	**90,847**	**+25.2%**

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.

(1) These amounts are stated at current exchange rate.
(2) "Other countries" includes the activities of the Pacific area, Israel and Switzerland. "Headquarters" refers to the transactions carried out by the head office in countries where the Group has no direct presence.
(3) Corresponding to 100% of originations/commitments of Kommunalkredit Austria, which is 49%-owned by Dexia.

Regionally, the commercial performances were as follows:

- **Europe**

In **Belgium**, activity was buoyant in 2007 and originations rose to EUR 7.8 billion, a 49% increase in one year. This good performance was mainly due to the corporate banking activity, where production increased by 110%, with the closing of a few significant deals, such as the EUR 918 million investment loan with Compagnie Nationale à Portefeuille (CNP). Activity was also very good in project finance, with for example a mandated lead arranger role for the refinancing of Brussels Airport. The trend was less strong in public finance, after a very dynamic year 2006 marked by municipal elections. It was nonetheless robust (+4%), thanks notably to the growth in the public satellites segment. Long-term commitments were EUR 34.7 billion in December 2007, up 13% since the end of 2006.

Long-term originations in **France** rose to EUR 13.1 billion in 2007, up 2% on the previous year, despite the very difficult context of uncertainty generated by the coming local elections. In public finance, production was dynamic on the small and medium-sized local authorities and health care sectors. In project finance, comparison is biased by the buoyant context of highway privatization in 2006. Still, a number of interesting deals were closed in 2007, notably in the infrastructure segment. For example, Dexia acted as mandated lead arranger for the Millau viaduct refinancing via a total EUR 290 million inflation-linked bank loan. To be noted, the refinancing of SANEF was made in synergy with FSA and sold down in the market implying very little impact on the origination numbers. Long-term commitments were EUR 70.7 billion at the end of 2007, compared to EUR 65.0 billion one year earlier.

Luxembourg experienced a very satisfactory progression of originations, from EUR 98 million in 2006 to EUR 478 million in 2007. Long-term commitments were EUR 2.1 billion at the end of 2007.

The **United Kingdom** saw extremely vigorous growth of long-term originations in 2007: +179% compared to the production recorded in 2006. This performance mainly stems from the public finance sector, with (i) the acquisition of the Bradford & Bingley's social housing loan book last November, (ii) a very dynamic activity in the social housing sector. Progression is less buoyant in project finance, as activity in 2006 was exceptionally high with the financing of large acquisitions in the port sector. Dexia remained in 2007 one of the leading banks for arranging bank debt in the UK PFI market. Long-term commitments at the end of 2007 were EUR 13.2 billion, up a very strong +52% on a constant exchange rate (+40% when including the exchange impact).

Despite a very difficult environment in public finance, with new constraints introduced by the 2007 Finance Law and a media campaign relating to the alleged misuse of financial derivatives by borrowers in the Italian market, the reduction in long-term originations in **Italy** was limited to 12% in 2007, compared to 2006. Dexia succeeded in maintaining its leadership in the private sector. Production was very good in project finance, doubling to EUR 1.3 billion. Dexia was arranger of the first transportation PPP project in Italy (new line of the Milan subway). Long-term commitments were EUR 39.2 billion at the end of 2007, up 5%.

Spain and **Portugal** recorded an outstanding performance as long-term originations climbed in 2007 to EUR 2.6 billion, up 21% year-on-year. In public finance, activity experienced an 11%-rise, with a particular momentum observed in the fourth quarter. This result is all the more noteworthy as the overall level of local public debt did not increase in Spain in 2007. The good activity level in Portugal is also worth mentioning, following the legal reforms implemented last year. In project finance, production increased by 44%. This very satisfactory trend is evidenced, for instance, by the arrangement of the financing of trains for the Madrid subway. Long-term commitments reached EUR 10.7 billion at the end of 2007, up 21%.

In **Germany** production remained at the same level in 2007 as in 2006. Dexia focuses on loans, as the bond market is very competitive. The production of loans came in at EUR 4 billion, mainly composed of structured tailor-made products. Project finance activity confirmed its very promising start, with several significant deals in the municipal utility sectors such as energy (EUR 255 million) and social housing (EUR 176 million).

In **Central** and **Eastern Europe**, 2007 suffered from the comparison with a year 2006 marked by large bond operations with sovereign counterparts (Poland and Hungary). Very tough competition from local banks can also be noted.

Turkey reached an excellent level of originations in 2007: EUR 2.4 billion, up 173% (+166% on a constant exchange rate). The corporate and commercial banking activities were buoyant, particularly in the fourth quarter after the Turkish elections. In project finance, it was worth noting the closing as mandated lead arranger of fixed and mobile telecom financings.

- **North and Central America**

In the **United States** and **Canada**, long-term originations recorded a very solid +28%-growth in 2007. Without the negative impact of the exchange rate, the progression would have been no less than +40%. This performance reflects a very high growth level (+39% on a constant exchange rate) in a very dynamic public finance market, as well as outstanding results in project finance (+43%). In this latter sector, Dexia was particularly active as an arranger, in the transport and energy sectors, mainly in acquiring facilities and in renewable energy projects. Long-term commitments for the area were EUR 50 billion at the end of December 2007, up 21% on a constant exchange rate compared to the end of 2006.

Long-term commitments in **Mexico** were three times higher at the end of 2007 than at the end of 2006 (on a constant exchange rate). Originations rose by 18% on a constant exchange rate despite strong competition in the public finance market. In 2007, noteworthy deals included the first debt restructuring operation with Mexico Distrito Federal for a final take of EUR 450 million.

• **Asia and non allocated**

Japan has continued to build on its very dynamic start. In line with the Japanese local authority refinancing cycle, production was concentrated in the second and third quarters with long-term originations growing from EUR 0.8 billion in 2006 to EUR 4.7 billion in 2007. In the second half of the year, Dexia closed the very first project finance loan (a PPP to finance a school), and broadened the scope of customers to medium-sized towns. Long-term commitments at the end of 2007 stood at EUR 6.2 billion.

Originations in **other countries and carried out from the head office** rose by 30% in 2007, reaching EUR 15.3 billion. In Australia, Dexia was very active in project finance, and lead-arranged several transactions including the financing of the acquisition of Alinta, a major Australian utility.

Debt management

Debt management activity was slightly increasing, from EUR 17.9 billion in 2006 to EUR 18.2 billion in 2007. The main contributors were France, where production was particularly dynamic in the housing sector, and Belgium, which recorded a remarkable 33% progression, to EUR 2.9 billion. In contrast, Italy experienced a 33% decrease, which was expected in a difficult environment marked by the media campaign regarding derivatives.

Short-term loans

Short-term loans recorded a +5% increase, to EUR 23 billion at the end of December 2007.

Assets under management

Assets under management amounted to EUR 42.2 billion, up 20% compared to the end of 2006. The bulk of the increase came from corporate and public finance activity. Geographically, most of the increase stems from Belgium and France. In the latter country, assets under management rose by 24.0%, with noticeable growth on money market products.

Insurance services

In insurance services, Dexia Sofaxis collected EUR 363 million in 2007, which is a comparable level of activity with the previous year. Dexia Insurance Services, of which 8% of the production is realized in the Public/Project Finance business, collected EUR 361 million of premiums in 2007, up 2.4% compared to 2006.

Financial Security Assurance

For the full year 2007, Financial Security Assurance (FSA) originated a USD 1.3 billion gross present value (PV) premium, up 40% compared to 2006. The strong performance came both from steady growth in international operations and from increasing business opportunities in the US created by widening credit spreads in the second half of the year.

In public finance, FSA booked a volume of gross PV premiums of USD 793 million, an increase of +26.4% compared to 2006. In the United States, insurance penetration was approximately 47%, compared with 49% in 2006. During the fourth quarter, the volume of municipal issuances slowed down, as issuers scaled back borrowing due to a higher market volatility and wider credit spreads. Higher interest rates also had a negative impact on refunding volumes. PV premiums originated by FSA increased by 50.5%, a significant rise due to FSA's ability to provide attractive pricing across sectors based on the market's growing preference for FSA-insured bonds. Approximately 91% of the bonds insured had an underlying credit quality of at least single-A. In the international segment, the trend was well sustained for the full year, with originations amounting to USD 405 million, a 27% increase compared to 2006. Results in that sector tend to be irregular because of the proportion of large transactions with a long development period. In 2007, a very large proportion of the transactions turned out to be closed in the third quarter.

In the ABS sector, 2007 was a tremendous year. FSA's US asset-backed par originated increased by 41.2%. Moreover, due to spread widening and longer average lives of transactions, PV premiums grew by 184%. FSA insured USD 3.4 billion of CDOs and generated USD 56 million of PV premiums. Outside the United States, the ABS PV premiums originated in 2007 were up 38% compared to 2006, at USD 68 million, while gross par insured remained flat. Among the transactions closed was, for example, the guarantee of GBP 154 million of index-linked bonds issued by the Walsall Hospital Company which generated USD 88 million of gross PV premiums. The lower level of issuances in the collateralized loan obligation market made the fourth quarter less buoyant for the ABS sector.

For financial products, gross present value premiums decreased by 27% in 2007. Although FSA continued to issue new guaranteed investment contracts, it limited new asset acquisitions in order to build excess liquidity to cope with volatile market conditions.

UNDERLYING RESULTS

Net income – Group share reached EUR 1,346 million in 2007, up 18.5% compared to 2006 on a constant exchange rate (+15.0% when taking exchange rate variations into account), stemming both from public and project finance and, geographically, from most of the countries Dexia is active in. FSA accounted for 21% of the business line's earnings, while DenizBank contributed to 7% of the total. The net income increase was largely above the CAGR financial target set for the business line "around 10% on a constant exchange rate" for the 2005-2009 period. This was already the case in 2006 when net income – Group share increased by 15% on a constant exchange rate.

In 2007, **total income** amounted to EUR 2,827 million, a year-on-year progression of 12.7% on a constant exchange rate. Revenue growth was supported by robust activity volumes and a pickup in margins in the project and corporate finance sector at the end of the year.

Expenses remained under control in 2007, at EUR 937 million, a 9.5% increase on a constant exchange rate, almost 3 percentage points below the progression of revenues. The rise is mainly attributable to the investments necessary to support the growing activity (Turkey, Japan, project finance...).

Gross operating income came in at EUR 1,890 million in 2007, up 14.2% on a constant exchange rate. The business line's **cost-income ratio** improved by almost 1 percentage point, from 33.1% in 2007, compared to 33.8% a year before.

In 2007, **cost of risk** increased to a more normal level after several years of provision reversals and reached EUR 81 million, up 34.0% compared to 2006.

Tax expense stood at EUR 414 million in 2007, down 2.9% compared to 2006.

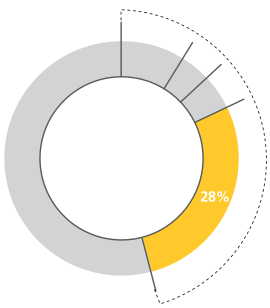
The business line's **return on economic equity** (ROEE) stabilized at the high level of 24.4% for the full year 2007.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2006 [1]	2007	Variation
Income	**2,566**	**2,827**	**+10.2%**
of which net commissions	*201*	*225*	*+11.6%*
Expenses	**(866)**	**(937)**	**+8.1%**
Gross operating income	**1,700**	**1,890**	**+11.2%**
Cost of risk	(61)	(81)	+34.0%
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(426)	(414)	-2.9%
Net income	**1,213**	**1,395**	**+15.0%**
Minority interests	43	49	+15.3%
Net income – Group share	**1,170**	**1,346**	**+15.0%**
Cost-income ratio	33.8%	33.1%	
ROEE [2]	24.8%	24.4%	
Total allocated equity (average)	4,927	5,767	
Risk-weighted assets	69,434	90,654	

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

PERSONAL FINANCIAL SERVICES



CONTRIBUTION
OF THE BUSINESS LINE
TO THE NET INCOME

Apart from its traditional markets Belgium and Luxembourg, Dexia is also active in Slovakia and in Turkey as it comes to retail/universal banking. Both in Belgium and in Luxembourg, Dexia holds top positions whilst very fast growing operations are managed in Slovakia and Turkey. The Group is seeking additional growth, among others through leveraging the DenizBank network in Turkey. In terms of Private Banking, Dexia positioned itself in Luxembourg and Switzerland, two international finance centers.

Personal financial services have traditionally been provided in Belgium and Luxembourg. In these countries, Dexia ranks among the top two or three major banks and has the necessary skills to consolidate a leading position. Through the acquisition of DenizBank in Turkey in 2006, Dexia has access to a fast growing market of over 72 million inhabitants. Growth perspectives in terms of banking penetration & GDP growth are amongst the highest in Europe. DenizBank, which presented an incredible growth story by creating a bank out of scratch 10 years ago, continued its fast pace of growth and manages over 2.4 million customers today.
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 as well as Treasury and Financial Markets for structured products). The customer base predominantly consists of individuals and households, but also private banking clients, self-employed persons and small and medium-sized enterprises.
As a retail bank, Dexia can rely on a wide distribution network in Belgium: 994 branches (of which 80% are managed by self-employed branch managers and 20% by bank employees). Apart from that, DVV Insurance exclusive consultants and Elantis brokers distribute respectively insurance products and mortgage/consumer loans. Corona sells insurances through an Internet-only platform.

In Luxembourg, Dexia has 40 branches. It takes in the second position in SME-banking and the third one in retail banking.
In Turkey, DenizBank is the sixth privately-owned bank. It relies on a wide network of 320 branches, of which 114 in Istanbul. DenizBank also has a presence in Russia (where a consumer finance project will be launched), in Germany and in Austria.
Finally, Dexia is active in Slovakia through its 52 branches. The banking model developed there is a similar one as Belgium in which both public finance and retail (including SME) customers are serviced through a nationwide branch network. As of today Dexia has a 3-4% market share.
Dexia has a 20%-holding in Crédit du Nord in France.
As for private banking, Dexia focuses on two business models: the first one based on referral to a branch network, the other one focusing on an international clientele. The first business model relies on existing Group retail networks in Belgium, Luxembourg and Turkey as well as on a partner network in Spain, where Dexia holds 40% of Popular Banca Privada, a joint venture with Banco Popular.
International clientele is served out of Luxembourg and Switzerland, where a centralized expertise is present. In order to have a better international reach, representative offices have recently been opened in Bahrain, Montevideo and Monaco.

ACTIVITY

As of December 31, 2007 customer assets and liabilities amounted to EUR 173.9 billion, a 5.5% increase compared to 2006. Within a challenging financial market environment, total customer assets grew by 3.4%, mainly benefiting from life insurance, with reserves up 21.1% in one year. Total customer loans increased by 13.8% with a double-digit growth for all types of loans (especially SMEs).
In **retail banking**, customer assets reached EUR 87.2 billion at the end of 2007. Within the context of increasing short-term rates and underperforming equity markets, customers moved towards term deposits and life insurance products, reducing their savings accounts holdings and Dexia had a policy of reducing client exposure towards Money Market funds as well as Fixed Income Mutual funds. In addition, market effect on equity or global balanced products was negative.
Term deposits were boosted (+25.9%, savings bonds included) by increasing rates. Life insurance reserves increased by 13.0%: whereas unit-linked insurance products (Branch 23) suffered from negative market effect, guaranteed life insurance products (Branch 21) were boosted in Belgium by the commercial campaigns launched in June and at year-end. Finally bonds issued by the Group (structured products) rose by 5.7% year-on-year as net inflows were higher than the negative market effect.
The **private banking** segment performed well, with a progression of total customer assets of 7.5% over 2007, to EUR 48.7 billion. The deposit and life insurance segments contributed largely to this growth.
In Turkey, total assets increased to TRY 7.2 billion (EUR 4.2 billion) at the end of 2007, a very satisfactory progression of 18.6% compared to last year despite DenizBank's reluctance to follow competitors' aggressive pricing policies.

As of December 31, 2007, **loans to retail and private customers** totaled EUR 38.0 billion, a 13.8% increase year-on-year, all segments delivering double-digit growth. In retail banking, the progression is particularly strong in the SME and self-employed segment (+19.3% in one year) as Dexia implemented its business banking strategy. Consumer loans rose 16.3% over 2007 and mortgage loans also showed a double-digit growth (+10.6%).

Turkey kept on delivering strong growth in loans with outstandings up 50% to reach TRY 5.5 billion (EUR 3.2 billion). This was mainly driven by increased commercial campaigns and the opening of many branches (58 new outlets were opened during the year), bringing the total to 320 branches at the end of 2007.

CUSTOMER ASSETS AND LIABILITIES (1)

(in billions of EUR)	Dec. 31, 2006	Dec. 31, 2007	Variation
TOTAL CUSTOMER ASSETS AND LIABILITIES	**164.8**	**173.9**	**+5.5%**
Total customer assets	**131.4**	**135.9**	**+3.4%**
Of which			
Balance-sheet products	*55.9*	*59.5*	*+6.5%*
Off-balance-sheet products	*62.6*	*60.6*	*-3.1%*
Life insurance technical reserves	*13.0*	*15.8*	*+21.1%*
Of which in retail banking	86.2	87.2	+1.2%
Deposits	*30.9*	*29.5*	*-4.6%*
Savings bonds and term deposits	*12.3*	*15.5*	*+25.9%*
Bonds issued by the Group	*6.2*	*6.5*	*+5.7%*
Mutual funds	*21.0*	*19.2*	*-9.0%*
Life insurance technical reserves	*8.2*	*9.3*	*+13.0%*
Direct securities (2)	*7.6*	*7.3*	*-2.9%*
Of which in private banking	45.3	48.7	+7.5%
Total customer liabilities	**33.4**	**38.0**	**+13.8%**
Of which in retail banking	29.8	33.8	+13.4%
Mortgage loans	*18.8*	*20.8*	*+10.6%*
Consumer loans	*3.5*	*4.1*	*+16.3%*
Loans to SMEs and the self-employed	*7.4*	*8.9*	*+19.3%*
Of which in private banking	3.7	4.3	+16.9%

(1) Pro forma as Banque Artesia Nederland (left the Group in the fourth quarter of 2006) and Dexia Banque Privée France (left the Group in the second quarter of 2007) are no longer included in the scope.
The above-mentioned amounts include DenizBank and some insurance companies which were previously in the segment "Insurance Services", now integrated in the distribution business lines. Moreover the definition of some products was fine-tuned, which led to slight adjustments.
(2) Customers' financial assets (such as shares, bonds and cooperators' shares) held under custody by the bank.

UNDERLYING RESULTS

Net income – Group share amounted to EUR 686 million in 2007, up 11% compared to 2006. This is the result of: (i) the product mix evolution in Belgium and the less favorable interest rate environment and (ii) a strong income growth at DenizBank (Turkey) which was offset by an acceleration in investments.

Total income in 2007 was EUR 2,786 million, up 4.6% year-on-year. DenizBank was the main revenue growth driver as it again experienced a very strong year, mainly based on growing loan volumes (with favorable margins). In Belgium, 2007 revenues were influenced by a change in the product mix and by a high insurance production, especially in life insurance.

Expenses were up 3.5% year-on-year (to EUR 1,902 million). Cost growth came from Turkish DenizBank which accelerated its development. The bank opened 58 branches in 2007, (53% above initial plans). The resulting 22% year-on-year increase in DenizBank Turkish branches is well above the 11% market increase. Numerous commercial campaigns and the salary increase also explained increasing costs in Turkey. In Belgium and Luxembourg costs remained stable compared to 2006 (-0.4%).

Gross operating income came to EUR 885 million in 2007, up 7.2% compared to 2006. The business line's **cost-income ratio** improved to 68.3% in 2007 (compared to 69.0% for the year-earlier period).

Taxes decreased 17.3% in 2007 to EUR 128 million.

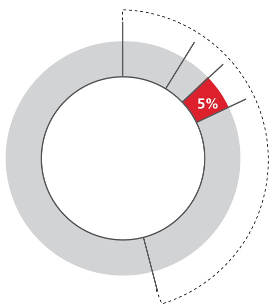
The business line's **return on economic equity (ROEE)** was 29.1% for the year 2007.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2006 (1)	2007	Variation
Income	**2,663**	**2,786**	**+4.6%**
of which net commissions	*711*	*758*	*+6.6%*
Expenses	**(1,838)**	**(1,902)**	**+3.5%**
Gross operating income	**825**	**885**	**+7.2%**
Cost of risk	(51)	(65)	+28.7%
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(155)	(128)	-17.3%
Net income	**619**	**691**	**+11.6%**
Minority interests	2	5	x3.2
Net income – Group share	**618**	**686**	**+11.0%**
Cost-income ratio	69.0%	68.3%	
ROEE (2)	29.0%	29.1%	
Total allocated equity (average)	2,131	2,363	
Risk-weighted assets	27,060	30,525	

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

ASSET MANAGEMENT



CONTRIBUTION OF THE BUSINESS LINE TO THE NET INCOME

Dexia Asset Management is the research, financial analysis and asset management center of the Dexia Group. As a leading European asset manager, Dexia Asset Management provides a complete range of top performing solutions in all asset classes for institutional and private clients.

Dexia Asset Management has a long tradition and proven track record in the management of funds and mandates invested in traditional asset classes (equities, bonds, money market products). The company also holds strong positions in specific sectors. Indeed Dexia Asset Management ranks among the Top 10 principal actors in continental Europe involved in alternative investment management. In the field of socially responsible investment, Dexia Asset Management is undisputed leader in Europe.

The performance of the funds managed by Dexia Asset Management is also confirmed in the long-term: the great majority (nearly 80% of the fund assets on a three-year rolling basis) is in the first or second quartile of the Standard & Poor's ranking. As of December 2007, Morningstar ranked Dexia Asset Management 37th out of 111 asset managers, a definitive improvement compared to its 51st place in 2006.

In terms of awards, 2007 was a prosperous year. Just to mention a few examples: Dexia Asset Management won the first place over 5 years as "Best Fund Group – Overall Large" awarded by Lipper Netherlands; Dexia Clickinvest B Minimax 4 Green Planet received the Cash/Morningstar award for the most innovative fund. Winning these awards underscores once again Dexia Asset Management's pioneering role in offering tailor-made client solutions and innovative products.

The Dexia Asset Management client base shows a balanced division between institutional and private clients. In order to offer its clients personalized and profitable solutions, Dexia Asset Management relies both on its four asset management centers in Brussels, Paris, Luxembourg and Sydney, and on locally organized client relationship teams throughout Europe, in the Middle East and Australia as well as various other Group channels (retail and private bank networks, public finance customer base). First implemented in Belgium, France and Luxembourg, Dexia Asset Management has built up its commercial network by opening branches in Austria, Denmark, Finland, Germany, Italy, Norway, Spain, Sweden, Switzerland, the Netherlands, Portugal and most recently in Poland. The company has also developed an opportunistic presence outside Europe, in Australia and Bahrain.

ASSETS UNDER MANAGEMENT (1) (in billions of EUR)	Dec. 31, 2006	Dec. 31, 2007	Variation
TOTAL	**105.2**	**109.7**	**+4.3%**
By type of management			
Mutual funds	71.2	69.0	-3.1%
Institutional funds	*24.6*	*25.3*	*+2.7%*
Retail funds	*46.6*	*43.7*	*-6.2%*
Private mandates	5.3	5.5	+2.7%
Institutional mandates	28.6	35.2	+23.1%
By type of mutual fund			
Equity funds	13.5	13.3	-1.5%
Bond funds	19.2	17.2	-10.4%
Money market funds	11.5	12.4	+7.4%
Alternative funds	8.0	7.8	-2.3%
Global balanced funds	10.8	10.6	-1.9%
Structured products	3.4	3.0	-12.4%
Other	4.8	4.8	-1.3%

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

ACTIVITY

Assets under management came to EUR 109.7 billion as of December 31, 2007, up EUR 4.5 billion since the beginning of the year (or +4.3% of which 3.4% of net new cash and 0.9% of market effect). This positive variation is satisfactory in view of the current financial market environment, which particularly marked the fourth quarter of 2007.

Overall growth was mainly based on the institutional mandate segment, which recorded a good progression of EUR 6.6 billion year-on-year. Private mandates experienced a EUR 0.1 billion growth whereas mutual funds decreased by EUR 2.2 billion mainly because of net outflows in retail.

Assets under management distributed by Dexia AM's institutional sales team amounted to EUR 53.2 billion, a 17.2% increase year-on-year. Year-to-date net new cash was driven by strong sales in Equities, SRI (Sustainable and Responsible Investment) and Bonds.

UNDERLYING RESULTS

Asset Management showed a good resilience in 2007. **Net income – Group share** came to EUR 114 million, a 12.3% growth reflecting the good performance recorded during first half.

Total income amounted to EUR 284 million, up EUR 34 million, stemming from higher management fees (more precisely in the institutional mandate segment where assets growth was strong). Performance fees in 2007 were strong though not as strong as in 2006.

Expenses increased by 14.6% (to EUR 158 million) in 2007, mainly due to a rise of staff headcounts (67 more headcounts on average in a year) and IT expenses. Productivity remained at a very satisfactory level compared with peers, with a low cost on assets under management ratio of 14 basis points.

Gross operating income increased to EUR 126 million in 2007, up 11.8% compared to the end of 2006. The business line's **cost-income** ratio was 55.8% in 2007.

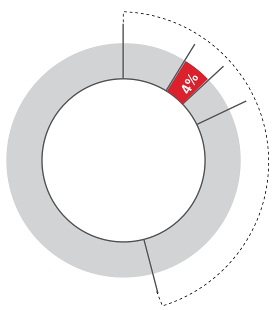
Tax expense stood at EUR 7 million in 2007.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2006 (1)	2007	Variation
Income	**250**	**284**	**+13.4%**
of which net commissions	*248*	*280*	*+13.1%*
Expenses	**(138)**	**(158)**	**+14.6%**
Gross operating income	**112**	**126**	**+11.8%**
Cost of risk	0	0	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(8)	(7)	-11.1%
Net income	**104**	**119**	**+13.6%**
Minority interests	3	4	+58.6%
Net income – Group share	**102**	**114**	**+12.3%**
Cost-income ratio	55.2%	55.8%	
ROEE (2)	188.5%	162.4%	
Total allocated equity (average)	54	70	
Risk-weighted assets	26	46	

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

INVESTOR SERVICES



CONTRIBUTION OF THE BUSINESS LINE TO THE NET INCOME

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide including global custody, fund and pension administration, shareholder services, distribution support, reconciliation services, investment analytics, compliance monitoring and reporting, securities lending and borrowing and treasury services.

Established in January 2006, RBC Dexia Investor Services is a joint venture equally owned by Royal Bank of Canada and Dexia. With USD 2.9 trillion in assets under administration, RBC Dexia ranks among the world's top 10 global custodians.
RBC Dexia provides a unique blend of products to institutions, supported by:
- a worldwide network of offices in 15 countries on four continents (Australia, Belgium, Canada, the Cayman Islands, the United Arab Emirates, Spain, France, Hong Kong, Singapore, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom and Switzerland);
- unparalleled European transfer agency capabilities;
- fund administration services in 14 global markets;
- strong credit ratings: Aa3 (Moody's), AA- (S&P);
- products and technology that meet our clients' evolving needs;
- top ratings for client service in industry client satisfaction surveys.

Our innovative products and services help clients maximize operational efficiency, minimize risk and enhance portfolio returns.

ACTIVITY

RBC Dexia Investor Services had **assets under administration** to the amount of USD 2,882 billion as of December 31, 2007. This is a 25.9% increase year-on-year. This solid growth demonstrates the momentum of activity despite the negative effects from tightening global credit and recessionary pressures in the US during the second half of 2007. The good performance results both from the increasing value of existing client assets and from the acquisition of new mandates.
Growth figures in EUR terms are somewhat lower, +12.7% versus the end of December 2006 given the weakening of the US dollar.
The number of **funds under administration** rose by 9.7% compared to the end of 2006 (+455 portfolios). This comes from (i) additional funds from existing clients, (ii) new medium-sized clients and (iii) around 100 portfolios brought in through the Goldman Sachs JBWere contract in Australia.
The number of **transfer agent accounts** experienced a material increase, from 6.4 to 7.6 million units in one year, up 19.7%. This increase is mainly driven by additional business brought by one large Italian client in the fourth quarter.

RBC Dexia Investor Services is still ranked number one in leading industry surveys:

- No. 1 global custodian for a record fourth consecutive year (Global Investor, 2004-2007),
- No. 1 global custodian for a third consecutive year (R&M Consultants, 2005-2007),
- European Custodian of the Year (Funds Europe, 2007),
- Transfer Agent of the Year (ICFA, 2004–2007).

RBC Dexia Investor Services achieved significant new business wins and retentions throughout the year including First State Investments (UK) Limited, HSBC Bank Canada, Manulife Financial, Schroder Investment Management, Swiss Reinsurance Company (Swiss Re) and Université du Québec.

INVESTOR SERVICES	Dec. 31, 2006	Dec. 31, 2007	Variation
Assets under administration [1] (in billions of USD)	2,290	2,882	+25.9%
Number of funds under administration	4,679	5,134	+9.7%
Number of shareholder accounts in transfer agent (in thousands)	6,385	7,645	+19.7%

(1) i.e. assets under custody, administration and transfer agent.

UNDERLYING RESULTS

Net income – Group share rose 13.0% in 2007, to EUR 94 million against EUR 83 million in 2006. On a constant exchange rate, the increase was 17.1%.

Total income totaled EUR 426 million in 2007, an increase of 13.7% (+16.3% on a constant exchange rate) compared to 2006. This robust rise stems equally from growth in assets under administration of existing clients and the acquisition of new clients.

In 2007, **expenses** amounted to EUR 285 million, a 14.2% increase (+16.0% on a constant exchange rate), mainly driven by an increase in staff charges, in IT expenditure, and to a lesser extent, to costs related to new office space.

Gross operating income amounted to EUR 141 million, up 12.6% compared to 2006 (+17.0% on a constant exchange rate). The **cost-income ratio** stabilized at 66.8%.

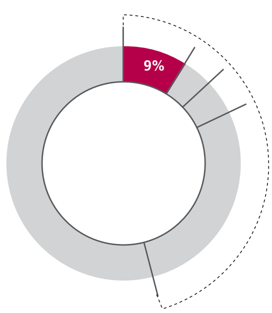
Tax expense increased to EUR 44 million in 2007, up 10.1% compared to the year-earlier period.

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2006 (1)	2007	Variation
Income	**375**	**426**	**+13.7%**
Of which net commissions	*245*	*275*	*+12.4%*
Expenses	**(249)**	**(285)**	**+14.2%**
Gross operating income	**125**	**141**	**+12.6%**
Cost of risk	0	0	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(40)	(44)	+10.1%
Net income	**86**	**96**	**+12.3%**
Minority interests	3	2	-9.4%
Net income – Group share	**83**	**94**	**+13.0%**
Cost-income ratio	66.5%	66.8%	
ROEE (2)	54.7%	53.5%	
Total allocated equity (average)	152	176	
Risk-weighted assets	1,801	2,361	

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

TREASURY AND FINANCIAL MARKETS



CONTRIBUTION OF THE BUSINESS LINE TO THE NET INCOME

Treasury and Financial Markets (TFM) has three main missions: providing high quality "financial market solutions" to customers of commercial business lines; developing business with its own clientele (e.g. financial institutions); and managing Dexia balance sheets (funding, liquidity, interest rate, Forex, etc.). It is also a significant profit center in its own right.

The business line is the Group's laboratory for innovation in capital-market products. Teams demonstrate their constant innovation, offering a large range of 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 bank clients) and to its own clients (institutional investors, central banks, fund managers and so on).

The organization of TFM is based on three business pillars:

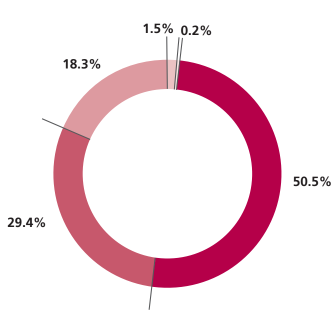
- Fixed Income, which is involved in all credit spread activities;
- Market Engineering and Trading, which regroup all competences in the sectors of interest rates, foreign exchange and equities;
- Group Treasury, which is in charge of the financial management of the Dexia balance sheet.

ACTIVITY

The **Group Treasury cash and liquidity management** was well-prepared to face the liquidity crisis which started on August 9, 2007. In normal market conditions, Dexia uses its excess liquidity as a cash lender in the market via the tri-party repo market. Since the crisis started, Dexia, which was at any time cash rich, has continued to play this role (while maintaining its traditional strict policy of cautiousness regarding underlying collateral, in order to avoid any credit risk). By lending substantial cash amounts to the marketplace and by managing efficiently its liquidity ratios, Dexia specifically benefited from the overall liquidity shortage during the fourth quarter of 2007.
The **Group Treasury long-term funding** segment was very active in the first half of 2007. New issues decreased in the second half of the year as a result of the financial crisis which clouded both covered bonds and unsecured bonds'

CREDIT SPREAD PORTFOLIO QUALITY

(AS OF DECEMBER 31, 2007)



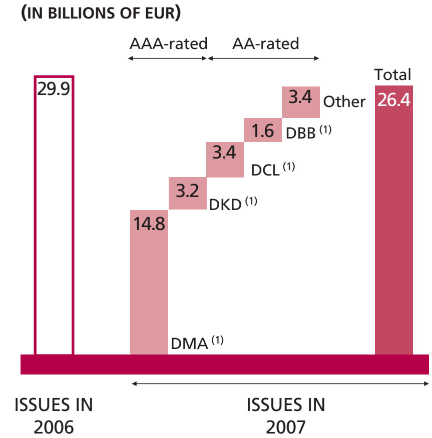
OUTSTANDING AMOUNT: EUR 84.8 BILLION (1)

- AAA
- AA
- A
- BBB
- NON-INVESTMENT GRADE

(1) Rating breakdown excluding hedged oustandings.

LONG-TERM ISSUES

(IN BILLIONS OF EUR)



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

primary markets. Despite a difficult environment, spreads on Dexia new issues hardly changed (+3 basis points on average) and remained at one of the lowest levels. Overall, the various issuers of the Group retained good access to debt capital markets.

In 2007, long-term bond issues (2 years and more) totaled EUR 26.4 billion, versus EUR 29.9 billion in 2006. After a weak third quarter in 2007, issuance resumed, especially for AAA signatures. Overall, the AAA signature issuance totaled EUR 18.0 billion, while the AA vehicles accounted for EUR 8.4 billion. An increasing part of the Group's long-term funding was sourced with public placements (45% vs. 28% in 2006) while private placements represent 39% of the Group's source of funding. Global average life of new issuances was 7.5 years, in line with 2006.

The **Fixed Income** segment manages the Credit Spread Portfolio (CSP), which totaled, as of December 31, 2007, EUR 84.8 billion, of which EUR 11 billion are fully hedged. In 2007, investments reached a vigorous EUR 23.6 billion. The fourth quarter of 2007 benefited to the Dexia CSP as the repricing of risk assets presented opportunities to selectively add assets at attractive spread levels. After hedging, more than 99% of the portfolio is rated investment grade and 80% is rated AA- or better. In the Securitization activity line, where Dexia offers clients fully-integrated services (from arranging to underwriting), the business performed well in 2007 with 19 underwriting transactions by the securitization desk, all fully subscribed. Meanwhile, the trading book of fixed income activities was negatively affected by spread widening. On the other hand, sales activity targeting institutional clients achieved robust results with a contribution to fixed income revenues increased by 290% in the fourth quarter of 2007 compared to the year-earlier period.

Market Engineering and Trading (MET) brings together the bank's competences in the supply of structured products to retail/private banking clients and to public sector clients. It also manages interest rate, foreign exchange and equity activities. The Personal Financial Services Engineering activity was buoyant in 2007 with numerous transactions launched for private and retail banking clients, despite a decreasing trend in the second half of the year. The structuring activity of the Public Finance Market Engineering desks was really good with several nice deals being closed.

Finally, it should be kept in mind that TFM is not only a 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. The indirect revenues stemming from this close cooperation and which are booked in the other business lines are estimated at EUR 692 million in 2007 (against EUR 483 million in 2006).

UNDERLYING RESULTS

Net income – Group share stood at EUR 238 million in 2007, down 20.1% on a constant exchange rate compared to 2006, with a strong decrease in the Fixed Income segment and notably the CSP trading desk but a good performance in the Market Engineering and Trading (MET) and Treasury segments.

Income amounted to EUR 486 million in 2007, down 11.8% on a constant exchange rate. The Treasury segment saw its contribution increase from EUR 135 million in 2006 to EUR 202 million in 2007 as a result of strong performance of cash and liquidity management. The bank's structural excess

UNDERLYING STATEMENT OF INCOME (EXCLUDING NON-OPERATING ITEMS)

(in millions of EUR, except where indicated)	2006 (1)	2007	Variation
Income	**564**	**486**	**-13.8%**
of which net commissions	*20*	*18*	*-10.7%*
Expenses	**(184)**	**(211)**	**+15.1%**
Gross operating income	**380**	**275**	**-27.7%**
Cost of risk	0	(9)	n.s.
Impairments on (in)tangible assets	0	0	n.s.
Tax expense	(70)	(24)	-65.8%
Net income	**310**	**242**	**-22.1%**
Minority interests	3	4	+44.8%
Net income – Group share	**308**	**238**	**-22.7%**
Cost-income ratio	32.6%	43.5%	
ROEE (2)	23.9%	16.1%	
Total allocated equity (average)	1,307	1,509	
Risk-weighted assets	29,182	31,078	

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

of short-term liquidity generated in the fourth quarter of the year substantial revenues while the market place experienced a global liquidity shortage. The Fixed Income segment reported declining revenues: EUR 182 million (vs. EUR 341 million in 2006), after taking into account a EUR 180 million (pre-tax) negative mark which occurred in the third and the fourth quarters of the year. This is explained by the effect of widening credit spreads on TFM's trading portfolios, among which the 6% part of the Credit Spread Portfolio accounted in trading is by far the largest. Given the quality of the underlying assets, the negative marks made during the second half of the year on the above portfolio – which are only related to spread widening and not to credit events, of which none are foreseen so far – will reverse to zero in the coming years. The above-mentioned negative marks were partly offset, during the fourth quarter, by a EUR +15 million mark-to-market impact on a securization-related CDS. Finally, the MET segment experienced a EUR 16 million revenue increase up to EUR 100 million in 2007.

Expenses increased to EUR 211 million, up to 16.1% on a constant exchange rate. A significant part of the increase comes from the creation and development of the activity in Japan, the expansion of TFM in London where the business line develops its distribution capacity and IT expenses linked to TFM development and integration projects.

As a result of the trends exposed above, **gross operating income** totaled EUR 275 million in 2007. The **cost-income ratio** was 43.5% in 2007.

Tax expense decreased from EUR 70 million in 2006 to EUR 24 million in 2007, largely due to the decrease in gross operating income and to tax provision adjustements.

FOCUS ON INSURANCE ACTIVITIES

Dexia Insurance Services is the insurance pool of the Dexia Group operating in Belgium, France, Luxembourg, Turkey and Ireland. Life and nonlife insurance products are sold to Personal Financial Services customers (retail, SMEs and private) and to Public/Project Finance clients (public, social profit and corporate sectors) via a multi-channel approach including mainly bank insurance, exclusive consultants and direct writing.

Insurance activities represent about 7% of the total net income – Group share of the Dexia Group. This focus complements the comments made in the business lines i.e. Public/Project Finance and Personal Financial Services which respectively include 8% and 92% of the written premiums.

Total gross written premiums at the end of 2007 were considerably higher than last year: EUR 4,778 million were collected, a 26.8% increase compared to last year. This tremendous growth is mainly recorded in life insurance.

Life insurance commercial activity was up 29.8% compared to the last quarter of 2006 and amounted to EUR 4,337 million of written premiums at the end of 2007, while nonlife premium growth was lower (+3.9% to EUR 442 million).

Excluding the broker Belstar, sold in March 2007, the **life** production was even higher (+32.4%). Branch 21 products advanced 31.5%, boosted by the sharp increase of the production recorded in Belgium (+29.6%) thanks to the commercial campaigns launched in June and at year-end. Safe Invest and Dexia Life Capital were successful products; Safe Invest Rent won the Decavi Innovation award. In France, Dexia Epargne Pension also contributed to the growth (+36.9%): last months' production overcame the shortfall encountered in the former months. Premiums collected in Luxembourg increased by 7.1%.

Branch 23 products rose 26.3% year-on-year as a result of higher production in the second quarter following a commercial campaign ("Dexia Deals" which focused on investment products) and a fourth quarter collection higher than last year. In Branch 26, a new product was launched in March 2007, sharply increasing production in the second quarter; the third quarter was moderate and the fourth quarter was high in terms of production. The small interest rate spread is responsible for the lower production in the public sector.

Geographically, 64% of life insurance premiums were collected in Belgium and the balance came essentially from France (31%) and Luxembourg (4%).

The **nonlife** activity growth (+6.4% without Flexia sold in August 2006) was pulled by the sales of the Dexia Bank Belgium network (Dexia Home & Family product for instance) and the DVV Insurance network (motor insurance and property insurance products), nothwithstanding the implementation of the front to back-office system.

In the frame of the Dexia business lines, increase was driven by Personal Financial Services (+29.4% or EUR 1,003 million of premiums) mainly as a result of investors' high appetite for guaranteed investment contracts (Branch 21). Public/Project Finance growth was more modest (+2.4%), mainly related to better production at Dexia Ingénierie Sociale in France (+10.3%) while the sale of Group insurance products in Belgium more than compensated the unfavorable market circumstances in Branch 26.

Production of life insurance products in Turkey is increasing quarter after quarter: EUR 13 million of premiums were collected in 2007. DenizBank acquired Deniz Hayat Sigorta at the beginning of 2007 and has been distributing its life insurance products since May 2007.

TOTAL GROSS WRITTEN PREMIUMS

(in millions of EUR)	2006	2007	Variation
TOTAL PREMIUMS (BY TYPE)	**3,767**	**4,778**	**+26.8%**
Nonlife	**425**	**442**	**+3.9%**
Life	**3,342**	**4,337**	**+29.8%**
Branch 21 (classical life included)	*2,910*	*3,826*	*+31.5%*
Branch 23 (unit-linked contracts)	*332*	*419*	*+26.3%*
Branch 26 (guaranteed/public sector)	*101*	*91*	*-9.2%*
TOTAL PREMIUMS (BY BUSINESS LINE)	**3,767**	**4,778**	**+26.8%**
Public/Project Finance (PPF)	353	361	+2.4%
Personal Financial Services (PFS)	3,414	4,417	+29.4%

Net income – Group share of insurance activities amounted to EUR 185 million in 2007, a 35.1% growth in one year mainly related to the growing life outstanding (mainly Branch 21) and some one-off tax recoveries.
Geographically, nearly 90% of the net income is realized in Belgium and the second contributor, France, represents about 7%. By business lines, 87% of the insurance net income is related to Personal Financial Services and 13% to Public/Project Finance.

Income was up 10.9% or EUR +41 million in 2007. Financial revenues were up EUR 118 million as a result of higher outstanding in life insurance products, capital gains on listed shares and on the sale of Belstar mostly realized in the first half of 2007. Technical margin decreased by EUR 77 million because of the higher technical provisions related to the outstanding and the ad hoc profit sharing obligation.

Compared to the income, **expenses** went up modestly: +4.2% versus 2006. Various factors influence the yearly variation:
• higher DVV Insurance network fees,
• staff expenses related to expansion in France and Luxembourg and,
• other operating expenses like the development project at DVV Insurance (enhancement of services towards retail and business customers) and IT/building costs.

In 2007, **taxes** are positively influenced by the combination of one-off tax recoveries mainly recorded in the third quarter of 2007.

UNDERLYING RESULTS OF DEXIA INSURANCE SERVICES

(in millions of EUR)	2006	2007	Variation
Income	385	426	+10.9%
Expenses	(231)	(241)	+4.2%
Taxes (& other)	(16)	0	n.s.
NET INCOME – GROUP SHARE	**137**	**185**	**+35.1%**

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), and the decision came into force on June 2, 2006. During the 2007 financial year, the Board of Directors made use of the authorized capital on two occasions.

• At its meeting on May 23, 2007, the Board of Directors decided to issue a maximum 10,500,000 warrants within the context of the 2007 Dexia stock option plan ("ESOP 2007"), 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, 10,322,550 warrants were effectively issued.

• At its meeting on May 23, 2007, the Board of Directors decided to issue a maximum 16,000,000 new shares, in the framework of the 2007 Dexia shareholding plan, with a withdrawal of the shareholders' preferential subscription right in favor of Group members of staff. Of the maximum 16,000,000 shares, 9,272,813 shares were finally issued.

Considering an accounting par of EUR 4.50 per share, the available balance of authorized capital was taken to EUR 4,519,528,119.50 at the close of this transaction. 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 OWN SHARES (ARTICLE 624 OF THE COMPANY CODE)

REASON FOR ACQUISITIONS

Acquisitions of own shares by the company during the 2007 financial year arise essentially from an asset and financial management policy, including the optimization of shareholders' equity.

SUMMARY OF OWN SHARE TRANSACTIONS

	Number of shares in circulation (subscribed capital)	Own shares (Dexia SA and direct subsidiaries)				
		Number of own shares	Accounting par (EUR)	Counter-value per share (EUR)	% in capital	
Period from Dec. 31, 2006 to Dec. 31, 2007					as of Dec. 31, 2006	as of Dec. 31, 2007
Situation at start of period	1,163,184,325	479,340	4.50	10.759	1.86%	0.04%
Acquisitions over the period		+8,626,866	4.50	20.573	+0.21%	+0.74%
Cancellations over the period			4.50	0.000	-2.00%	n.s.
Transfers over the period		-173,470	4.50	12.680	-0.03%	-0.01%
Issues over the period	+15,392,438					
Situation at close of period	1,178,576,763	8,932,736	4.50	20.199	0.04%	0.76%

Dexia SA made no repurchases of own shares during the period between the Extraordinary Shareholders' Meeting on May 10, 2006 and that on May 9, 2007.

On the basis of a new authorization granted by the Extraordinary Shareholders' Meeting on May 9, 2007, on August 30, 2007 the Board of Directors launched a new program for the repurchase of own shares, the execution of which was entrusted to Dexia Bank Belgium which, within the limit of the budgets at its disposal, decided at its discretion on the purchases to be made.

The balance of the own share portfolio as of December 31, 2007 corresponds to the number of Dexia shares repurchased under that program, increased by the number of shares still held by Dexia Crédit Local (direct subsidiary of Dexia SA within the meaning of Article 627 § 1 of the Company Code), under the 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, 2007

The 12 direct holdings of Dexia SA as of December 31, 2007 are as follows:

- 100% in Dexia Bank SA (Belgium);
- 100% in Dexia Crédit Local SA (France);
- 57.68% 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 Participation SA (Luxembourg), which holds 42.23% 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);
- 100% in Dexia Nederland Holding NV (the Netherlands);
- 100% in Dexia Funding Luxembourg SA (Luxembourg);
- 95% in Dexia Participation Belgique SA (Belgium);
- 99.53% 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; hereinafter 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 Annual Report 2006 (especially pages 99 to 101) and in the Activity Reports published during the year 2007, which are available on *www.dexia.com.*

Duisenberg Arrangement

On December 31, 2007, approximately 68,000 clients (holding over 116,000 contracts) of DBnl have actively accepted settlements based on the Duisenberg Arrangement. This figure does not include the 165,300 clients who are bound by the Duisenberg Arrangement by virtue of the Amsterdam Court of Appeal decision mentioned below, nor the nearly 100,000 clients (with approximately 200,000 contracts) who had already signed a waiver, and of which some also potentially benefit from the Duisenberg Arrangement.

July 31, 2007 was the last day of the opt-out period of six months. Therefore, since August 1, 2007 no further valid opt-out has been possible. During the opt-out period, clients could file an opt-out statement to prevent them being bound automatically by the Duisenberg Arrangement, based on the decision of the Amsterdam Court of Appeal of January 25, 2007, granting binding force to that Arrangement. However, an opt-out does not prove any obligation of DBnl. It only means that the client reserves the right to start proceedings against DBnl. Around 23,400 clients have filed an opt-out statement, including 16,000 clients represented by Leaseproces BV. Starting February 1, 2007, the suspended court cases could be resumed by the plaintiffs. Until December 31, 2007, approximately 1,275 court cases – around 38% of the number of suspended cases – have been continued.

On March 1, 2007, the Amsterdam Court of Appeal has rendered two important judgments. In one case, the Court confirmed a ruling that spouse consent to enter into share-leasing agreements is mandatory. In this matter, DBnl has issued an appeal to the Dutch Supreme Court. On January 25, 2008, the procurator general of the Supreme Court delivered his opinion, advising the Supreme Court to confirm the judgment of the Amsterdam Court of Appeal. The judgment of the Supreme Court in respect of spouse consent is expected in May 2008. If the ruling of the Amsterdam Court of Appeal is confirmed on appeal by the Supreme Court, the damage for DBnl – based on all clients that have sent a so-called annulment letter within three years and six months after entering into a share-leasing agreement – will amount to EUR 32 million. The law – if applicable – stipulates that the partner should protest within three years after having knowledge of the existence of the contract in order for it to be valid. DBnl has received approximately 12,500 "spouse letters", sent more than three years and six months after entering into a share-leasing agreement. No new valid "spouse letters" can be sent anymore. No provisions over those needed for the Duisenberg Arrangement have been made in respect of these risks, since DBnl is of the opinion that no spouse consent is required by law. In the other case, concerning "duty of care", the Amsterdam Court of Appeal ruled in line with the Duisenberg Arrangement. This judgment is no longer open to appeal. An important aspect of this judgment – that the damage of the client does not include the interest paid during the course of the contracts – has been confirmed by later decisions of this Amsterdam Court of Appeal.

On April 27, 2007, the Amsterdam Sub-District Court rendered three so-called "standard decisions", pretending to give "guidance" to DBnl and its clients in respect of the most likely outcome of individual proceedings, heard by that court. Factors that this Sub-District Court takes into account are – amongst others – the income, wealth, investment experience and education of the clients. Generally speaking, the outcome of this system is more favorable to the clients than the Duisenberg Arrangement, especially since the Amsterdam Sub-District Court considers interest paid during the course of the contract as part of the damage that has to be returned – partially – by DBnl to its clients. DBnl does not agree with this approach as it conflicts with the Duisenberg Arrangement and with the mentioned decision of the Amsterdam Court of Appeal that interest paid should not be considered as part of the damage of the client. Therefore DBnl has issued and will continue to issue appeals to the Amsterdam Court of Appeal in respect of decisions which included interest paid as part of the damage.

On December 31, 2007, Leaseproces BV, a profit-driven organization that recruits clients on a "no cure, no pay" base, represented approximately 28,300 clients, of which some 16,000 have filed a valid opt-out statement within the context of the Duisenberg Arrangement. The difference consists of clients who did not have to opt-out for different reasons (with products not in the scope of the Duisenberg Arrangement and clients who have previously accepted a settlement) and clients that apparently accepted the Duisenberg Arrangement after all. For approximately 2,000 of its clients, Leaseproces BV actually started proceedings. On a minor scale, other organizations, attorneys at law and other lawyers continue to summon DBnl on behalf of their clients in civil courts. However, in the fourth quarter of 2007 a growing number of other court cases were settled as well, a vast majority based on the Duisenberg Arrangement. Therefore, the total number of clients in proceedings continues to decrease. A number of these proceedings (by clients represented by Leaseproces BV as well as by clients represented by other lawyers) will be canceled soon, since these clients did not file the opt-out statement.

Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Dexia has reported on this matter in its earlier reports and quarterly activity reports.

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 client's spouse; 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 mainly with individual parties but in some cases with collective foundations (Stichting Leaseleed). They are represented to different types of Courts or Arbitrators, mainly the Sub-District and District Courts, Courts of Appeal, the Dutch Securities Institute (DSI) and the Dispute Committee for the Banking Industry.

Over 130 clients have issued a complaint to the so-called Disputes Committee Duisenberg (Geschillencommissie Duisenberg). However, only an insignificant number of those complaints have resulted in an adjudication.

In past reports and press releases, Dexia has informed the public about important developments. This information is available on the Dexia Website at *www.dexia.com*.

Dutch Securities Institute (DSI)

At the end of 2007, only 120 cases were still under consideration by the Grievance Committee DSI, and no cases under consideration by the Appeals Committee of DSI.

Depot Lease

The Duisenberg Arrangement is not applicable to the group of approximately 5,500 clients who entered into share-leasing agreements in connection with securities deposit ("Depot Lease"). At the end of 2007, many settlements with Depot Lease clients were reached, among which with nearly all 390 clients of the Stichting Leaseleed. DBnl still faces some 200 court cases with Depot Lease clients, but expects to be able to settle these cases as well.

Provisions as of December 31, 2007

Provisions are updated every quarter and may be influenced by the fluctuations in the value of the underlying stock of the share-leasing contracts, by client behavior and by future judgments.

Assessment

The purpose of the following table 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, 2007 [1] (In millions of EUR, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL OUTSTANDING PORTFOLIO	**84,029**	**487**	**488**	**+1**
- Contracts with sufficient collateral	37,968	149	218	+69
- Contracts with insufficient collateral	46,061	338	270	-68
of which:				
- Contracts with redemption	2,929	18	17	-1
- Contracts without redemption	43,132	320	253	-67
of which:				
- Accepted an agreement [2] (and signed the waiver)	26,200	190	150	-40
- Did not accept an agreement	16,932	130	103	-27

CONTRACTS THAT ENDED BEFORE DECEMBER 31, 2007 [1] (In millions of EUR, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL PORTFOLIO	**631,281**	**5,855**	**6,229**	**+374**
- Contracts with sufficient collateral	332,135	2,548	4,095	+1,547
- Contracts with insufficient collateral	299,146	3,307	2,135	-1,172
of which:				
- Contracts with redemption [3]	70,491	876	669	-207
- Contracts without redemption	228,655	2,431	1,466	-965
of which:				
- Accepted an agreement [2] (and signed the waiver)	166,469	1,755	1,034	-720
- Did not accept an agreement	62,186	676	431	-245

(1) All contracts qualifying for the share-lease definition since the start of their origination, regardless of the way they were terminated.
(2) Either the Dexia Offer, the Duisenberg Arrangement or another kind of settlement.
(3) Mainly early terminated contracts.

4.2. LERNOUT & HAUSPIE

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof.
This was described in detail in the 2006 annual report.
Since then, the following relevant events have occurred.

4.2.1. Claim on Lernout & Hauspie Speech Products

Dexia Bank has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 27,493,196.41 (exchange rate USD/EUR 1.4718) – of which EUR 173,101.09 reserved interests –, for which an impairment has been recorded for EUR 23,043,202.55. The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States. According to the LHSP Belgian bankruptcy receivers, Dexia Bank and the other unsecured creditors are unlikely to receive any dividend from the Belgian liquidation of LHSP.

4.2.2. Claim on Lernout & Hauspie Investment Company

During 2007, the Dexia Bank's outstanding claim on Lernout & Hauspie Investment Company (LHIC) has reduced to EUR 48,362,014.99 – of which EUR 4,926,788.84 reserved interests –, as a consequence of the sale of a participation held by LHIC and pledged in favor of Dexia Bank. An impairment for EUR 46,868,797.65 has been recorded for the remaining claim.
As part of the security for its claim, Dexia Bank still has a pledge on a portfolio of securities owned by LHIC, the value of which is estimated at around USD 1,200,000.

4.2.3. Prosecution of Dexia Bank in Belgium

On May 4, 2007, Dexia Bank was summoned, together with 20 other parties, to appear before the criminal Court of Appeal in Ghent. According to the writ of summons, Dexia Bank is prosecuted as an alleged accessory to the falsification of the financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and other related offences among which forgery (*valsheid in geschriften/faux en écritures*), securities fraud (*emissiebedrog/délit d'émission*) and market manipulation (*koersmanipulatie/manipulation de cours*).

The Public Prosecutor alleges in substance that Artesia Banking Corporation (hereafter ABC) aided and abetted LHSP in the creation of fictitious revenue, by granting a USD 20 million loan to Messrs. Lernout, Hauspie and Willaert, whilst ABC allegedly knew that the management of LHSP would utilize these funds for improper revenue recognition. Furthermore, the Public Prosecutor demands the seizure of properties in an amount of approximately EUR 29,000,000.

Dexia Bank considers it has serious grounds for contesting the charges.

Two series of hearings took place in 2007.

The Introductory Hearing started on May 21 and ended on June 26. These hearings only concerned arguments of procedural nature. In an interlocutory judgment of June 26, the Court of Appeal in Ghent rejected part of Dexia Bank's procedural arguments, while others were joined to the Merits.

The hearings on the Merits started on October 1. During those hearings, the Public Prosecutor and the Civil Parties (*burgerlijke partijen/parties civiles*) argued their case. No significant new elements were raised with respect to Dexia Bank. Dexia Bank underlines its innocence in this matter and contests the charges brought against it.

Parties alleging to have suffered losses in relation to the prosecuted offences can indeed make a claim in the criminal proceedings until the last day of the trial. On December 31, 2007, around 12,600 parties had introduced a claim for damages in the criminal proceedings. Dexia Bank is currently reviewing these claims.

The largest claim is the claim of the LHSP Belgian bankruptcy receivers. They are claiming an amount of USD 744,128,638.37 in principal. This claim is in part duplicative of the claims of other civil parties.

Dexia Bank, in its turn, has made a claim as a civil party against Messrs. Lernout, Hauspie, Willaert and Bastiaens and against N.V. LHSP in October 2007, claiming damages for a provisional amount of EUR 2. Dexia Bank's claim is in relation to the losses suffered on its LHSP portfolio (Dexia Bank is still holding 437,000 LHSP shares) and to an amount of EUR 27,493,196.41 owed to it by LHSP under a USD 430 million Revolving Facility Agreement dated May 5, 2000 (supra 4.2.1.).

4.2.4. Civil proceedings against Dexia Bank in Belgium

4.2.4.1. LHSP receivers' claim

In July 2005, the Belgian 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, to a large extent duplicative of the claims introduced in the criminal proceedings, 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. Claims 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 yet been assessed. 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 Bank's claims in the US bankruptcy proceedings. This action is, essentially, a duplication of the above-mentioned LHSP receivers' claim. The claim is still pending.

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.

All these claims have been settled (the NASDAQ class action as well as the Stonington, Baker and TRA/Filler claims) or dismissed with prejudice (the EASDAQ class action).

The NASDAQ class action has been settled for an amount of USD 60,000,000 and has been approved by the court. Dexia Bank has not rendered public the settlements amounts in the other cases since this could seriously harm Dexia Bank's interests. These settlements are not subject to court approval.

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 Banking Corporation (ABC) 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.

DBB 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 proceedings 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 proceedings 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 Belgian 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 Appeal issued a decision on July 12, 2006 at the request of Crédit Agricole Indosuez Luxembourg (CAIL) by which BNP Paribas Luxembourg was ordered to deliver the Parvest shares to CAIL by June 30, 2007 or to pay to CAIL the counter value of these Parvest shares on June 30, 2007 if the latter were not delivered to CAIL prior to July 1, 2007. The Luxembourg Court of Appeal condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation.
As no lifting of the various attachments on the Parvest shares was obtained, BAN paid the value of the Parvest shares to BNP Paribas Luxembourg and Dexia Bank reimbursed this amount (USD 30,039,336.54) to BAN on July 9.
BAN has lodged an appeal against the decision of the Court of Appeal in Luxembourg before the Supreme Court (cour de cassation).
Finally, in October 2007, Dexia Bank honored the bank guarantee of USD 10,000,000 in principal issued in favor of BAN (supra, 4.2.6.). This resulted in a payment of USD 17,538,614.58 in favor of BAN on October 30, 2007.

4.2.8. Provisions and impairments

On December 31, 2007, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 75,793,661.71 – of which EUR 5,101,935.02 reserved interests – (see paragraphs 4.2.1., 4.2.2. and 4.2.7.). On the same date impairments for the Lernout & Hauspie file amounted to some EUR 69,912,004.48. 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 litigation in the US, and hence the settlements concluded in the NASDAQ class action and in the Baker, Stonington and TRA/Filler transactional cases as well as the costs and legal fees related to the whole of the L&H proceedings mentioned in paragraphs 4.2.1. to 4.2.6. above.
Dexia strongly challenges the validity and the merits of all these claims.
As mentioned in the 2006 annual report, Dexia does not disclose the amount of the provisions relating to the US litigation, in general, and, more specifically, to the settlement amounts reached with Stonington, Baker and TRA/Filler since this could seriously harm its right of defence.

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 2007.
This file will be submitted to the chambers (*chambre du conseil/raadkamer*).

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 FSA's subsidiary Financial Security Assurance Inc. received a subpoena from the US Securities and Exchange Commission (SEC) related to an ongoing industry-wide civil investigation concerning the bidding of municipal GICs. FSA issues municipal GICs through its financial products segment, but does not serve as a GIC broker. FSA understands that many financial institutions 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 has been endeavoring to cooperate fully with both investigations.
On February 4, 2008, FSA received a letter from the SEC, commonly called a "Wells Notice", indicating that the SEC staff is considering recommending that the SEC authorize the staff to bring a civil injunctive action and/or institute administrative proceedings against FSA, alleging violations of certain provisions of the US securities laws. FSA understands that it will have an opportunity to respond to the Wells Notice and to discuss the matter with staff before any recommendation is made to the SEC.

5. AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

The agendas for the Ordinary Shareholders' Meeting and the Extraordinary Shareholders' Meeting to be held on Wednesday May 14, 2008 in Brussels are available on the Dexia SA Internet site: *www.dexia.com*.

6. SHARE CAPITAL

6.1. EVOLUTION OF CAPITAL OVER THE 2007 FINANCIAL YEAR

The evolution of capital is presented below in chronological order.

6.1.1. June 29, 2007: capital increase – exercise of subscription rights ("F1997", "F1998", "A1999", "A2000", "ESOP 2000", "ESOP 2001", "ESOP 2002", "ESOP 2003", "ESOP 2004", "ESOP 2005" and "ESOP 2006" warrants)

A first capital increase by the issue of 2,253,004 new shares with VVPR strips was observed by notarized deed dated June 29, 2007 and results from the exercise of the following categories of subscription rights:

a) 55,929 subscription rights of the category "F1997" warrants at a price of EUR 8.10 and 85,660 subscription rights in the category "F1998" warrants at a price of EUR 11.27. These options had been issued by the Board of Directors of Dexia SA on July 6, 2000, within the context of the authorized capital, in favor of certain members of staff of the Group (issue of 76,350 "F1996" warrants exercisable at a price of EUR 59.45, 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) 163,235 subscription rights of the category "A1999" warrants were exercised at a price of EUR 13.81 and 75,284 subscription rights in 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 the public exchange offer, with a view to enabling the holders of stock options issued in 1999 and 2000 by Artesia Banking Corporation SA (which in the meantime merged with Dexia Bank Belgium) to exchange the options attributed to them in 1999 and/or 2000 by Artesia Banking Corporation SA for subscription rights issued by Dexia SA and divided into two categories ("A1999" warrants in exchange for options issued by Artesia Banking Corporation during the 1999 financial year, and "A2000" warrants in exchange for options issued by Artesia Banking Corporation during the 2000 financial year).

c) 134,984 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) 643,781 subscription rights of the category "ESOP 2001" warrants were exercised by their beneficiaries at a price of EUR 17.86. These options had been issued by the Board of Directors of Dexia SA on May 22, 2001 particularly in favor of certain members of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

e) 773,481 subscription rights of the category "ESOP 2002" warrants were exercised by their beneficiaries including 474,711 at a price of EUR 11.88 (all beneficiaries except French beneficiaries) and 298,770 at a price of EUR 13.66 (French beneficiaries). These options had been 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.

f) 275,650 subscription rights of the category "ESOP 2003" warrants were exercised by their beneficiaries at a price of EUR 11.37. These options had been 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.

g) 15,000 subscription rights of the category "ESOP 2004" warrants were exercised by the beneficiaries at a price of EUR 13.56. These options had been issued by the Board of Directors of Dexia SA on May 12, 2004 particularly in favor of certain members of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

h) 15,000 subscription rights of the category "ESOP 2005" warrants were exercised by the beneficiaries at a price of EUR 18.03. These options had been issued by the Board of Directors of Dexia SA on March 3, 2005 particularly in favor of certain members of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

i) 15,000 subscription rights of the category "ESOP 2006" warrants were exercised by the beneficiaries at a price of EUR 18.62. These options had been issued by the Board of Directors of Dexia SA on May 23, 2006 particularly in favor of certain members of staff and executives of the Company, its subsidiaries, sub-subsidiaries and branches.

As a consequence of this exercise, the Company's share capital rose from EUR 5,237,739,140.92 to EUR 5,247,877,658.92 represented by 1,165,437,329 shares.

(1) Number and exercise price before share split by 10.

6.1.2. September 28, 2007: capital increase – exercise of subscription rights ("F1998", "A1999", "A2000", "ESOP 2000", "ESOP 2001", "ESOP 2002" and "ESOP 2003" warrants)

A capital increase by the issue of 2,061,689 new shares with VVPR strips was observed by notarized deed dated September 28, 2007 and results from the exercise of the following categories of subscription rights:

a) 6,590 subscription rights of the category "F1998" warrants were exercised at a price of EUR 11.27 under the option plans described in point 6.1.1.a above.

b) 729,597 subscription rights of the category "A1999" warrants were exercised at a price of EUR 13.81 and 89,011 subscription rights in the category "A2000" warrants were exercised at a price of EUR 15.17 under the option plans described in point 6.1.1.b above.

c) 88,000 subscription rights of the category "ESOP 2000" warrants were exercised by their beneficiaries under the option plan described in point 6.1.1.c above, at a price of EUR 14.58.

d) 317,288 subscription rights of the category "ESOP 2001" warrants were exercised by their beneficiaries under the option plan described in point 6.1.1.d at a price of EUR 17.86.

e) 327,969 subscription rights of the category "ESOP 2002" warrants were exercised by their beneficiaries under the option plan described in point 6.1.1.e including 203,644 at a price of EUR 11.88 (all beneficiaries except French beneficiaries) and 124,325 at a price of EUR 13.66 (French beneficiaries).

f) 503,234 subscription rights of the category "ESOP 2003" warrants were exercised by their beneficiaries under the option plan described in point 6.1.1.f at a price of EUR 11.37.

As a consequence of this exercise, the Company's share capital rose from EUR 5,247,877,658.92 to EUR 5,257,155,259.42 represented by 1,167,499,018 shares.

6.1.3. October 31, 2007: capital increase – exercise of subscription rights ("Share plan net 2002")

494,946 subscription rights of the category "Share plan net 2002" warrants were exercised by their beneficiaries at a price of EUR 10.97. These options had been issued in accordance with the resolution passed on May 7, 2002 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.

As a consequence of this exercise, the Company's share capital rose from EUR 5,257,155,259.42 to EUR 5,529,382,516.42 represented by 1,167,993,964 Shares.

6.1.4. December 20, 2007: capital increase reserved for members of staff of the Dexia Group ("Share plan 2007")

The increase of capital on December 20, 2007 fell within the context of the "Share plan 2007" intended for members of staff of the Dexia Group, under terms similar to the 2000, 2001, 2002, 2003, 2004, 2005 and 2006 versions of the Dexia shareholding plans. In all, 9,272,813 new Dexia shares with VVPR strips were subscribed and issued on December 20, 2007 for the 2007 version of the shareholding plan.

As a consequence of the subscription to the capital increase within the context of the "Share plan 2007", the Company's share capital rose from EUR 5,529,382,516.42 to EUR 5,301,110,174.92 (the balance being allocated to an issue premium account) represented by 1,177,266,777 actions.

6.1.5. December 28, 2007: capital increase – exercise of subscription rights ("F1998", "A2000", "ESOP 2000", "ESOP 2001", "ESOP 2002", "ESOP 2003" and "ESOP 2004" warrants)

The last capital increase in the year 2007, by the creation of 1,309,986 new shares with VVPR strips, was observed by notarized deed dated December 28, 2007 and results from the exercise, by their beneficiaries, of 1,309,986 subscription rights from the following categories:

a) 111,910 subscription rights of the category "F1998" warrants were exercised at a subscription price of EUR 11.27 under the option plan described in point 6.1.1.a above.

b) 12,200 subscription rights were exercised by the beneficiaries under the option plan described in point 6.1.1.b above at a price of EUR 15.17 ("A2000" warrants).

c) 40,100 subscription rights of the category "ESOP 2000" warrants were exercised at a subscription price of EUR 14.58 under the option plan described in point 6.1.1.c above.

d) 147,000 subscription rights of the category "ESOP 2001" warrants were exercised at a subscription price of EUR 17.86 under the option plan described in point 6.1.1.d above.

e) 166,532 subscription rights of the category "ESOP 2002" warrants were exercised by their beneficiaries under the option plan described in point 6.1.1.e above, including 67,839 at a price of EUR 11.88 (all beneficiaries except French beneficiaries) and 98,693 at a price of EUR 13.66 (French beneficiaries).

f) 771,994 subscription rights of the category "ESOP 2003" warrants were exercised at a price of EUR 11.37 under the option plan described in point 6.1.1.f above.

g) 60,250 subscription rights of the category "ESOP 2004" warrants were exercised by their beneficiaries under the option plan described in point 6.1.1.g at a price of EUR 13.56.

As a consequence of this capital increase, the Company's share capital was taken to EUR 5,307,005,111.92 (the balance being allocated to an issue premium account), represented by 1,178,576,763 shares.

We note finally that, on May 23, 2007, the Board of Directors of the Company decided, on the suspensive condition of their effective attribution, to issue a maximum of 10,500,000 subscription rights ("ESOP 2007" warrants) under Dexia's stock option plan 2007 reserved for members of staff (including members of the Group's management bodies) of the Company and its Belgian and foreign subsidiaries. The subscription price for these options was fixed at EUR 23.25 per subscription right.

6.2. SUMMARY TABLE OF DEXIA SUBSCRIPTION RIGHTS ("WARRANTS") (AS OF DECEMBER 31, 2007)

	Exercise price (in EUR)	Exercise period from	Exercise period to	Number of subscription rights allocated	Number of subscription rights exercised	Number of canceled subscription rights because void	Number of residual subscription rights after transfers
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	904,000	90,250	0
"F1998" warrants	11.27	May 29, 2003	May 29, 2008	1,001,900	912,250		89,650
"ESOP 2000" warrants	14.58	Nov. 30, 2000 (1)	Dec. 31, 2010 (1)	5,915,000	2,831,037		3,083,963
"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	2,715,038		5,384,962
"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	5,535,057		4,464,943
	13.66						*1,118,938*
	11.88						*3,346,005*
"Share plan net 2002" warrants	10.97	Oct. 31, 2007	Oct. 31, 2007	495,096	494,946	150	0
"A1999" warrants	13.81	May 1, 2003 (1)	July 31, 2007 (1)	2,004,402	2,001,852	2,550	0
"A2000" warrants	15.17	May 1, 2004 (1)	July 31, 2008 (1)	1,597,184	653,926		943,258
Subscription rights allocated in 2003							
"ESOP 2003" warrants	11.37	Sept. 30, 2006 (1)	July 24, 2013 (1)	10,000,000	2,227,878		7,772,122
"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	75,250		9,924,750
"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	15,000		9,979,950
"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	15,000		9,745,225
"Share plan 2006" warrants	21.25	Oct. 29, 2011	Oct. 29, 2011	197,748	0		197,748
"ESOP 2006" warrants DenizBank	20.71	Dec. 15, 2009	Dec. 14, 2016	235,000	0		235,000
Subscription rights allocated in 2007							
"ESOP 2007" warrants	23.25	June 30, 2010 (1)	June 29, 2017 (1)	10,322,550	0		10,322,550

(1) Excluding specific conditions.
(2) 13.66: France/11.88: other countries.

6.3. SHARE CAPITAL AS OF DECEMBER 31, 2007

As of December 31, 2007, the share capital was EUR 5,307,005,111.92 represented by 1,178,576,763 shares with no nominal value, including 354,885,787 registered shares, 800,468,642 dematerialized shares and 23,222,334 (physical) 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 below one of the aforementioned thresholds.

Moreover, in application of the "Protocol on the prudential structure 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 made on the basis of the aforementioned provisions on August 30, 2007 by certain shareholders of Dexia SA (namely Arcofin, Holding Communal, Caisse des dépôts et consignations, Ethias and CNP Assurances) which had concluded an agreement under the terms of which they are deemed to constitute "parties acting in concert" under Belgian legislation relating to tender offers (see section 6.5.). The holding of the shareholders acting in concert in the capital of Dexia SA exceeds a threshold of 50%.

6.5. NEW LEGISLATION ON TENDER OFFERS – "GRANDFATHERING" REGIME

Under the terms of Article 74 of the Law of April 1, 2007 relating to takeover bids, parties who, on September 1, 2007, individually or in concert, hold more than 30% of the voting shares of a Belgian listed company, are not subject to the obligation to launch a mandatory tender offer for the shares of the said company, provided in particular that, by February 21, 2008 at the latest, they send a notification to the Banking, Finance and Insurance Commission (CBFA) and a communication to the said company.

On August 30, 2007, Dexia SA was informed of the conclusion by certain of its shareholders (Arcofin, Holding Communal, Caisse des dépôts et consignations, Ethias and CNP Assurances) of an agreement under the terms of which they are deemed to constitute "parties acting in concert" within the meaning of the Law of April 1, 2007 relating to tender offers. The holding of shareholders acting in concert in the capital of Dexia SA exceeds a threshold of 50%.

This agreement was notified to the CBFA and a communication was sent to Dexia SA, in accordance with Article 74, §§ 6 and 7 of the Law of April 1, 2007 relating to tender offers.

The principal elements of that communication, which have been published on Dexia's Website, are set out below.

PARTIES ACTING IN CONCERT

Parties acting in concert and, on September 1, 2007, holding more than 30% of the Dexia SA voting shares	Number of voting shares held on September 1, 2007	Percentage of voting shares held on September 1, 2007
Arcofin SCRL	204,751,478	17.57%
Arcopar SCRL	811,886	0.07%
Holding Communal SA	190,564,978	16.35%
Caisse des dépôts et consignations, a special establishment under French Law	137,504,606	11.80%
Ethias Incendie, a mutual insurance association	1,912,000	0.16%
Ethias Droit Commun, a mutual insurance association	14,752,833	1.27%
Ethias Vie, a mutual insurance association	43,204,221	3.71%
Ethias Accidents du travail, an insurance fund	900,834	0.08%
Bel Ré SA, a limited company under Luxembourg Law	11,695,763	1.00%
CNP Assurances SA, a limited company under French Law	23,064,643	1.98%

ASSOCIATED COMPANIES

Companies associated with the parties acting in concert	Number of voting shares held on September 1, 2007	Percentage of voting shares held on September 1, 2007
Ethias Investment RDT-DBI SA	1,025,000	0.09%
Arcoplus SCRL	111,600	0.01%
Arcosyn SA	187,000	0.02%
Auxipar SA	513,363	0.04%
Nateus SA	192,710	0.02%

These companies are associated to the parties acting in concert and are therefore deemed to act in concert with them by virtue of Article 3, §2 of the Law of April 1, 2007.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007

CONSOLIDATED BALANCE SHEET

ASSETS (in millions of EUR)		Notes	Dec. 31, 2006	Dec. 31, 2007
I.	Cash and balances with central banks	7.2.	3,365	8,835
II.	Loans and advances due from banks	7.3.	78,215	54,776
III.	Loans and advances to customers	7.4.	226,502	242,619
IV.	Financial assets measured at fair value through profit or loss	7.5.	32,569	37,565
V.	Financial investments	7.6.	190,638	220,290
VI.	Derivatives	9.1.	24,032	29,218
VII.	Fair value revaluation of portfolio hedge		759	(185)
VIII.	Investments in associates	7.7.	826	861
IX.	Tangible fixed assets	7.8.	2,188	2,257
X.	Intangible assets and goodwill	7.9.	2,393	2,524
XI.	Tax assets	7.10. & 9.2.	749	1,445
XII.	Other assets	7.11. & 9.3.	3,552	4,320
XIII.	Non current assets held for sale	7.12.	955	39
	TOTAL ASSETS		**566,743**	**604,564**

The notes on pages 121 to 220 are an integral part of these consolidated financial statements.

LIABILITIES

(in millions of EUR)		Notes	Dec. 31, 2006	Dec. 31, 2007
I.	Due to banks	8.1.	174,754	178,681
II.	Customer borrowings and deposits	8.2.	116,165 (1)	126,680
III.	Financial liabilities measured at fair value through profit or loss	8.3.	15,208 (1)	18,301
IV.	Derivatives	9.1.	30,489	31,365
V.	Fair value revaluation of portfolio hedge		239	(206)
VI.	Debt securities	8.4.	184,746 (2)	204,013
VII.	Subordinated debts	8.5.	4,345 (2)	4,885
VIII.	Technical provisions of insurance companies	9.3.	12,288	15,071
IX.	Provisions and other obligations	8.6.	1,468	1,353
X.	Tax liabilities	8.7. & 9.2.	1,276	778
XI.	Other liabilities	8.8.	6,545	7,249
XII.	Liabilities included in disposal groups held for sale	8.9.	785	0
TOTAL LIABILITIES			**548,308**	**588,170**

EQUITY

(in millions of EUR)		Notes	Dec. 31, 2006	Dec. 31, 2007
XIV.	Subscribed capital	9.7.	5,238	5,307
XV.	Additional paid-in capital		10,229	10,399
XVI.	Treasury shares		(1)	(176)
XVII.	Reserves and retained earnings		(3,783)	(1,951)
XVIII.	Net income for the period		2,750	2,533
CORE SHAREHOLDERS' EQUITY			14,433	16,112
XIX.	Gains and losses not recognized in the statement of income		1,866	(1,587)
TOTAL SHAREHOLDERS' EQUITY			16,299	14,525
XX.	Minority interests		1,710	1,754
XXI.	Discretionary participation features of insurance contracts	9.3.	426	115
TOTAL EQUITY			**18,435**	**16,394**
TOTAL LIABILITIES AND EQUITY			**566,743**	**604,564**

(1) As explained in note 1.2.3 Changes in presentation, an amount of EUR 6,681 million as of December 31, 2006 has been reclassified from III. Financial liabilities measured at fair value through profit or loss to II. Customer borrowings and deposits. This has no impact on the result of the period.
(2) Convertible and non-subordinated debts are now classified in Debt securities. An amount of EUR 20 million has been restated.

The notes on pages 121 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

(in millions of EUR)		Notes	Dec. 31, 2006	Dec. 31, 2007
I.	Interest income	11.1.	73,057	100,136
II.	Interest expense	11.1.	(69,128)	(95,610)
III.	Dividend income	11.2.	152	147
IV.	Net income from associates	11.3.	102	108
V.	Net income from financial instruments at fair value through profit or loss	11.4.	319	(163)
VI.	Net income on investments	11.5.	1,164 (1)&(2)	720
VII.	Fee and commission income	11.6.	1,560	1,859
VIII.	Fee and commission expense	11.6.	(253)	(357)
IX.	Premiums and technical income from insurance activities	11.7. & 9.3.	4,004	5,013
X.	Technical expense from insurance activities	11.7. & 9.3.	(3,904)	(5,007)
XI.	Other net income	11.8.	(68) (3)	50
	INCOME		7,005	6,896
XII.	Staff expense	11.9.	(1,722)	(1,905)
XIII.	General and administrative expense	11.10.	(1,105)	(1,232)
XIV.	Network costs		(352)	(367)
XV.	Depreciation & amortization	11.11.	(245) (3)	(284)
XVI.	Deferred acquisition costs		(50)	(46)
	EXPENSES		(3,474)	(3,834)
	GROSS OPERATING INCOME		3,531	3,062
XVII.	Impairment on loans and provisions for credit commitments	11.12.	(124)	(163)
XVIII.	Impairment on tangible and intangible assets	11.13.	0	(3)
XIX.	Impairment on goodwill	11.14.	0	(4)
	NET INCOME BEFORE TAX		3,407	2,892
XX.	Tax expense	11.15.	(569)	(256)
	NET INCOME		2,838	2,636
	Attributable to minority interest		88	103
	Attributable to equity holders of the parent		2,750	2,533
in EUR				
	Earnings per share	11.16.		
	- basic		2.49	2.18
	- diluted		2.45	2.15

(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.
(3) December 31, 2006: as the revenues on investment properties are booked in "XI.Other net income", depreciation on investment properties have been reclassified from item "XV. Depreciation and amortization" to item "XI. Other net income" for an amount of EUR -7 million.

The notes on pages 121 to 220 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, 2005	**4,888**	**9,137**	**(356)**	**(4,219)**	**2,038**	**11,488**
Movements of the period						
- Issuance of subscribed capital	350	1,092		(6)		1,436
- Acquisition of treasury shares			(50)			(50)
- Trading activities on treasury shares			(14)	(1)		(15)
- Sale and cancellation of treasury shares			419	(414)		5
- Transfers to reserves				2,038	(2,038)	0
- Dividends				(770)		(770)
- Share based payments: value of employee services				30		30
- Variation of scope of consolidation(1)				(441)		(441)
- Net income for the period					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 2.Significant changes in scope of consolidation.

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
	Subsidiaries 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		(161)		8		(153)
- Net change in fair value through equity – Cash flow hedges			120			120
- Net change in fair value due to transfers to income – Cash flow hedges			(14)			(14)
- Translation adjustments		(14)			(196)	(210)
- Variation of scope of consolidation		(16)			1	(15)
- Cancellation of FV following AFS disposals		(459)				(459)
- Transfers	1					1
AS OF DEC. 31, 2006	**1**	**1,958**	**10**	**15**	**(118)**	**1,866**

The notes on pages 121 to 220 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, 2005	**1,136**	**47**	**1,183**	**433**
Movements of the period				
- Increase of capital [(1)]	513		513	
- Dividends	(44)		(44)	
- Net income for the period	88		88	
- Net change in fair value through equity		(1)	(1)	(7)
- Translation adjustments	(1)	3	2	
- Variation of scope of consolidation	(28)	(3)	(31)	
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.

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, 2006	**5,238**	**10,229**	**(1)**	**(3,783)**	**2,750**	**14,433**
Movements of the period						
- Issuance of subscribed capital	69	170		(2)		237
- Acquisition of treasury shares			(178)			(178)
- Trading activities on treasury shares			1			1
- Sale and cancellation of treasury shares			2			2
- Transfers to reserves				2,750	(2,750)	0
- Dividends				(942)		(942)
- Share based payments: value of employee services				35		35
- Variation of scope of consolidation				(10)		(10)
- Other movements				1		1
- Net income for the period					2,533	2,533
AS OF DEC. 31, 2007	**5,307**	**10,399**	**(176)**	**(1,951)**	**2,533**	**16,112**

The notes on pages 121 to 220 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 Subsidiaries held for sale	Securities (AFS)	Derivatives (CFH)	Associates (AFS, CFH and CTA)	Cumulative Translation Adjustments (CTA)	Total gains and losses – Group share
AS OF DEC. 31, 2006	**1**	**1,958**	**10**	**15**	**(118)**	**1,866**
Movements of the period						
- Net change in fair value through equity – Available for sale investments		(3,129)		(31)		(3,160)
- Net change in fair value through equity – Cash flow hedges			81			81
- Net change in fair value due to transfers to income – Available for sale investments		14				14
- Net change in fair value due to transfers to income – Cash flow hedges			(26)			(26)
- Translation adjustments		32	6		(29)	9
- Variation of scope of consolidation	(1)	11	3			13
- Cancellation of FV following AFS disposals		(376)		(8)		(384)
AS OF DEC. 31, 2007	**0**	**(1,490)**	**74**	**(24)**	**(147)**	**(1,587)**

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, 2006	**1,664**	**46**	**1,710**	**426**
Movements of the period				
- Increase of capital	18		18	
- Dividends	(60)		(60)	
- Net income for the period	103		103	
- Net change in fair value through equity		(15)	(15)	(291)
- Cancellation of FV following AFS disposals		1	1	(5)
- Translation adjustments		1	1	
- Variation of scope of consolidation	(4)	(1)	(5)	(15)
- Others		1	1	
AS OF DEC. 31, 2007	**1,721**	**33**	**1,754**	**115**

Core shareholders' equity	16,112
Gains and losses not recognized in the statement of income attributable to equity holders of the parent	(1,587)
Minority interests	1,754
Discretionary participation features of insurance contracts	115
TOTAL EQUITY AS OF DEC. 31, 2007	**16,394**

The notes on pages 121 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in millions of EUR)	Dec. 31, 2006	Dec. 31, 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	2,838	2,636
Adjustment for:		
- Depreciation, amortization and other impairment	266	315
- Impairment on bonds , equities, loans and other assets	(90)	4
- Net gains on investments	(914)(1)	(630)(1)
- Charges for provisions (mainly insurance provision)	2,708	3,369
- Unrealized gains or losses	(41)	(101)
- Income from associates	(102)	(108)
- Dividends from associates	39	44
- Deferred taxes	42	(135)
- Other adjustments	30	35
Changes in operating assets and liabilities	11,532	(10,782)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**16,308**	**(5,353)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(374)	(573)
Sales of fixed assets	169	216
Acquisitions of unconsolidated equity shares	(1,030)	(2,854)
Sales of unconsolidated equity shares	1,286	2,356
Acquisitions of subsidiaries and of business units	(1,132)(2)	(27)
Sales of subsidiaries and of business units	343	212
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(738)**	**(670)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	1,953	254
Issuance of subordinated debts	288	1,283
Reimbursement of subordinated debts	(581)	(672)
Purchase of treasury shares	(50)	(178)
Sale of treasury shares	4	2
Dividends paid	(813)	(1,002)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**801**	**(313)**
NET CASH PROVIDED	**16,371**	**(6,336)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**43,797**	**57,941**
Cash flow from operating activities	16,308	(5,353)
Cash flow from investing activities	(738)	(670)
Cash flow from financing activities	801	(313)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	(2,227)(3)	(2)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**57 941**	**51 603**
ADDITIONAL INFORMATION		
Income tax paid	(520)	(498)
Dividends received	191	191
Interest received	73,601	100,515
Interest paid	(70,805)	(95,539)

(1) December 2006: 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. December 2007: includes EUR 54 million due to the sale of Belstar Assurances SA and EUR 59 million due to the sale of Dexia Banque Privée France.
(2) December 2006: acquisition of DenizBank group for EUR 1,066 million.
(3) December 2006: includes impact on cash and cash equivalents of the joint venture RBC Dexia Investor services: EUR -1,740 million.

The notes on pages 121 to 220 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, 2007. 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 but also asset management and insurance services.

The parent company of the Group is Dexia SA, 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 Brussels and also on the Luxembourg Stock Exchange.

These financial statements have been approved for issue by the Board of Directors on February 28, 2008.

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

1.1.1. General

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, 2007, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

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

1.1.2. Accounting estimates

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 may differ from such estimates and the differences could be material to the financial statements.

Judgments and estimates are principally made in the following areas::

- Estimation of the recoverable amount of impaired assets
- Determination of fair values of non-quoted financial instruments
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets
- Measurement of liabilities for insurance contracts
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets
- Estimation of present obligations resulting from past events in the recognition of provisions.

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 two amendments to the existing standards, which will be both applicable as from January 1, 2009:

- IAS 23 Borrowing costs, requiring the capitalization of borrowing costs. However, it is expected that this change in accounting policies will not have a material impact on Dexia's net income;
- IAS 1 Presentation of financial statements where the impact mainly results in additional disclosure regarding Dexia's statement of changes in equity.

The IFRIC issued two interpretations:

- IFRIC 13 Customer Loyalty Programmes, which will be applicable as from July 1, 2008 but has no impact on Dexia;
- IFRIC 14, IAS 19 – The limit of a defined benefit asset, minimum funding requirements and their interaction, which will be applicable as from January 1, 2008. This interpretation will not have a significant impact as the amount of pension plan assets is limited.

1.2.2. IASB and IFRIC texts endorsed by the European Commission

The European Commission endorsed an IASB standard and 2 IFRIC interpretations in 2007:

- IFRS 8 Operating segments, applicable as from January 1, 2009 which will allow to bring the segment reporting in line with the internal management reporting;
- IFRIC 10 Interim Financial Reporting and Impairment; which was already applied by Dexia;
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions, which has no impact on Dexia.

1.2.3. Changes in presentation

First time application of IFRS 7 and the amendment to IAS 1: Presentation of financial statements

On January 1, 2007, Dexia applied for the first time the disclosure requirements for financial Instruments under IFRS 7 and the amendment to IAS 1: Presentation of Financial Statements – Capital disclosures. These standards have no impact on recognition and measurement of financial instruments and no effect on the net result nor on equity.

The new disclosures required under IFRS 7 mainly relate to the nature and the extent of risk exposures. Nevertheless, the

application of IFRS 7 has had an impact on several publication lines in the consolidated financial statements.
The application of IFRS 7 implies the addition and the change of several appendices. Moreover, some publication lines of the primary consolidated financial statements have also been changed:
• in the profit and loss, the line "Net income from financial instruments at fair value through profit or loss" replaces the previous publication line "Net trading income & result of hedge accounting", however, the content of the publication line did not change;
• accordingly, in the balance sheet, assets measured at fair value through profit or loss, including previously "Loans and securities held for trading" and "Loans and securities designated at fair value" have been added on one line, called: "Financial assets measured at fair value through profit or loss". The same has been done for liabilities.

Reclassification of depreciation on investment property to "XI. Other net income"
Depreciation on investment properties is restated from gross operating income to other net income, as from January 1, 2007, in order to match income and related charges on this activity. Previous periods have been restated.

Reclassification of convertible but non-subordinated debts
Convertible but non-subordinated debts are now classified as debt securities. Debts with a subordinated character were therefore shown separately in the primary financial statements. This reclassification will also allow an easier reconciliation with the yearly capital disclosure as required by IAS 1.

Reclassification of negative basis trade
Dexia reclassified negative basis trade from "assets designated at fair value" to "assets held for trading" as it better reflects in its consolidated financial statements the intention of short-term profit taking. Notes that the trading book definition in the Capital Adequacy Directive and the Belgian regulation specifies that positions to lock in arbitrage profits are part of the prudential trading book.
Dexia has applied the principles of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for the reclassification. This reclassification has not impact on P&L accounts nor in the face of the balance sheet; however this has an impact of 9,032 million in the disclosures related to "assets designated at fair value" and to "assets held for trading".

Reclassification of some liabilities designated at fair value through profit or loss
FSA raises funds by providing guaranteed investment contracts (GICs) to different issuers. Assets and liabilities either naturally indexed to Libor or converted to Libor via interest rate hedging instruments to minimize interest rate risk and create a stable net interest margin contribution to income. During its analysis of the impact of SFAS 157 on its financial statements as from January 1, 2008, FSA noted that a part of some liabilities hedged were classified under Liabilities designated at fair value through profit or loss whereas the management intention and the related documentation were to hedge only the interest risk. Therefore, a part of those liabilities was reclassified to Customers deposits. This reclassification has no impact on the result of period, nor on the result of previous year.
In the consolidated financial statements as of December 31, 2006, an amount of EUR 6,681 million was reclassified from "III. Financial liabilities measured at fair value through profit or loss" to "II. Customer borrowings and deposits".

Split of the "Technical margin of insurance activities" in income and expenses
The previous publication line "Technical margin of insurance activities" has been split in "IX. Premiums and technical income from insurance activities" and "X. Technical expenses from insurance activities". Income of insurance companies is constituted by insurance premiums and technical income (new line IX) but also by financial net income, generated by financial investments, reported in line I to VIII of the statement of income. The part of the policyholders in the total income is transferred in provisions (in the liabilities) via the use of the line "X. Technical expense from insurance activities". Therefore, when the insurance companies receive dividend or realized gain on the sale of financial investments, the technical expense may be higher than the "Premiums and technical income from insurance activities", leading to a negative margin. Dexia decided to split the "Technical margin" in income and expenses in order to allow a better understanding of the insurance activities in the Group. This analysis may also be found in the note 9.10. Contribution by activity.

Harmonization of the classification of off-balance sheet items
Dexia harmonized the classification of the off-balance sheet items in 2007. The main reclassifications between publication lines comes from the fact that personal sureties are reported as "guarantees" while real sureties are reported as "commitments". Therefore, assets entrusted or received from third parties are reported as "commitments", as Dexia has to record the commitment to give the asset back.

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.

"Off-balance sheet exposures such as credit substitutes (eg: guarantees and standby letters of credit) and loan commitments are usually converted into on-balance sheet items when called. However, there may be circumstances such as uncertainty about the counterparty, where the off-balance sheet exposure should be regarded as impaired. Loan commitments should be classified as impaired if the credit worthiness of the client has deteriorated to an extent that makes repayment of any loan and associated interest payments doubtful".

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. When an asset is assessed as being impaired, a specific impairment loss will be recognized, the underlying asset will be excluded from the portfolio on which a collective impairment is calculated.
- **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".

We also refer to 4.2 Credit Risk for more information on how credit risk is monitored by Dexia.

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. FEE AND 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 a company to account for insurance contracts under local GAAP if they qualify as such under IFRS 4.

Hence, Dexia has elected to use the local accounting policies to evaluate 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.

The amounts received and paid relating to insurance products (including nonlife claims) are reported respectively under premiums and technical income or technical expense from insurance activity, 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 other 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 17th, 1994) are applicable, if they are qualified as such under IFRS 4. However, provisions for catastrophes 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 include 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 actualized 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

Dexia is active in credit enhancement of public finance and asset-backed obligations through Financial Security Assurance Inc. (FSA) located in the U.S. Some insurance products sold by insurance companies are considered as insurance contracts under IFRS 4. Dexia is applying IFRS 4 as from 1 January 2005, in order to be consistent with its date of first-time adoption of IAS 32 and 39.

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, 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 expense liability based upon identified risks inherent in its 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 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 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:

- expected 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 general reserve to reflect the credit risks inherent in its portfolio. General 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 general 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.

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 insurance risk 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 business, 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 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 expense.

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 in the income statement. Recoverability of deferred acquisition costs is determined by:

- considering future revenues (deferred premium revenue and expected future installments);
- 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 MEASURED AT FAIR VALUE THROUGH PROFIT OR 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 measured at fair value through profit or 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.

1.15.4. Liabilities measured at fair value through profit or 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 recognized 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. 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 over hedging due to non-contractual 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. DAY ONE PROFIT OR LOSS

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. The difference between the transaction price and the fair value based on a valuation technique is commonly referred to as "Day 1 Profit or Loss".

Where the fair value is determined using valuation models for which all inputs are market observable, Dexia recognises the day one profits or losses at initial recognition in the income statement. Where such evidence does not exist, day one profit or loss is deferred and recognised in the income statement to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. The unrecognised amount of day one profit is amortized on the remaining life of the transaction. If subsequently, the inputs become market observable, or when the instrument is derecognized, the remaining amount of the deferred day one profit or loss, is taken entirely in the income statement.

1.21. 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.

An item of property, plant and equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:

- Structure of the building: 50 years;

• Roof, and frontage: 30 years;
• Technical installations: 10 to 20 years;
• Fixture and fittings: 10 to 20 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".

1.22. 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.

1.23. GOODWILL

1.23.1. 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.

1.23.2. 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.

1.24. 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.

1.25. LEASES

1.25.1. 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.

1.25.2. 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.

1.26. 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".

1.27. 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.

1.28. 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.

1.29. 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.

1.29.1. 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.

1.29.1.1. 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.

1.29.1.2. 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.

1.29.2. 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.

1.29.3. Other long-term benefits

This mainly includes provisions for jubilee premiums that will be received by employees when they become entitled to this right.

1.29.4. 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.

1.29.5. 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.

1.29.6. 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.

1.30. 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.

1.31. SHARE CAPITAL AND TREASURY SHARES

1.31.1. 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.

1.31.2. 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.

1.31.3. Preferred shares

Preferred shares that are non-redeemable and upon which dividends are declared at the discretion of the directors, are classified as equity.

1.31.4. 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.

1.31.5. 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.

1.32. 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.

1.33. 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.

1.34. 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.

1.35. 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 TRANSACTION

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 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 organizational 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;
- Investment Management 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, they 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 MANAGMENT 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, equity markets and spreads;
• 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 AND ALM 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 and spreads plus some minor risk factors such as inflation and CO_2.
Market risk is incurred in Dexia 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, spread and interest rate products and foreign exchange.
TFM assumes non-trading risk positions that arise from short-term and long-term (all the AFS portfolios) 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 Dexia main entity has its own risk unit applying operationally Group risk rules.
Dexia's Management Board, advised by Risk Management Group (RMG), retains ultimate responsibility to set the strategic direction of Market & ALM 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.
• ALM management within the Dexia Group is centralized.
The Group ALM Committee's scope of intervention covers the following fields:

• the supervision and monitoring of ALM risks (Interest Rates, Exchange, Equity, Equity Capital, Liquidity);
• management decisions for the entire Group, Insurances and Pension Funds included.
The risks of "financial markets" activities are excluded from that scope.
The Group ALM Committee sets the various rules which enable the definition, measurement and limitation of ALM risks within the Dexia Group, issues recommendations on ALM risk management over time in relation particularly to Group interest rate expectations and decides on the investments to be made and hedges to be implemented for the Group as a whole. Finally, it ensures the consistency of frameworks for the investment of equity capital available in the Group.
The Committee meets monthly. Those taking part are: members of the Group Management Board, the Chairmen of the principal local Management Boards (DBB, DBIL and DCL) and their CFOs, the Directors of Business Lines, the Director of Risk Management, the Head of Front ALM, the Heads of Market Risk & ALM and, as a permanent invitee, the Director of Group Audit.
The committee's role may be summarized as follows:
• to set rules enabling the definition, measurement and limitation of ALM risks within the Dexia Group, issues recommendations on ALM risk management over time in relation particularly to Group interest rate expectations, liquidity management;
• to validate methodologies retained to define ALM risk measurement;
• to set the limits of the ALM position for the Group and their breakdown by entity;
• to examine the utilisation of limits and the evolution of ALM income over the year;
• to examine the consistency of frameworks for the investment of equity capital available in the Group;
• to coordinate ALM risks (setting ceilings for ALM risk indicators for Dexia and by entity represented on the Committee);
• to define and monitor liquidity indicators at Group level;
• to decide on all investments to be made and actions to be taken in terms of interest rates, exchange, equities and liquidity.
Market risk measures are applied to all trading activities, to foreign exchange exposures wherever they arise, and to interest rate, equity and spread risk in the banking books.
The principal risk measures and controls on market risk are value at risk (VaR), sensitivity (basis point value) and stress tests. 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 tests are 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.

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 being the ALM delegate – CLM unit of the Treasury and Financial Markets business line – where it is managed within the VAR and sensitivity 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). Within the Dexia framework, ALM risks are principally constrained by:
• a sensitivity limit of Net Asset Value (NAV), which enables measurement of the impact on the "value" of the ALM profit centre of a 100bp interest rate variation. This limit has been set in accordance with the Pillar 2 of Basel II "Interest rate risk in the banking book";
• a specific limit in value at +/- 1% for negative convexity products managed on the Long Term ALM perimeter (swaptions, CMO floaters, MBS DKK);
• a VaR (horizon 10 days, interval of confidence 99%) reported systematically to the Group ALM Committee.
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.
Dexia models the potential behavior of the customer with specific products like mortgages, savings accounts and sight accounts (e.g. rational prepayment patterns or quicker than expected outflows).
The interest rate position is then managed by the Asset & Liability Management Committee on the basis of the outcomes of the model which mixes statistical measures and scenario analysis.
Behavioral risk is reported through sensitivity and convexity measures in the reporting sent by Risk Management to the members of the Group ALM Committee.

4.1.3. 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 MET (Market Engineering and Trading) unit of 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

Equity risk is the risk of loss resulting from changes in the levels of equity indices and values of individual shares. The MET unit of the Treasury and Financial Markets business line is a player in major equity markets and carries equity risk from these activities.

Moreover, the ALM portfolios of the banking and insurance units contain AFS portfolios in equities, followed by ALCO group.

All these exposures are subject to VaR, stress and concentration limits as described in 4.1.1.

4.1.5. Spread risk

Spread risk is the risk of loss resulting from changes in the levels of fixed income assets, due to changes in the credit spreads not resulting from rating migration or default risk (credit risk). For instance, it is the risk that the spread on a bond changes without any modification in its rating or credit profile.

The Fixed Income and to a minor extent the MET and Group Treasury units of the Treasury and Financial Markets business line are subject to spread risk, both in banking and trading.

The trading exposures are all subject to VaR, stress and concentration limits as described in 4.1.1 while on the banking exposures VaR and sensitivity measures are in place, but constraints are (to be) set in function of the risk appetite.

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.

For detailed accounting policies on when impairment on financial assets is recognized as well on how impairment losses are measured, we refer to 1.8 Impairments on financial assets of Dexia's accounting policies.

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

No.	Scenario	Description	
		Dexia long-term rating	Market conditions
1	**Ongoing**	Unchanged	Normal
2	**Systemic**	Unchanged	Systemic crisis
3	**Downgrade**	-3 notches	Normal
4	**Downgrade +**	-3 notches	Systemic crisis

its liabilities when due, without compromising its ability to respond quickly to strategic market opportunities.

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.

A global liquidity contingency plan is part of the guidelines and is tested on a regular basis.

In 2007, Dexia updated its liquidity risk management framework in which its liquidity needs are assessed as realistically as possible; taking into consideration the liquidity needs arising from its current on and off balance-sheet as well as the needs arising from future planned transactions. Moreover, this new framework measures Dexia's liquidity needs under a set of severe stress-scenarios including both bank-specific and market stresses.

Dexia sets limits over a 3 year horizon for the ratio between its future available liquidity reserves and funding needs. It also sets absolute limits on its ongoing future liquidity needs and systematically challenges its financial plan from a liquidity perspective. This framework is compliant with the latest regulatory recommendations and best practices.

Dexia manages its liquidity risk by diversifying its funding sources. It has access to a wide variety of funding markets:

- retail deposits (mainly Belgium, Luxembourg and Turkey);
- capital markets via triple A covered bonds (Obligations Foncières or Pfandbriefen) or double A bonds;
- Central Bank deposits, CP/CD's, Fiduciary deposits, non-bank client deposits and interbank deposits;
- repos and ECB tenders.

Dexia has implemented very restrictive internal ratios: the Group can rely on secured funding to square all liquidity positions and is fully independent of the unsecured markets .

It should also be noted that the switch from "entity approach" to "group approach" implemented as of January 2007 has greatly contributed to the overall efficiency of liquidity management and in particular to the success of containing the impact of the recent crisis. Although the liquidity positions remain in the entities where they are created, our cash and liquidity activity line ensures that a common strategy is applied throughout the Group. A daily practice of cash and collateral exchanges between all entities in the Group has removed all bottlenecks preventing this approach. Such a Group-wide approach has proven to be a guarantee for an efficient and safe management of liquidity risk.

The robustness of Dexia's liquidity framework has been seriously put to the test during the 2007 financial turmoil. The results of this test were very satisfying:

in conclusion, Dexia's conservative approach towards liquidity management allowed the Group to overcome the crisis without any harm. Moreover, its strong liquidity position enabled the Group to take advantages of the crisis by reenforcing its commercial position and revenues. (See table above)

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, 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, since January 1, 2007, according to the CRD regulation (Capital Requirement Directive), the CBFA adapted its definition of the regulatory capital. The most important point impacting Dexia, is that the elements which were 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) 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 January 1, 2013.

However, about the solvency ratio publication, Dexia uses 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 uses this option in 2007 and continues 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.

In terms of the internal models for market risk on the trading books, Dexia Group uses its internal VaR model for the regulatory capital requirements calculus. This is applicable for the general interest rate risk and foreign exchange risk exposure within the Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg trading scope. At the end of 2007, Dexia received the approval to extend this model to the Dexia Crédit Local scope for application on the December 31, 2007 figures.

A request to obtain an additional internal model approval (for equity and specific interest rate risk) has been introduced to the National Banking Commissions.

As said, Dexia Group has adopted the Value-at-risk measurement methodology as one of the leading market risk indicators.

The main characteristics of the VaR calculation models used for each sub-portfolio are the following:

• The parametric methodology is implemented for the computation of VaR on general interest rate risks (excluding vega risk) and FX. risk (excluding FX. derivatives books). This methodology consists in computing variances and correlations for all risk factors and the entire framework is mainly based on the RiskMetrics methodology. The main assumption is that returns follow a normal distribution. Dexia calculates delta normal VaR and uses also delta gamma parametrical VaR for the assets where the convexity is important and needs to be taken into consideration.

• The historical VaR methodology is performed for FX. derivative books and IR derivatives risks on vega, for equity risk and for specific interest rate risk (spread risk). This methodology consists in running the actual portfolio across a time series of historical asset returns. It does not assume a normal distribution of asset returns.

• The general & specific equity risk is covered by the historical VaR with full valuation.

• The spread risk is covered by the historical VaR using sensitivities. Both measures are based on the use of 250 scenarios.

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 2006

As of June 30, 2007 Dexia Banque Privée France and Belstar Assurances SA left the scope of the Group following the closing of their sale. Deniz Hayat Sigorta AS, Turkish insurance company, is consolidated as from April 1, 2007.

Dexia LdG Banque SA, a 100% owned subsidiary of Dexia BIL, is fully consolidated as from July 1, 2007. Dexia LdG Banque SA's principal activity is the refinancing of the assets generated by the Dexia Group's public sector financing business in OECD countries and in the European Economic Area through the issuance of covered bonds.
The consumer credit company Fidexis was sold in 4Q 2007.

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)	23, Atrium Business Park z.a. Bourmicht L-8070 Bertrange	100	fully	IT
Dexia Employee Benefits SA	Avenue Livingstone 6 B-1000 Bruxelles	100	fully	financial engineering
Dexia Funding Luxembourg SA	180, rue des Aubépines L-1145 Luxembourg	100	fully	funding
Dexia Habitat SA	1, passerelle des Reflets Tour Dexia – la Défense 2 F-92913 La Défense Cedex (Paris)	100	fully	investment company
Dexia Management Services Ltd	Shackleton House Battle Bridge Lane 4 UK-London SE1 2RB	100	fully	other
Dexia Nederland Holding NV	Piet Heinkade 55 NL-1019 GM Amsterdam	100	fully	investment company
Dexia Participations Belgique SA	Place Rogier 11 B-1210 Bruxelles	100	fully	investment company
Dexia Participations Luxembourg SA	69, Route d' Esch L-2953 Luxembourg	100	fully	investment company
Group DenizBank AS	Büyükdere Cad. No: 106 T-34394 Esentepe/Istanbul	99.81	fully	credit institution
Group Dexia Bank Nederland NV	Piet Heinkade 55 NL-1019 GM Amsterdam	100	fully	credit institution
DEXIA BANQUE BELGIQUE SA: MAIN SUBSIDIARIES AND AFFILIATES				
Artesia Mortgage Capital Corporation	1180 NW Maple Street # 202 Issaquah WA 98027 – USA	100	fully	other operator in the financial sector
Crédit du Nord SA	59, boulevard Haussmann F-75008 Paris	10	equity method	credit institution
Dexia Bank Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	fully	credit institution
Dexia Crédits Logement SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	fully	home loans
Dexia Epargne Pension	76, rue de la Victoire F-75009 Paris	100	fully	general insurance
Dexia Financial Products inc.	1209 Orange Street Wilmington New Castle 19801 Delaware – USA	100	fully	other operator in the financial sector
Dexia Funding Netherlands NV	Atrium 7th floor Strawinskylaan, 3105 NL-1077 ZX Amsterdam	100	fully	financing
Dexia Life and Pensions SA	2, rue Nicolas Bové L-1253 Luxembourg	100	fully	general insurance

(1) Complete list available on request.

Name	Head Office	% of capital held	Consolidation method	Activity
Dexia Insurance Belgium SA	Avenue Livingstone 6 B-1000 Bruxelles	99.63	fully	general insurance
Dexia Insurance Belgium Invest SA	Rue Joseph II 96 B-1000 Bruxelles	100	fully	other services financial sector
Dexia Investment Company SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	fully	investment company
Dexia Investments Ireland SA	George's Dock 6 IRL-IFSC Dublin 1	100	fully	financing
Dexia Lease Services SA	Place Rogier 11 B-1210 Bruxelles	100	fully	leasing
DIS Finance SA	2, rue Nicolas Bové L-1253 Luxembourg	100	fully	development capital
Parfipar SA	180, rue des Aubépines L-1145 Luxembourg	100	fully	credit institution
DEXIA BANQUE INTERNATIONALE À LUXEMBOURG SA: MAIN SUBSIDIARIES AND AFFILIATES				
Dexia Asset Management Luxembourg SA (1)	136, 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
Dexia LdG Banque SA	69, route d'Esch L-1470 Luxembourg	100	fully	credit institution
RBC Dexia Investor Services Bank SA	14, rue Porte de France L-4360 Esch-sur-Alzette	50	proportionally	fund services
RBC Dexia Investor Services Trust Ltd	Royal Trust Tower, 3, 5th floor 77 King Street West, Toronto, ON, Canada M5W-1P9	50	proportionally	fund services
RBC Dexia Investor Services Ltd	77 Queen Victoria Street UK-London EC4N 4AY	50	proportionally	fund services
DEXIA CREDIT LOCAL SA: MAIN SUBSIDIARIES AND AFFILIATES				
Crédit du Nord SA	59, boulevard Haussmann F-75008 Paris	10	equity method	credit institution
Dexia CLF Banque	1, passerelle des Reflets Tour Dexia – La Défense 2 F-92913 La Défense Cedex (Paris)	80	fully	credit institution
Dexia Crediop Spa	Via Venti Settembre 30 I-00187 Roma	70	fully	credit institution
Dexia Crédit Local SA	1, passerelle des Reflets Tour Dexia – la Défense 2 F-92913 La Défense Cedex (Paris)	100	fully	credit institution
Dexia Delaware LLC	East North Street 15 Delaware 1991 19901 Dover – USA	100	fully	financing
Dexia Holding inc.	31 West 52nd street New York NY 10019 – USA	100	fully	investment company
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	development capital
Dexia Municipal Agency SA	1, passerelle des Reflets Tour Dexia – la Défense 2 F-92913 La Défense Cedex (Paris)	100	fully	credit institution
Dexia Sabadell SA	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	31 West 52nd street New York NY 10019 – USA	99.1	fully	investment company
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% held by Dexia Bank Belgium, 51% held 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 Services and Investor Services [1]	Treasury and Financial Markets	Non allocated – Central Assets	Dexia
AS OF DEC. 31, 2006						
Income	2,566	2,458	1,110	563	308	7,005
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 [2]	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 [3]	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	0	0	(252)	(252)
Impairments [4]	(52)	(31)	32	20	(8)	(39)
Other non cash expenses [5]	(15)	(35)	(5)	(4)	(8)	(67)

Figures as of Dec. 31, 2006 have not been restated nor for the transfers between "Financial assets held for trading" and "Financial assets designated at fair value", nor for those between "Financial liabilities measured at fair value" through profit or loss and "Customer borrowings and deposits"

BUSINESS REPORTING (in millions of EUR)	Public/Project Finance and Credit Enhancement	Personal Financial Services	Asset Management and Investor Services [1]	Treasury and Financial Markets	Non allocated – Central Assets	Dexia
AS OF DEC. 31, 2007						
Income	2,374	2,855	711	486	470	6,896
of which Net income from associates	*24*	*65*	*0*	*0*	*19*	*108*
Net income before tax	1,356	884	267	266	119	2,892
Assets						
Subtotal assets [2]	279,809	57,524	8,923	196,100	5,946	548,302
of which Investments in associates	*275*	*578*	*0*	*0*	*8*	*861*
Liabilities						
Subtotal liabilities [3]	176,948	81,746	10,089	254,201	1,461	524,445
Other segment information						
Capital expenditures	(123)	0			(280)	(403)
Depreciation and amortization	(10)	(44)	(2)		(228)	(284)
Impairments [4]	(69)	(64)	(2)	(2)	(6)	(143)
Other non cash expenses [5]	(8)	(7)	(5)	(3)	(33)	(56)

(1) Since January 1, 2007 the Insurance Services segment – which was handling the production of the insurance products when other business lines were distributing them - does no longer exist and is reallocated to the business lines concerned by the operations realized, introducing this way 100% of the insurance results to Public/Project Finance and Credit Enhancement and Personal Financial Services. The comparison between December 2006 and December 2007 is therefore not relevant.
(2) 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.
(3) Includes Due to banks, Customer borrowings and deposits, Debt securities, Technical provisions of insurance companies.
(4) Includes Impairments on tangible and other intangible assets, Impairments on securities, Impairments on loans and provisions for credit commitments, Impairments on goodwill.
(5) Includes IFRS 2 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 (2)	Transactions between geographical zones	Dexia
AS OF DEC. 31, 2006						
Net income before tax	2,565	102	595	145		3,407
Total assets	531,165	12,701	58,186	19,288	(54,597)	566,743
Capital expenditures	(248)	(2)	(3)	(19)		(272)
AS OF DEC. 31, 2007						
Net income before tax	2,252	146	174	320		2,892
Total assets	554,508	15,548	69,657	34,971	(70,120)	604,564
Capital expenditures	(350)	(3)	(4)	(46)		(403)

(1) Countries using the euro currency.
(2) Including Turkey.

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 and unusual transactions and not only large transactions. They therefore do not include results on sales of securities nor provisions thereon or on customers.

The decision to liquidate Dexia Financière, owner of Dexia Bank Nederland (DBnl) until May 2005, allows to recognize a tax credit of EUR 67 million in 1Q 2007.

As a result of this liquidation, all impairments recognized in the past by Dexia Bank Belgium on this company become tax deductible.

Following the sale of Belstar Assurances SA and of Dexia Banque Privée France, net profits of respectively EUR 53 million and EUR 52.6 million were recorded. An additional profit of EUR 7.6 million was posted following the sale of Banque Artesia Nederland.

Further to an agreement signed with the Dutch tax authorities, a tax credit of EUR 58 million was recognized by DBnl.

As a result of the US subprime crisis which was followed by a global liquidity crisis, net income suffered from the fair value valuation of some financial instruments through profit or loss. More precisely, the mark-to-market of FSA's CDS resulted in a net negative amount of EUR 131 million in 4Q 2007 (EUR 297 million as of December 31, 2007). This comes mainly from a widening of the spreads due to liquidity dislocations rather than credit deterioration. Given the high quality of the financial instruments, Dexia expects that these negative valuations will reverse over time.

All non-operating items are reported on page 79.

5. POST-BALANCE SHEET EVENTS

In February 2008, Dexia decided to contribute USD 500 million (EUR 340 million) additional capital to Financial Security Assurance Holdings Ltd, the holding company for monoline bond insurer Financial Security Assurance Inc. (FSA).

These resources will add capacity for FSA to take advantage of increasing opportunities that have recently arisen in the US municipal and public infrastructure finance markets.

The financial crisis has created a new environment leading to new opportunities but also a continued high volatility. An increase in credit spread could result in additional negative mark-to-market impacts in the trading activities and on the CDS of FSA and in a decrease in the AFS' bond reserves. Those negative impacts will reverse in the future except in the case of impairments, which however should be limited due to the high quality of our assets.

A gross dividend of EUR 0.91 per share will be proposed at the General Shareholder's Meeting on May 14, 2008.

The payment date of the dividend is May 22, 2008.

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; herein-after 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 annual report 2006 (especially pages 99 to 101) and in the activity reports published during the year 2007, which are available on *www.dexia.com.*

6.1.2. Duisenberg Arrangement

On December 31, 2007, approximately 68,000 clients (holding over 116,000 contracts) of DBnl have actively accepted settlements based on the Duisenberg Arrangement. This figure does not include the 165,300 clients who are bound by the Duisenberg Arrangement by virtue of the Amsterdam Court of Appeal decision mentioned below, nor the nearly 100,000 clients (with approximately 200,000 contracts) who had already signed a waiver, and of which some also potentially benefit from the Duisenberg Arrangement.

July 31, 2007 was the last day of the opt-out period of six months. Therefore, since August 1, 2007 no further valid opt-out has been possible. During the opt-out period, clients could file an opt-out statement to prevent them being bound automatically by the Duisenberg Arrangement, based on the decision of the Amsterdam Court of Appeal of January 25, 2007, granting binding force to that Arrangement. However, an opt-out does not prove any obligation of DBnl. It only means that the client reserves the right to start proceedings against DBnl. Around 23,400 clients have filed an opt-out statement, including 16,000 clients represented by Leaseproces BV. Starting February 1, 2007, the suspended court cases could be resumed by the plaintiffs. Until December 31, 2007, approximately 1,275 court cases – around 38% of the number of suspended cases – have been continued.

On March 1, 2007, the Amsterdam Court of Appeal has rendered two important judgments. In one case, the Court confirmed a ruling that spouse consent to enter into share-leasing agreements is mandatory. In this matter, DBnl has issued an appeal to the Dutch Supreme Court. On January 25, 2008, the procurator general of the Supreme Court delivered his opinion, advising the Supreme Court to confirm the judgment of the Amsterdam Court of Appeal. The judgment of the Supreme Court in respect of spouse consent is expected in May 2008. If the ruling of the Amsterdam Court of Appeal is confirmed on appeal by the Supreme Court, the damage for DBnl – based on all clients that have sent a so-called annulment letter within three years and six months after entering into a share-leasing agreement – will amount to EUR 32 million. The law – if applicable – stipulates that the partner should protest within three years after having knowledge of the existence of the contract in order for it to be valid. DBnl has received approximately 12,500 "spouse letters", sent more than three years and six months after entering into a share-leasing agreement. No new valid "spouse letters" can be sent anymore. No provisions over those needed for the Duisenberg Arrangement have been made in respect of these risks, since DBnl is of the opinion that no spouse consent is required by law. In the other case, concerning "duty of care", the Amsterdam Court of Appeal ruled in line with the Duisenberg Arrangement. This judgment is no longer open to appeal. An important aspect of this judgment – that the damage of the client does not include the interest paid during the course of the contracts – has been confirmed by later decisions of this Amsterdam Court of Appeal.

On April 27, 2007, the Amsterdam Sub-District Court rendered three so-called "standard decisions", pretending to give "guidance" to DBnl and its clients in respect of the most likely outcome of individual proceedings, heard by that court. Factors that this Sub-District Court takes into account are – amongst others – the income, wealth, investment experience and education of the clients. Generally speaking, the outcome of this system is more favorable to the clients than the Duisenberg Arrangement, especially since the Amsterdam Sub-District Court considers interest paid during the course of the contract as part of the damage that has to be returned – partially – by DBnl to its clients. DBnl does not agree with this approach as it conflicts with the Duisenberg Arrangement and with the mentioned decision of the Amsterdam Court of Appeal that interest paid should not be considered as part of the damage of the client. Therefore DBnl has issued and will continue to issue appeals to the Amsterdam Court of Appeal in respect of decisions which included interest paid as part of the damage.

On December 31, 2007, Leaseproces BV, a profit-driven organization that recruits clients on a "no cure, no pay" base, represented approximately 28,300 clients, of which approximately 16,000 have filed a valid opt-out statement within the context of the Duisenberg Arrangement. The difference consists of clients who did not have to opt-out for different reasons (with products not in the scope of the Duisenberg Arrangement and clients who have previously accepted a settlement) and clients that apparently accepted the Duisenberg Arrangement after all. For approximately 2,000 of its clients, Leaseproces BV actually started proceedings. On a minor scale, other organizations, attorneys at law and other lawyers continue to summon DBnl on behalf of their clients in civil courts. However, in 4Q 2007 a growing number of other court cases were settled as well, a vast majority based on the Duisenberg Arrangement. Therefore, the total number of clients in proceedings continues to decrease. A number of these proceedings (by clients represented by Leaseproces BV as well as by clients represented by other lawyers) will be canceled soon, since these clients did not file the opt-out statement.

6.1.3. Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Dexia has reported on this matter in its earlier reports and quarterly activity reports.

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 client's spouse; 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 mainly with individual parties but in some cases with collective foundations (*Stichting Leaseleed*). They are represented to different types of Courts or Arbitrators, mainly the Sub-District and District Courts, Courts of Appeal, the Dutch Securities Institute (DSI) and the Dispute Committee for the Banking Industry.

Over 130 clients have issued a complaint to the so-called Disputes Committee Duisenberg (*Geschillencommissie Duisenberg*). However, only an insignificant number of those complaints have resulted in an adjudication.

In past reports and press releases, Dexia has informed the public about important developments. This information is available on the Dexia website at *www.dexia.com*.

6.1.4. Dutch Securities Institute (DSI)

At the end of 2007, only 120 cases were still under consideration by the Grievance Committee DSI, and no cases under consideration by the Appeals Committee of DSI.

6.1.5. Depot Lease

The Duisenberg Arrangement is not applicable to the group of approximately 5,500 clients who entered into share-leasing agreements in connection with securities deposit ("Depot Lease"). At the end of 2007, many settlements with Depot Lease clients were reached, among which with nearly all 390 clients of the *Stichting Leaseleed*. DBnl still faces some 200 court cases with Depot Lease clients, but expects to be able to settle these cases as well.

6.1.6. Provisions as of December 31, 2007

Provisions are updated every quarter and may be influenced by the fluctuations in the value of the underlying stock of the share-leasing contracts, by client behavior and by future judgments.

6.1.7. Assessment

The purpose of the following table 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, 2007 (1) (in millions of EUR, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL OUTSTANDING PORTFOLIO	**84,029**	**487**	**488**	**+1**
- Contracts with sufficient collateral	37,968	149	218	+69
- Contracts with insufficient collateral	46,061	338	270	-68
of which:				
- Contracts with redemption	2,929	18	17	-1
- Contracts without redemption	43,132	320	253	-67
of which:				
- Accepted an agreement (2) (and signed the waiver)	26,200	190	150	-40
- Not accepted an agreement	16,932	130	103	-27

CONTRACTS THAT ENDED BEFORE DECEMBER 31, 2007 (1) (in millions of EUR, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL PORTFOLIO	**631,281**	**5,855**	**6,229**	**+374**
- Contracts with sufficient collateral	332,135	2,548	4,095	+1,547
- Contracts with insufficient collateral	299,146	3,307	2,135	-1,172
of which:				
- Contracts with redemption (3)	70,491	876	669	-207
- Contracts without redemption	228,655	2,431	1,466	-965
of which:				
- Accepted an agreement (2) (and signed the waiver)	166,469	1,755	1,034	-720
- Not accepted an agreement	62,186	676	431	-245

(1) All contracts qualifying for the share-lease definition since the start of their origination, regardless of the way they were terminated.
(2) Either the Dexia Offer, the Duisenberg Arrangement or another kind of settlement.
(3) Mainly early terminated contracts.

6.2. LERNOUT & HAUSPIE

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof.
This was described in detail in the 2006 annual report.
Since then, the following relevant events have occurred.

6.2.1. Claim on Lernout & Hauspie Speech Products

Dexia Bank has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 27,493,196.41 (exchange rate USD/EUR 1.4718) – of which EUR 173,101.09 reserved interests –, for which an impairment has been recorded for EUR. 23,043,202.55 The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States.
According to the LHSP Belgian bankruptcy receivers, Dexia Bank and the other unsecured creditors are unlikely to receive any dividend from the Belgian liquidation of LHSP.

6.2.2. Claim on Lernout & Hauspie Investment Company

During 2007, the Dexia Bank's outstanding claim on Lernout & Hauspie Investment Company (LHIC) has reduced to EUR 48,362,014.99 – of which EUR 4,926,788.84 reserved interests –, as a consequence of the sale of a participation held by LHIC and pledged in favor of Dexia Bank. An impairment for EUR 46,868,797.65 has been recorded for the remaining claim.
As part of the security for its claim, Dexia Bank still has a pledge on a portfolio of securities owned by LHIC, the value of which is estimated at around USD 1,200,000.

6.2.3. Prosecution of Dexia Bank in Belgium

On May 4, 2007, Dexia Bank was summoned, together with 20 other parties, to appear before the criminal Court of Appeal in Ghent. According to the writ of summons, Dexia Bank is prosecuted as an alleged accessory to the falsification of the financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and other related offences among which forgery (*valsheid in geschriften/faux en écritures*), securities fraud (*emissiebedrog/délit d'émission*) and marketmanipulation (*koersmanipulatie/manipulation de cours*).
The Public Prosecutor alleges in substance that Artesia Banking Corporation (hereafter ABC) aided and abetted LHSP in the creation of fictitious revenue, by granting a USD 20 million loan to Messrs. Lernout, Hauspie and Willaert, whilst ABC allegedly knew that the management of LHSP would utilize these funds for improper revenue recognition. Furthermore, the Public Prosecutor demands the seizure of properties in an amount of approximately EUR 29,000,000.
Dexia Bank considers it has serious grounds for contesting the charges.
Two series of hearings took place in 2007.
The Introductory Hearing started on May 21 and ended on June 26. These hearings only concerned arguments of procedural nature. In an interlocutory judgment of June 26, the Court of Appeal in Ghent rejected part of Dexia Bank's procedural arguments, while others were joined to the Merits.
The hearings on the Merits started on October 1. During those hearings, the Public Prosecutor and the Civil Parties (*burgerlijke partijen/parties civiles*) argued their case. No significant new elements were raised with respect to Dexia Bank. Dexia Bank underlines its innocence in this matter and contests the charges brought against it.
Parties alleging to have suffered losses in relation to the prosecuted offences can indeed make a claim in the criminal proceedings until the last day of the trial. On December 31, 2007, around 12,600 parties had introduced a claim for damages in the criminal proceedings. Dexia Bank is currently reviewing these claims.
The largest claim is the claim of the LHSP Belgian bankruptcy receivers. They are claiming an amount of USD 744,128,638.37 in principal. This claim is in part duplicative of the claims of other civil parties.
Dexia Bank, in its turn, has made a claim as a civil party against Messrs. Lernout, Hauspie, Willaert and Bastiaens and against N.V. LHSP in October 2007, claiming damages for a provisional amount of EUR 2. Dexia Bank's claim is in relation to the losses suffered on its LHSP portfolio (Dexia Bank is still holding 437,000 LHSP shares) and to an amount of EUR 27,493,196.41 owed to it by LHSP under a USD 430 million Revolving Facility Agreement dated May 5, 2000. (Supra 6.2.1)

6.2.4. Civil proceedings against Dexia Bank in Belgium

6.2.4.1. LHSP receivers' claim

In July 2005, the Belgian 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, to a large extent duplicative of the claims introduced in the criminal proceedings, 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. Claims 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 yet been assessed. 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 Bank's claims in the US bankruptcy proceedings. This action is, essentially, a duplication of the above-mentioned LHSP receivers' claim. The claim is still pending.

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.
All these claims have been settled (the NASDAQ class action as well as the Stonington, Baker and TRA/Filler claims) or dismissed with prejudice (the EASDAQ class action).

The NASDAQ class action has been settled for an amount of USD 60,000,000 and has been approved by the court. Dexia Bank has not rendered public the settlements amounts in the other cases since this could seriously harm Dexia Bank's interests. These settlements are not subject to court approval.

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 Banking Corporation (ABC) 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 proceedings 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 proceedings 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 Belgian 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 Appeal issued a decision on July 12, 2006 at the request of Crédit Agricole Indosuez Luxembourg (CAIL) by which BNP Paribas Luxembourg was ordered to deliver the Parvest shares to CAIL by June 30, 2007 or to pay to CAIL the counter value of these Parvest shares on June 30, 2007 if the latter were not delivered to CAIL prior to July 1, 2007. The Luxembourg Court of Appeals condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation.

As no lifting of the various attachments on the Parvest shares was obtained, BAN paid the value of the Parvest shares to BNP Paribas Luxembourg and Dexia Bank reimbursed this amount (USD 30,039,336.54) to BAN on July 9.

BAN has lodged an appeal against the decision of the Court of Appeal in Luxembourg before the Supreme Court *(cour de cassation)*.

Finally, in October 2007, Dexia Bank honored the bank guarantee of USD 10,000,000 in principal issued in favor of BAN (supra, 6.2.6.). This resulted in a payment of USD 17,538,614.58 in favor of BAN on October 30, 2007.

6.2.8. Provisions and impairments

On December 31, 2007, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 75,793,661.71 – of which EUR 5,101,935.02 reserved interests – (see paragraphs 6.2.1., 6.2.2. and 6.2.7.). On the same date impairments for the Lernout & Hauspie file amounted to some EUR 69,912,004.48. 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 litigation in the US, and hence the settlements concluded in the NASDAQ class action and in the Baker, Stonington and TRA/Filler transactional cases as well as the costs and legal fees related to the whole of the L&H proceedings mentioned in paragraphs 6.2.1. to 6.2.6. above.

Dexia strongly challenges the validity and the merits of all these claims.

As mentioned in the 2006 annual report, Dexia does not disclose the amount of the provisions relating to the US litigation, in general, and, more specifically, to the settlement amounts reached with Stonington, Baker and TRA/Filler since this could seriously harm its right of defence.

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 Banking, Finance and Insurance Commission. There was no fundamental development in this file during 2007.

This file will be submitted to the chambers (*chambre du conseil/raadkamer*)

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 FSA's subsidiary Financial Security Assurance Inc. received a subpoena from the US Securities and Exchange Commission (SEC) related to an ongoing industry-wide civil investigation concerning the bidding of municipal GIC's. FSA issues municipal GICs through its financial products segment, but does not serve as a GIC broker. FSA understands that many financial institutions 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 has been endeavoring to cooperate fully with both investigations.

On February 4, 2008, FSA received a letter from the SEC, commonly called a "Wells Notice", indicating that the SEC staff is considering recommending that the SEC authorize the staff to bring a civil injunctive action and/or institute administrative proceedings against FSA, alleging violations of certain provisions of the US securities laws. FSA understands that it will have an opportunity to respond to the Wells Notice and to discuss the matter with staff before any recommendation is made to the SEC.

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 maturity:

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Cash and balances with central banks	3,357	8,819
Loans and advances due from banks	49,029	37,064
Available-for-sale financial assets	5,127	5,478
Financial assets held for trading	396	211
Financial assets designated at fair value	0	31
Non-current assets held for sale	32	0
TOTAL	**57,941**	**51,603**

B. Of which restricted cash

	Dec. 31, 2006	Dec. 31, 2007
Mandatory reserves [1]	2,154	7,547
Cash collaterals	6,095	4,304
Other	3	2
TOTAL	**8,252**	**11,853**

(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

Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Cash in hand	586	579
Balances with central banks other than mandatory reserve deposits	619	694
Mandatory reserve deposits	2,160	7,562
TOTAL	**3,365**	**8,835**
of which included in cash and cash equivalents	3,357	8,819

7.3. LOANS AND ADVANCES DUE FROM BANKS

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Nostro accounts	13,636	11, 474
Reverse repurchase agreements	40,988	24,165
Loans and other advances	23,591	19,137
TOTAL	**78,215**	**54,776**
of which included in cash and cash equivalents	49,029	37,064

B. Analysis of quality

See note 7.14. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

D. Analysis of the fair value

See note 12.1.

7.4. LOANS AND ADVANCES TO CUSTOMERS

A. Analysis by counterpart

	Dec. 31, 2006	Dec. 31, 2007
Public sector	123,815	128,137
Other	102,621	114,500
Impaired loans	1,365	1,219
Less:		
Specific impairment on impaired loans (1)	(942)	(818)
Collective impairment (2)	(357)	(419)
TOTAL	**226,502**	**242,619**
of which included in finance lease	3,706	4,320

(1) Included respectively EUR 188 million and EUR 107 million relating to share leasing of DBnl as of Dec. 31, 2006 and Dec. 31, 2007.
(2) Included respectively EUR 56 million and EUR 32 million relating to share leasing of DBnl as of Dec. 31, 2006 and Dec. 31, 2007.

B. Analysis of quality

See note 7.14. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

D. Analysis of the fair value

See note 12.1.

7.5. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Dec. 31, 2006	Dec. 31, 2007
Financial assets held for trading	24,417	30,411
Financial assets designated at fair value	8,152	7,154
TOTAL	**32,569**	**37,565**

Financial assets held for trading

A. Analysis by counterpart

	Dec. 31, 2006	Dec. 31, 2007
Public sector	1,412	3,381
Banks	5,409	5,266
Other	17,596	21,764
TOTAL	**24,417**	**30,411**
of which included in cash and cash equivalents	396	211

B. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Loans	181	423
Bonds issued by public bodies	1,337	1,357
Other bonds and fixed-income instruments	22,423	28,234
Equity and variable-income instruments	476	397
TOTAL	**24,417**	**30,411**

C. Treasury bills and other eligible bills for refinancing to the central banks

	Dec. 31, 2006	Dec. 31, 2007
Treasury bills and other eligible bills for refinancing to the central banks	124	47

D. Securities pledged under repurchase agreements with other banks

	Dec. 31, 2006 Market value	Dec. 31, 2007 Market value
Included in bonds issued by public bodies	40	63
Included in other bonds and fixed-income instruments	3,635	561

E. Analysis by maturity and interest rate

See notes 12.4., 12.5 and 12.6.

F. Analysis of the fair value

See note 12.1.

Financial assets designated at fair value

A. Analysis by counterpart

	Dec. 31, 2006	Dec. 31, 2007
Public sector	292	265
Banks	392	2,020
Other	7,468	4,869
TOTAL	**8,152**	**7,154**
of which included in cash and cash equivalents	0	31

B. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Loans	537	337
Bonds issued by public bodies	242	216
Other bonds and fixed-income instruments	1,273	517
Equity and variable-income instruments	21	44
Unit linked products Insurance	6,079	6,040
TOTAL	**8,152**	**7,154**

C. Treasury bills and other eligible bills for refinancing to the central banks

	Dec. 31, 2006	Dec. 31, 2007
Treasury bills and other eligible bills for refinancing to the central banks	131	30

D. Securities pledged under repurchase agreements with other banks

	Dec. 31, 2006 Market value	Dec. 31, 2007 Market value
Included in bonds issued by public bodies	0	0
Included in other bonds and fixed-income instruments	0	10

E. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

F. Analysis of the fair value

See note 12.1.

The Fair Value Option (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 determinated 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 and for issuers with a similar credit rating.

7.6. FINANCIAL INVESTMENTS

A. Analysis by counterpart

	Dec. 31, 2006	Dec. 31, 2007
Public sector	70,070	78,298
Banks	59,175	65,935
Others	60,882	75,649
Impaired financial investments	743	599
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**190,870**	**220,481**
Less:		
Specific and collective impairment on impaired financial investments	(232)	(191)
TOTAL	**190,638**	**220,290**
of which included in cash and cash equivalents	5,127	5,478

B. Analysis of quality

See note 7.14. Quality of financial assets.

C. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

D. Analysis by nature (Financial investments before impairments)

	Available for sale		Held to maturity		Total	
	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Loans	369	256	0	0	369	256
Bonds issued by public bodies	58,503	68,390	1,115	990	59,618	69,380
Other bonds and fixed-income instruments	124,378	144,219	1,145	925	125,523	145,144
Equity and variable-income instruments	5,360	5,701	0	0	5,360	5,701
TOTAL	**188,610**	**218,566**	**2,260**	**1,915**	**190,870**	**220,481**

E. Convertible bonds included in the available-for-sale portfolio (position greater than EUR 50 million)

Issuer	Fixed interest rate	Maturity date	Conversion period	Shares (1)	Currency	Nominal Amount (in millions)	Country (2)
Korea Electric Power (KEPCO)	0%	23/11/11	convertible until 9/11/2011	Korea Electric Power	JPY	11,500	South Korea

(1) Shares in which the bonds are convertible.
(2) Country of the stock exchange where the ordinary shares resulting from the conversion will be quoted.

F. Transfers between portfolios

Nil.

G. Analysis of the fair value

See note 12.1.

7.7. INVESTMENTS IN ASSOCIATES

A. Carrying value

	2006	2007
CARRYING VALUE AS OF JAN. 1	**778**	**826**
- Acquisitions	35	10
- Disposals	(10)	0
- Change in scope of consolidation (out)	(45)	0
- Share of result before tax	143	147
- Share of tax	(41)	(39)
- Dividend paid	(39)	(44)
- Share of gains and losses not recognized in the income statement	8	(41)
- Translation adjustments	(2)	0
- Other	(1)	2
CARRYING VALUE AS OF DEC. 31	**826**	**861**

B. Positive goodwill included in carrying value

	2006	2007
Acquisition cost as of Jan. 1	229	229
Acquisition cost as of Dec. 31 (A)	229	229
Accumulated depreciation and accumulated impairment as of Jan. 1	(46)	(46)
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 as of Dec. 31, 2007

Associates	Book value 2006	Fair value of investment 2006	Book value 2007	Fair value of investment 2007	Website
Crédit du Nord	484	733	508	820	www.groupe-credit-du-nord.com
Kommunalkredit Austria	175	251	169	397	www.kommunalkredit.at
SLF Finance SA (non listed)	64	64	64	64	
Groupe Popular Banco Privada	41	115	45	56	www.popularbancaprivada.es
TOTAL	**764**	**1,163**	**786**	**1,337**	

7.8. 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, 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**

	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	Ope-rating lease		
ACQUISITION COST AS OF JAN. 1, 2007	**1,942**	**7**	**1,279**	**53**	**63**	**894**	**4,238**
Acquisitions	214	0	119	11	31	28	403
Subsequent expenditures	14	0	0	0	0	17	31
Disposals	(188)	0	(233)	0	(7)	(10)	(438)
Change in scope of consolidation (in)	1	0	0	0	0	0	1
Change in scope of consolidation (out)	0	0	(4)	0	0	0	(4)
Transfers	8	(4)	(28)	0	1	0	(23)
Translation adjustments	3	0	1	5	0	0	9
ACQUISITION COST AS OF DEC. 31, 2007 (A)	**1,994**	**3**	**1,134**	**69**	**88**	**929**	**4,217**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2007	**(424)**	**(1)**	**(1,037)**	**(29)**	**(24)**	**(535)**	**(2,050)**
Booked	(71)	0	(66)	(10)	(11)	(21)	(179)
Write-off	12	0	234	0	4	5	255
Change in scope of consolidation (out)	0	0	3	0	0	0	3
Transfers	(36)	1	23	0	0	28	16
Translation adjustments	0	0	(2)	(3)	0	0	(5)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2007 (B)	**(519)**	**0**	**(845)**	**(42)**	**(31)**	**(523)**	**(1,960)**
NET BOOK VALUE AS OF DEC. 31, 2007 (A)+(B)	**1,475**	**3**	**289**	**27**	**57**	**406**	**2,257**

B. Fair value

	Dec. 31, 2006	Dec. 31, 2007
Fair value of investment properties	391	449
Fair value subject to an independent valuation	2	3
Fair value not subject to an independent valuation	389	446

C. Expenditures

	Dec. 31, 2006	Dec. 31, 2007
Expenditures capitalized for the construction of property, plant & equipment	13	43

D. Contractual obligations relating to investment property at the end of the period

Nil.

7.9. INTANGIBLE ASSETS AND GOODWILL

	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.

	Positive Goodwill	Internally developed sofware	Other intangible assets [1]	Total
ACQUISITION COST AS OF JAN. 1, 2007	**2,158**	**536**	**612**	**3,306**
Acquisitions	4	96	52	152
Disposals	0	(3)	(38)	(41)
Change in scope of consolidation (in)	0	0	1	1
Change in scope of consolidation (out)	0	0	(7)	(7)
Transfers	0	0	(25)	(25)
Translation adjustments	114	0	22	136
ACQUISITION COST AS OF DEC. 31, 2007 (A)	**2,276**	**629**	**617**	**3,522**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2007	**(221)**	**(405)**	**(287)**	**(913)**
Booked	(4)	(60)	(72)	(136)
Change in scope of consolidation (in)	0	0	3	3
Write-off	0	0	34	34
Transfers	0	2	16	18
Translation adjustments	(1)	0	(3)	(4)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2007 (B)	**(226)**	**(463)**	**(309)**	**(998)**
NET BOOK VALUE AS OF DEC. 31, 2007 (A)+(B)	**2,050**	**166**	**308**	**2,524**

(1) Other intangible assets include purchased softwares and intangible assets identified in the purchase of DenizBank group.

7.10. TAX ASSETS

	Dec. 31, 2006	Dec. 31, 2007
Current/prepaid	215	294
Operational taxes	52	61
CURRENT TAXES	267	355
Deferred tax assets (see note 9.2.)	482	1,090
TOTAL	**749**	**1,445**

7.11. OTHER ASSETS

	Dec. 31, 2006	Dec. 31, 2007
Other assets	2,275	3,060
Other assets specific to insurance companies	1,277	1,260
TOTAL	**3,552**	**4,320**

A. Other assets

Analysis by nature	Dec. 31, 2006	Dec. 31, 2007
Accrued income	151	199
Deferred expenses	61	59
Other accounts and receivables	1,490	2,197
Plan assets [(1)]	17	16
Long-term construction contracts	3	1
Inventories	5	4
Other assets	548	584
TOTAL	**2,275**	**3,060**

(1) See note 8.6.i.

B. Other assets specific to insurance companies

Analysis by nature (acquisition costs and share of reinsurers)	Dec. 31, 2006	Dec. 31, 2007
Share of the reinsurers in the technical reserves	88	81
Receivables resulting from direct insurance transactions	85	91
Premiums still to be issued	1	1
Deferred acquisition costs [(1)]	259	236
Other insurance assets	844	851
Impaired insurance assets	1	1
Less:		
Specific impairment	(1)	(1)
TOTAL	**1,277**	**1,260**

(1) Mainly FSA.

7.12. NON CURRENT ASSETS HELD FOR SALE

	Dec. 31, 2006	Dec. 31, 2007
Assets of subsidiaries held for sale [(1)]	901	0
Tangible and intangible assets held for sale	53	38
Other assets	1	1
TOTAL	**955**	**39**

(1) 2006: Dexia Banque Privée France.

7.13. LEASING

1. Dexia as lessor

A. Finance lease

Gross investment in finance leases:	Dec. 31, 2006	Dec. 31, 2007
Not later than 1 year	778	872
Later than 1 year and not later than 5 years	1,578	2,124
Later than 5 years	2,021	2,036
SUBTOTAL (A)	**4,377**	**5,032**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**688**	**728**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**3,689**	**4,304**

The net investment in finance leases may be analyzed as follows:	Dec. 31, 2006	Dec. 31, 2007
Not later than 1 year	642	739
Later than 1 year and not later than 5 years	1,358	1,846
Later than 5 years	1,689	1,719
TOTAL	**3,689**	**4,304**

	Dec. 31, 2006	Dec. 31, 2007
Amount of contingent rents recognized 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	8
Residual values unguaranteed by lessees	0	0
Estimated fair value of finance lease	3,509	4,145
Accumulated allowance for uncollectible minimum lease payments receivable	4	4

B. Operating lease

Future net minimum lease receivables under cancelable or non-cancelable operating leases are as follows:	Dec. 31, 2006	Dec. 31, 2007
Not later than 1 year	24	31
Later than 1 year and not later than 5 years	61	88
Later than 5 years	34	68
TOTAL	**119**	**187**
Amount of contingent rents recognized in statement of income during the period	4	0

2. Dexia as lessee

A. Finance lease

Amounts involved are immaterial. See note 7.8.

B. Operating lease

Future net minimum lease payments under non-cancelable operating leases are as follows:	Dec. 31, 2006	Dec. 31, 2007
Not later than 1 year	79	83
Later than 1 year and not later than 5 years	148	308
Later than 5 years	130	282
TOTAL	**357**	**673**

	Dec. 31, 2006	Dec. 31, 2007
Amount of future minimum sublease payments expected to be received under non-cancelable subleases at the balance sheet date	6	6
Lease and sublease payments recognized as an expense during the period:		
- minimum lease payments	114	124
- contingent rents	0	0
- sublease payments	5	0
TOTAL	**119**	**124**

7.14. QUALITY OF FINANCIAL ASSETS

Analysis of normal loans and securities	Gross amount (A)	
	Dec. 31, 2006	Dec. 31, 2007
Normal loans and advances due from banks	78,215	54,776
Normal loans and advances to customers	226,436	242,637
Normal held-to-maturity investments	2,260	1,915
Normal available-for-sale financial assets	187,867	217,967
Normal assets from insurance activities	1,277	1,260
Normal other accounts and receivables	1,490	2,195
Normal other assets	548	584
Collective impairment on not impaired loans (-)	(357)	(419)
TOTAL	**497,736**	**520,915**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Total (B)+(C)	
	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Impaired in loans and advances due from banks	0	0	0	0	0	0
Impaired loans and advances to customers	1,365	1,219	(942)	(818)	423	401
Impaired held-to-maturity investments	0	0	0	0	0	0
Impaired available-for-sale financial assets	743	599	(232)	(191)	511	408
Impaired assets from insurance activities	1	1	(1)	(1)	0	0
Impaired other accounts and receivables	2	4	(2)	(2)	0	2
Impaired other assets	0	0	0	0	0	0
TOTAL	**2,111**	**1,823**	**(1,177)**	**(1,012)**	**934**	**811**

Normal + impaired	Gross amount (A)+(B)		Specific loan loss allowance (C)		Total (A)+(B)+(C)	
	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Loans and advances due from banks	78,215	54,776	0	0	78,215	54,776
Loans and advances to customers	227,801	243,856	(942)	(818)	226,859	243,038
Held-to-maturity investments	2,260	1,915	0	0	2,260	1,915
Available-for-sale financial assets	188,610	218,566	(232)	(191)	188,378	218,375
Assets from insurance activities	1,278	1,261	(1)	(1)	1,277	1,260
Other accounts and receivables	1,492	2,199	(2)	(2)	1,490	2,197
Other assets	548	584	0	0	548	584
Collective impairment on not impaired loans (-)	(357)	(419)	0	0	(357)	(419)
TOTAL	**499,847**	**522,738**	**(1,177)**	**(1,012)**	**498,670**	**521,726**

8. NOTES ON THE LIABILITIES OF THE CONSOLIDATED BALANCE SHEET (IN MILLIONS OF EUR)

8.1. DUE TO BANKS

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
On demand	24,277	16,371
Term	65,740	76,133
Repurchase activity	45,808	35,755
Central banks	9,033	12,414
Other borrowings	29,896	38,008
TOTAL	**174,754**	**178,681**

B. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.2. CUSTOMER BORROWINGS AND DEPOSITS

A. Analysis by nature (1)

	Dec. 31, 2006	Dec. 31, 2007
Demand deposits	26,904	39,994
Saving deposits	27,429	26,845
Term deposits	51,318	50,924
Other customer deposits	2,931	2,730
TOTAL CUSTOMER DEPOSITS	108,582	120,493
Repurchase activity	4,176	2,994
Other borrowings	3,407	3,193
TOTAL CUSTOMER BORROWINGS	7,583	6,187
TOTAL	**116,165**	**126,680**

(1) Figures as of Dec. 31, 2006 have been restated.

B. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.3. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Dec. 31, 2006	Dec. 31, 2007
Financial liabilities held for trading	578	1,995
Financial liabilities designated at fair value	14,630	16,306
TOTAL	**15,208**	**18,301**

Financial liabilities held for trading

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Bonds issued by public bodies	526	1,911
Other bonds	18	38
Repurchase agreements	0	0
Equity instruments	34	46
TOTAL	**578**	**1,995**

B. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

C. Analysis of the fair value

See note 12.1.

Financial liabilities designated at fair value

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Liabilities at fair value (1)	9,849	12,007
Unit-linked products	4,781	4,299
TOTAL	**14,630**	**16,306**

(1) Figures as of Dec. 31, 2006 have been restated. See note 1.2.3. Changes in presentation.

B. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

C. Analysis of the fair value

See note 12.1.

The Fair Value Option (FVO) for financial liabilities is mainly used in the following situations:

1) By 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 (Unit-linked contracts).
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.

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 to 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 limited 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 nor with similar debts.
However, due to the strong increase of liquidity spread in 2007, a revaluation was recorded on FSA's liabilities for an amount of EUR -30 million.

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.

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8.4. DEBT SECURITIES

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Certificates of deposit	32,201	40,587
Customer savings certificates	6,095	5,332
Convertible debts	20	3
Non-convertible bonds	146,430	158,091
TOTAL	**184,746**	**204,013**

The list of convertible debts is available on request.

B. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

C. Analysis of the fair value

See note 12.1.

8.5. SUBORDINATED DEBTS

A. Analysis by nature

Non-convertible subordinated debt	Dec. 31, 2006	Dec. 31, 2007
Loan capital perpetual subordinated notes	927	772
Other	3,186	3,881
TOTAL	**4,113**	**4,653**

List available on request.

	Dec. 31, 2006	Dec. 31, 2007
Hybrid capital and redeemable preference shares	232	232

Dexia BIL has issued an hybrid capital instrument, perpetual of EUR 225 million at the rate of 6.821%, refunding only possible annually as from July 6, 2011.

B. Analysis of subordinated debt convertible in Dexia shares

Nil.

C. Analysis by maturity and interest rate

See notes 12.4., 12.5. and 12.6.

D. Analysis of the fair value

See note 12.1.

8.6. PROVISIONS AND OTHER OBLIGATIONS

A. Analysis by nature

	Dec. 31, 2006	Dec. 31, 2007
Litigation claims [1]	352	228
Restructuring	150	125
Long-term defined benefit plans	597	639
Other postretirement obligations	51	51
Other long-term employee benefits	45	42
Provision for off-balance-sheet credit commitments [2]	135	110
Onerous contracts	11	28
Other Provisions (non insurance) [3]	127	130
TOTAL [4]	**1,468**	**1,353**

(1) Provisions for litigations, include provisions relating to staff, to taxes, for administrative and other claims.
(2) Of which EUR 106 and 99 million relating to Dexia Bank Nederland (Legio Lease Provision) for 2006 and 2007 respectively.
(3) The Other Provisions mainly contain: provisions to restore property, plant and equipment to their original state 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	Provisions for off-balance-sheet credit commitments	Onerous contracts	Other provisions
AS OF JAN. 1, 2006	**227**	**176**	**640**	**158**	**0**	**119**
Exchange difference	(8)	0	(1)	(2)	0	(1)
Additional provisions	223	41	133	23	6	61
Unused amounts reversed	(22)	(20)	(21)	(3)	(1)	(11)
Utilized during the year	(51)	(33)	(69)	(57)	0	(29)
Changes in scope of consolidation (in)	0	3	5	7	0	4
Changes in scope of consolidation (out)	(8)	0	(16)	8	0	(1)
Transfers	(9)	(17)	22	1	3	(18)
Other movements	0	0	0	0	3	3
AS OF DEC. 31, 2006	**352**	**150**	**693**	**135**	**11**	**127**

	Litigation claims	Restructuring	Pensions and other employee benefits	Provisions for off-balance-sheet credit commitments	Onerous contracts	Other provisions
AS OF JAN. 1, 2007	**352**	**150**	**693**	**135**	**11**	**127**
Exchange difference	(9)	0	0	(1)	0	1
Additional provisions	42	9	126	44	26	63
Unused amounts reversed	(51)	(3)	(19)	(9)	(2)	(15)
Utilized during the year	(109)	(31)	(64)	(59)	(8)	(41)
Changes in scope of consolidation (out)	0	0	(3)	0	0	0
Transfers	3	0	(1)	0	1	(5)
AS OF DEC. 31, 2007	**228**	**125**	**732**	**110**	**28**	**130**

C. Analysis by maturity

See note 12.6.

D. Provisions for pensions and other long-term benefits

a. Change in benefit obligation	2006	2007
1. Benefit obligation at beginning of year	2,494	2,282
2. Current service cost	115	91
3. Interest cost	96	95
4. Plan participants' contributions	8	7
5. Amendments	(8)	6
6. Actuarial (gains)/losses	(164)	(309)
7. Benefits paid	(127)	(105)
8. Expenses paid	0	0
9. Taxes paid	0	0
10. Premiums paid	(3)	(3)
11. Acquisitions/divestitures	(92)	(2)
12. Plan curtailments	(2)	(14)
13. Plan settlements	(31)	(99)
14. Exchange rate changes	(4)	(1)
15. BENEFIT OBLIGATION AS OF END OF YEAR	**2,282**	**1,948**

b. Change in plan assets	2006	2007
1. Fair value of plan assets at beginning of year	1,588	1,483
2. Expected return on plan assets	68	65
3. Actuarial gains/(losses) on plan assets	(28)	(44)
4. Employer contributions	87	77
5. Member contributions	8	7
6. Benefits paid	(127)	(105)
7. Expenses paid	0	0
8. Taxes paid	0	0
9. Premiums paid	(3)	(3)
10. Plan settlements	(16)	(98)
11. Acquisitions/divestitures	(91)	(1)
12. Exchange rate changes	(3)	(1)
13. FAIR VALUE OF PLAN ASSETS AS OF END OF YEAR	**1,483**	**1,380**

c. Amounts recognized in the balance sheet	Dec. 31, 2006	Dec. 31, 2007
1. Present value of funded obligations	1,691	1,408
2. Fair value of plan assets	1,484	1,380
3. Deficit/(surplus) for funded plans	207	28
4. Present value of unfunded obligations	591	540
5. Unrecognized net actuarial gains/(losses)	(122)	140
6. Unrecognized past service (cost)/benefit	0	0
7. Effect of paragraph 58(b) limit	0	6
8. NET LIABILITY/(ASSET)	**676**	**714**

Amounts in the balance sheet

1. Liabilities	693	730
2. Assets	(17)	(16)
3. NET LIABILITY/(ASSET)	**676**	**714**

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d. Components of pension cost	Dec. 31, 2006	Dec. 31, 2007
Amounts recognized in statement of income		
1. Current service cost	117	91
2. Interest cost	97	95
3. Expected return on plan assets	(70)	(65)
4. Expected return on reimbursement assets	0	0
5. Amortization of past service cost incl. §58(a)	(8)	5
6. Amortization of net (gain)/loss incl. §58(a)	10	(5)
7. Effect of paragraph 58(b) limit	0	6
8. Curtailment (gain)/loss recognized	(2)	(13)
9. Settlement (gain)/loss recognized	(12)	6
10. TOTAL PENSION COST RECOGNIZED IN THE STATEMENT OF INCOME	**132**	**120**
Actual return on assets		
Actual return on plan assets	40	21
Actual return on reimbursement assets	0	0

e. Balance sheet reconciliation	2006	2007
1. Balance sheet liability/(asset) as of beginning of year	633	676
2. Pension expense recognized in statement of income in the financial year	132	120
3. Amounts recognized in SORIE in the financial year	0	0
4. Employer contributions made in the financial year	67	56
5. Benefits paid directly by company in the financial year	20	21
6. Credit to reimbursements	0	0
7. Net transfer in/(out) (including the effect of any business combinations/divestitures)	(1)	(6)
8. Exchange rate adjustment - (gain)/loss	(1)	1
9. BALANCE SHEET LIABILITY/(ASSET) AS OF END OF YEAR (1)+(2)+(3)-(4)-(5)+(6)+(7)+(8)	**676**	**714**

f. Plan assets

Asset category	Percentage of Plan assets	
	Dec. 31, 2006	Dec. 31, 2007
1. Equity securities	18.43%	15.42%
2. Debt securities	77.66%	83.73%
3. Real estate	0.00%	0.25%
4. Other (1)	3.91%	0.60%

(1) Includes qualifying insurance policies.

g. History of experience gains and losses

1. Difference between the actual and expected return on plan assets	Dec. 31, 2006	Dec. 31, 2007
a. Amount	(28)	(44)
b. Percentage of plan assets	-2%	-3%
2. Experience gains (-) and losses on plan liabilities		
a. Amount	(31)	(53)
b. Percentage of present value of plan liabilities	-1%	-3%

h. Range of assumptions to determine pension expense

	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%

	Dec. 31, 2007					
	Discount rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary increase rate
Europe	4.42% - 5.50%	2.50%	3.80 % - 5.80 %	3.50% - 5.50%	6.50% - 8.50%	2.50 - 5.50%
Switzerland	3.25%	1.20%	3.25%	3.25%	6.25%	2.50%
United Kingdom	5.80%	3.30%	7.69%	5.80%	8.80%	4.80%

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	2006	2007	
Outstanding liability relating to defined benefit plans	597	639	
Outstanding liability relating to other postretirement obligations	51	51	
Outstanding liability relating to other long-term employee benefits	45	42	
TOTAL OUTSTANDING LIABILITY REPORTED IN THE FINANCIAL STATEMENTS	**693**	**732**	See note 8.6.A.
TOTAL LIABILITY CALCULATED BY ACTUARIALS	**693**	**730**	
TOTAL LIABILTIY RELATING TO INSIGNIFICANT PLANS	**0**	**2**	
Outstanding asset reported in the financial statements	17	16	See note 7.11.A.
TOTAL ASSETS ANALYSED BY ACTUARIALS	**17**	**16**	
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 1,022 million as of December 31, 2006 and EUR 1,024 million as of December 31, 2007.
As from January 1, 2007, Dexia offers a defined contribution plan to the employees of some companies of the Group. Due to the Belgian legislation, Dexia is obliged to guarantee a minimum return on contributions paid.
As a consequence, the new plan should be considered as Defined Benefit Plans. The Benefit Obligation amounts 4.5 millions as of December 31, 2007.

Sensibility to changes of interest rates
An increase of 25 bp of interest rate would lead to the following consequences on 2007 amounts: "The Benefit Obligation as of end of the year 2007 would decrease by 2.9% but the amount reported in provision would remain unchanged as the actuarial gains and losses" would absorb the difference.
The service cost for the following year 2008 would decrease by 3.2%, interest cost would increase by 1.5% and the return on plan assets would increase by 4.3%. The total net pension cost would decrease in 2008 by 9.8% as this additional increase of 25 bp would result in a higher amortization of actuarial gains. Without this last element, the decrease of net pension cost would be 3.2% in 2008.

E. Defined contribution plan

Contributions to legal pensions are not included in the amounts.
For 2006 and 2007, the amount recognized as an expense for defined contribution plans is respectively EUR 16 million and EUR 30 million.

8.7. TAX LIABILITIES

Analysis by nature	Dec. 31, 2006	Dec. 31, 2007
Current income tax	235	226
Operational taxes	141	147
CURRENT TAX LIABILITIES	376	373
Deferred tax liabilities (See note 9.2.)	900	405
TOTAL	**1,276**	**778**

8.8. OTHER LIABILITIES

	Dec. 31, 2006	Dec. 31, 2007
Other liabilities (except relating to insurance companies)	4,332	5,063
Other liabilities specific to insurance activities	2,213	2,186
TOTAL	**6,545**	**7,249**

A. Other liabilities

	Dec. 31, 2006	Dec. 31, 2007
Accrued costs	132	178
Deferred income	122	135
Subsidies	78	86
Other accounts payable	2,791	3,417
Other granted amounts received	198	0
Salaries and social charges (payable)	546	547
Shareholder dividends payable	71	88
Long-term construction contracts	0	0
Other liabilities	394	612
TOTAL	**4,332**	**5,063**

B. Liabilities specific to insurance activities

	Dec. 31, 2006	Dec. 31, 2007
Debts for deposits from assignees	67	35
Debts resulting from direct insurance transactions	2,085	2,092
Debts resulting from reinsurance transactions	60	56
Other insurance liabilities	1	3
TOTAL	**2,213**	**2,186**

8.9. LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE

	Dec. 31, 2006	Dec. 31, 2007
Liabilities of subsidiaries held for sale (1)	785	0
TOTAL	**785**	**0**

(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, 2006		Dec. 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	15,351	15,112	16,711	15,354
Derivatives designated as fair value hedges	3,173	9,424	5,602	9,147
Derivatives designated as cash flow hedges	754	551	1,541	1,022
Derivatives of portfolio hedge	4,754	5,401	5,364	5,833
Derivatives designated as hedge of a net investment in foreign entities	0	1	0	9
TOTAL	**24,032**	**30,489**	**29,218**	**31,365**

B. Detail of derivatives held for trading

	Dec. 31, 2006				Dec. 31, 2007			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	78,291	78,440	1,155	1,030	98,626	98,802	1,542	769
Interest rate derivatives	848,442	854,829	12,850	12,617	875,060	877,257	12,852	12,437
Equity derivatives	13,487	13,977	1,227	1,429	12,144	12,201	1,308	1,607
Credit derivatives	23,553	76,149	114	31	47,142	83,016	986	517
Commodity derivatives	46	46	5	5	62	62	23	24
TOTAL	**963,819**	**1,023,441**	**15,351**	**15,112**	**1,033,034**	**1,071,338**	**16,711**	**15,354**

C. Detail of derivatives designated as fair value hedges

	Dec. 31, 2006				Dec. 31, 2007			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	53,928	55,400	994	2,613	45,658	47,300	1,166	2,845
Interest rate derivatives	179,801	171,157	1,813	6,353	188,477	186,938	3,809	5,775
Equity derivatives	10,187	11,478	314	454	12,467	13,416	575	527
Credit derivatives	1,478	70	5	0	50	50	3	0
Commodity derivatives	178	178	47	4	123	123	49	0
TOTAL	**245,572**	**238,283**	**3,173**	**9,424**	**246,775**	**247,827**	**5,602**	**9,147**

D. Detail of derivatives designated as cash flow hedges

	Dec. 31, 2006				Dec. 31, 2007			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,106	1,743	343	22	2,584	2,107	500	67
Interest rate derivatives	169,337	169,292	411	529	125,611	125,605	1,041	955
Equity derivatives	0	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0	0
Commodity derivatives	0	0	0	0	0	0	0	0
TOTAL	**171,443**	**171,035**	**754**	**551**	**128,195**	**127,712**	**1,541**	**1,022**

E. Detail of derivatives of portfolio hedge

	Dec. 31, 2006				Dec. 31, 2007			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	1,391	1,451	9	185	1,196	1,200	5	133
Interest rate derivatives	472,159	472,764	4,745	5,216	563,135	557,985	5,359	5,700
TOTAL	**473,550**	**474,215**	**4,754**	**5,401**	**564,331**	**559,185**	**5,364**	**5,833**

F. Detail of derivatives designated as hedge of a net investment in foreign entities

	Dec. 31, 2006				Dec. 31, 2007			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	341	342	0	1	331	340	0	9

Dexia financed the major part of the purchase of FSA in 2001 by issuing debts in euros. The part of the debts equivalent to the FSA' s equity held was hedged against the USD fluctuation by a foreign exchange transaction, the part related to the goodwill was not hedged.

9.2. DEFERRED TAXES

A. Analysis

	Dec. 31, 2006	Dec. 31, 2007
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	**(418)**	**685**
of which:		
Deferred income tax liabilities	(900)	(405)
Deferred income tax assets	549	1,194
Impairment on deferred income tax assets	(67)	(104)

B. Movements

	2006	2007
AS OF JAN.1	**(730)**	**(418)**
Movements of the year:		
- Statement of income charge/credit	(27)	114
- Items directly computed by equity	378	960
- Effect of change in tax rates – statement of income	(14)	21
- Effect of change in tax rates – equity	(21)	5
- Changes in scope of consolidation	(7)	0
- Exchange differences	13	(20)
- Other movements	(10)	23
AS OF DEC. 31	**(418)**	**685**

Deferred tax coming from assets of the balance sheet	Dec. 31, 2006	Dec. 31, 2007
Cash, loans and loan loss provisions	(404)	216
Securities	(884)	545
Derivatives	(460)	(415)
Investment in associates	0	0
Tangible and intangible fixed assets	(199)	(211)
Other assets and liabilities specific to insurance companies	(82)	(74)
Tax losses carried forward	0	0
Tax credit carried forward	0	0
Other	(16)	(11)
TOTAL	**(2,045)**	**50**

Deferred tax coming from liabilities of the balance sheet	Dec. 31, 2006	Dec. 31, 2007
Securities	0	0
Derivatives	1,819	975
Borrowings, deposits and Issuance of debt securities	(124)	(265)
Provisions	57	39
Pensions	112	122
Other assets and liabilities specific to insurance companies	9	(39)
Tax losses carried forward	306	287
Tax credit carried forward	0	4
Legal tax free provisions	(419)	(414)
Entities with special tax status	(223)	(173)
Minority interest, reserves of associates and own shares	0	0
Other	157	203
TOTAL	**1,694**	**739**

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	0	(3)	(3)
Tax losses carried forward	0	0	0	(101)	(101)
TOTAL	**0**	**0**	**0**	**(104)**	**(104)**

9.3. INSURANCE CONTRACTS

A. Life contracts

A.1. Income and expenses

PREMIUM INCOME

	Dec. 31, 2006				Dec. 31, 2007			
	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	392	239	2,312	50	486	321	3,050	88
Premiums ceded to reinsurers	(3)	(38)	0	(1)	(4)	(59)	(1)	(1)
Change in gross unearned premium reserves (UPR)	0	56	0	0	(2)	0	0	0
Share of reinsurer in change of unearned premium reserves (UPR)	0	(15)	0	0	0	0	0	0
NET PREMIUM AFTER REINSURANCE	**389**	**242**	**2,312**	**49**	**480**	**262**	**3,049**	**87**

(1) Discretionary Participation Features.

CLAIMS EXPENSES

	2006				2007			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Gross claims paid	(228)	(116)	(372)	(5)	(126)	(133)	(455)	(97)
Claims reserve as of Jan. 1	32	10	1	0	12	14	8	0
Claims reserve as of Dec. 31	(12)	(14)	(8)	0	(18)	(5)	(34)	0
Transferred claims reserves	(6)	0	0	0	0	(9)	0	0
Share of reinsurers	4	14	0	0	(137)	19	136	0
NET CLAIMS INCURRED	**(210)**	**(106)**	**(379)**	**(5)**	**(269)**	**(114)**	**(345)**	**(97)**

CHANGES IN TECHNICAL RESERVES

1. Change in life insurance reserve

	2006				2007			
	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	2,296	710	5,466	386	2,367	741	8,006	228
Life insurance reserve as of Dec. 31	(2,367)	(741)	(8,006)	(228)	(3,974)	(911)	(9,450)	(306)
Transferred life insurance reserve	(262)	(18)	477	(247)	(31)	22	0	0
Share of reinsurers in life insurance reserve as of Jan. 1	(11)	(19)	(1)	0	(10)	(5)	(1)	0
Share of reinsurers in life insurance reserve as of Dec. 31	10	5	1	0	12	7	0	0
Share of reinsurers in transferred life insurance reserve	0	14	0	0	1	(1)	0	0
NET CHANGE IN LIFE INSURANCE RESERVE	**(334)**	**(49)**	**(2,063)**	**(89)**	**(1,635)**	**(147)**	**(1,445)**	**(78)**

2. Change in profit sharing reserve

	2006				2007			
	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	3	6	21	2	5	8	48	0
Profit sharing reserve as of Dec. 31	(5)	(8)	(48)	0	(10)	(13)	(91)	(2)
Paid profit share	0	0	0	0	1	1	0	0
Transferred profit sharing reserve	1	0	0	(2)	0	0	0	0
Share of reinsurers in profit sharing reserve as of Jan. 1	0	0	0	0	0	0	0	0
Share of reinsurers 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)**	**(27)**	**0**	**(4)**	**(4)**	**(43)**	**(2)**

LOSSES RESULTING FROM LIABILITY ADEQUACY TEST (LAT)

Nil.

A.2. Assets and liabilities

GROSS RESERVES

	Dec. 31, 2006				Dec. 31, 2007			
	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	2,367	741	8,006	228	3,746	742	9,362	240
Reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0	0	0
Reserves due to shadow accounting adjustments	3	6	22	2	(3)	2	(30)	(2)
Reserves due to results of IAS 39	0	0	0	0	0	0	0	0
TOTAL LIFE INSURANCE RESERVE	**2,370**	**747**	**8,028**	**230**	**3,743**	**744**	**9,332**	**238**
Claims reserves	12	14	8	1	18	4	34	0
Other technical reserves	5	8	48	0	12	13	90	2
TOTAL GROSS RESERVES	**2,387**	**769**	**8,084**	**231**	**3,773**	**761**	**9,456**	**240**

SHARE OF REINSURERS

	Dec. 31, 2006				Dec. 31, 2007			
	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	10	5	1	0	10	3	0	0
Share of reinsurers in claims reserves	2	2	0	0	2	0	0	0
Share of reinsurers in other technical reserves	0	0	0	0	0	0	0	0
TOTAL SHARE OF REINSURERS	**12**	**7**	**1**	**0**	**12**	**3**	**0**	**0**

DISCRETIONARY PARTICIPATION FEATURE INCLUDED IN EQUITY

	Dec. 31, 2006			Dec. 31, 2007		
	Contracts with DPF			Contracts with DPF		
	Individual	Group	Total	Individual	Group	Total
Net discretionary participation feature included in equity	370	56	426	102	13	115

Insurance or investment contracts with DPF that have embedded derivatives that need to be separated and fair valued through profit or loss are limited to two products. Their amounts are not significant.

RECONCILIATION OF CHANGES IN LIFE INSURANCE RESERVE

	2006			2007		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS OF JAN. 1,	**8,926**	**31**	**8,895**	**11,375**	**17**	**11,358**
Additional reserves originated during the period	2,839	19	2,820	3,567	22	3,545
Additional reserves due to shadow adjustments	(35)	0	(35)	(62)	0	(62)
Additional reserves due to results of LAT (Liability Adequacy Test)	0	0	0	0	0	0
Claims paid	(562)	(98)	(464)	(693)	(16)	(677)
Results on death and on life	(67)	1	(68)	(79)	(2)	(77)
Attribution of technical interest	335	2	333	414	3	411
Other changes	(61)	62	(123)	82	(4)	86
Variation of scope of consolidation	0	0	0	(547)	(7)	(540)
LIFE INSURANCE RESERVE AS OF DEC. 31	**11,375**	**17**	**11,358**	**14,057**	**13**	**14,044**

B. Nonlife contracts

B.1. Income and expenses

PREMIUM INCOME

	Dec. 31, 2006	Dec. 31, 2007
Gross premiums written	365	381
Premiums ceded to reinsurer	(25)	(28)
NET PREMIUMS AFTER REINSURANCE (A)	340	353
Change in gross Unearned Premium Reserves (UPR)	(4)	(5)
Share of reinsurers in change of Unearned Premium Reserve (UPR)	0	1
CHANGE IN NET UNEARNED PREMIUM RESERVE (UPR) (B)	(4)	(4)
TOTAL NET EARNED PREMIUMS (A)+(B)	**336**	**349**

CLAIMS EXPENSES

	2006	2007
Gross claims paid	(193)	(199)
Claims reserve as of Jan. 1	600	571
Claims reserve as of Dec. 31	(571)	(600)
Transferred claims reserves	(49)	0
Share of reinsurers	12	7
NET CLAIMS INCURRED	**(201)**	**(221)**

CHANGE IN OTHER NONLIFE INSURANCE RESERVES

	2006	2007
Other nonlife insurance reserves as of Jan. 1	17	18
Other nonlife insurance reserves as of Dec. 31	(18)	(19)
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	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, 2006	Dec. 31, 2007
Claims reserves	514	532
Reserves Unallocated Loss Adjustment Expenses (ULAE)	27	29
Premium deficiency reserves (nonlife LAT)	0	0
Reserves for claims Incurred But Not Reported (IBNR)	29	39
TOTAL CLAIMS RESERVES	570	600
Other technical reserves	18	19
Unearned Premium Reserve (UPR)	83	88
TOTAL GROSS RESERVES	**671**	**707**

SHARE OF REINSURERS

	Dec. 31, 2006	Dec. 31, 2007
Share of reinsurers in claims reserves	66	63
Share of reinsurers in reserves ULAE	0	0
Share of reinsurers in IBNR	0	0
SHARE OF REINSURERS IN TOTAL CLAIMS RESERVE	66	63
Share of reinsurers in other technical reserves	0	1
Share of reinsurers in UPR	2	2
TOTAL SHARE OF REINSURERS	**68**	**66**

RECONCILIATION OF CHANGES IN CLAIMS RESERVES

	2006			2007		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
CLAIMS RESERVES AS OF JAN. 1	**600**	**83**	**517**	**570**	**66**	**504**
Claims paid on previous years	(108)	(19)	(89)	(87)	(2)	(85)
Change in claim charges on previous years	(81)	0	(81)	(38)	(4)	(34)
Liabilities on claims current year	159	2	157	155	3	152
CLAIMS RESERVES AS OF DEC. 31	**570**	**66**	**504**	**600**	**63**	**537**

CLAIMS DEVELOPMENT

Runoff triangle total costs (gross figures)

	Occurrence year					
Liquidation year	Previous	2003	2004	2005	2006	2007
2003	381	203				
2004	285	114	227			
2005	244	72	118	240		
2006	208	58	68	129	237	
2007	171	50	56	75	133	267

9.4. RELATED PARTIES TRANSACTIONS

A. Related parties transactions

	Key management [1]		Entities with joint control or significant influence over the entity [2]		Subsidiaries		Associates		Joint ventures in which the entity is a venturer	
	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Loans [3]	1	5	651	914	382	2	1,040	2,650	60	81
Interest income	0	0	20	29	0	0	8	42	1	2
Deposits	2	9	377	347	264	2	190	1,684	2,389	3,093
Interest expense	0	0	(10)	(23)	0	0	(5)	(10)	(95)	(123)
Net commission	0	0	0	0	0	0	(3)	(3)	(16)	(14)
Guarantees issued and commitments provided by the Group [4]	0	0	56	108	1	0	26	1,227	512	1,379
Guarantees and commitments received by the Group	0	0	620	606	0	0	905	2,489	0	16

(1) Key management includes the Board of Directors and the Managing Committee.
(2) We refer here to the main shareholders of Dexia (2006-2007): Arcofin, Holding Communal, Caisse des dépôts et consignations.
(3) Loans to key management personnel were granted at general market conditions.
(4) Unused lines granted.

Figures as of Dec. 31, 2006 have been restated.

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, 2006	Dec. 31, 2007
Short-term benefits	7	11
Post-employment benefits	2	2
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	1	3

Details per person are reported in the Management Report on page 47.

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.

C. Compensation of the Board of Auditors

This information is reported on page 51 of the annual report.

9.5. SECURITIZATION

Dexia Bank Belgium and DenizBank have securitization vehicles.
The assets are included in the consolidated financial statements.

Dexia Bank Belgium has four securitization vehicles: Atrium-1, Atrium-2, MBS and Dexia Secured Funding Belgium.

The total assets of these companies amount to EUR 295 million as of December 31, 2006 and EUR 1,926 million as of December 31, 2007.

Atrium-1 is a securitization transaction of social housing loans pursuant to a long-term credit facility between 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 188 million. Two classes of fixed-rate notes were issued on 30 April 1996, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2, currently Aaa). As of December 31, 2007 EUR 109.3 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 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. The original size of the transaction was EUR 129.3 million. Two classes of fixed-rate notes were issued on 19 June 1997, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2, currently Aaa). As of December 31, 2007 EUR 80 million is still outstanding under class A2.

MBS has six compartments, of which one with activity.

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 at 25 November 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, 2007 there is still EUR 41.2 million outstanding. There is 36.9 million outstanding under class A3 (still rated Aaa/AAA respectively by Moody's and Fitch) and 4.3 million under class B (currently rated Aa1/AA by Moody's and Fitch).

Dexia Secured Funding Belgium (DSFB) is a Belgian securitization vehicle with currently three compartments, of which one with activity.
DSFB-1 is a securitization transaction of loans granted to public entities in Belgium or 100% guaranteed by such public entities. This EUR 1.7 billion transaction was launched on 28 June 2007. One tranche of floating rate notes, rated AA/Aa1/AA+ by respectively S&P, Moody's and Fitch, was issued. Dexia Bank Belgium has guaranteed the payment of principal and interest on the notes. As of December 31, 2007 there is 1.68 billion outstanding.

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 and bought the Diversified Payment Rights.
The three tranches are:
- USD 150 million Series 2005-A Floating Rate Notes Due 2010 which were disposed on July 3, 2007;
- USD 80 million Series 2005-B Fixed Rate Notes Due 2012;
- USD 70 million Series 2005-C Fixed Rate Notes Due 2010, has been reimbursed partially every three months and became USD 52.5 million as of Dec. 31, 2007.

As of December 31, 2007 there is still USD 132.5 million outstanding.

9.6. ACQUISITIONS AND DISPOSALS OF CONSOLIDATED COMPANIES

A. Main acquisitions

Year 2006

ACQUISITION OF DENIZBANK

As of October 17, 2006 Dexia closed a share-purchase agreement with Zorlu Holding concerning the acquisition of a stake of approximately 75% in DenizBank Financial Services Group.
The shares were transferred from Zorlu Holding A.S. to Dexia Participation Belgique SA – a 100% subsidiary of Dexia SA – for an amount of USD 2.43 billion.
DenizBank is therefore fully consolidated in Dexia financial statements since October 17, 2006.
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 of December 31, 2006, the shareholding of Dexia in DenizBank stood at 99.74%.
All details about the transaction are reported in Dexia's annual report 2006, note 9.6. Acquisitions and disposals of consolidated companies. No change on purchase accounting has been recorded in 2007.

Year 2007

There were no significant acquisitions in 2007.

B. Main disposals

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.

Year 2007

Belstar Assurances SA was sold on May 15, 2007.
The group Dexia Banque Privée France was sold on May 2, 2007.
Fidexis was sold on December 21, 2007.

CONSOLIDATED FINANCIAL STATEMENTS

The assets and liabilities disposed are as follows:

	2006	2007		
	Banque Artesia Nederland	Belstar Assurances	Dexia Banque Privée France	Fidexis
Cash and cash equivalents	176	5	31	14
Loans and advances due from banks	277	24	266	
Loans and advances to customers	3,422	65	284	181
Financial assets measured at fair value through profit or loss	0	56	0	0
Financial investments	684	559	290	0
Derivatives	51	9	5	1
Other assets	35	9	24	10
Due to banks	(3,033)	(35)	(400)	(182)
Customer borrowings and deposits	(1,216)	(33)	(305)	0
Financial liabilities measured at fair value through profit or loss	0	(56)	0	0
Derivatives	(55)	0	(1)	0
Debt securities	0	0	(56)	0
Technical provisions of insurance companies	0	(558)	0	0
Other liabilities	(119)	(19)	(22)	(22)
NET ASSETS (1)	**222**	**26**	**116**	**2**
Proceeds from sale (in cash)	485	70	178	5
Less: cash and cash equivalents in the subsidiary sold	(176)	(5)	(31)	(14)
NET CASH INFLOW ON SALE	**309**	**65**	**147**	**(9)**

(1) Banque Artesia Nederland: including EUR 17 million gains and losses not recognized in the income statement.
Belstar: including EUR 9 million gains and losses not recognized in the income statement and discretionary participation features of insurance contracts.

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 consolidates 50% of the joint venture by the proportional method.

All details about the transaction are reported in Dexia's annual report 2006, note 9.6. Acquisitions and disposals of consolidated companies.

9.7. EQUITY

By category of share

	2006	2007
Number of shares authorized and not issued	1,023,934,945	1,004,339,582
Number of shares issued and fully paid	1,163,184,325	1,178,576,763
Number of shares issued and not fully paid	0	0
Value per share	No nominal value	No nominal value
Outstanding as of Jan. 1	1,107,469,030	1,163,184,325
Number of shares issued	77,812,015	15,392,438
Number of shares canceled	(22,096,720)	0
Outstanding as of Dec. 31	1,163,184,325	1,178,576,763
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares (1)	490,607	8,967,312
Number of shares reserved for issue under stock options and contracts for the sale of share	479,340	305,870

(1) In 2006: mainly Dexia Crédit Local's purchases to cover 1999's SOP.
In 2007: mainly purchased by Dexia SA and also, to a lesser extent, shares bought by Dexia Crédit Local to cover 1999's SOP.

9.8. SHARE-BASED PAYMENTS

STOCK OPTION PLANS SETTLED IN DEXIA SHARES	Dec. 31, 2006 Number of options [1]	Dec. 31, 2007 Number of options [1]
Outstanding at beginning of period	56,452,344	58,878,292
Granted during the period	10,192,973	10,322,550
Forfeited during the period	(51,600)	(15,510)
Exercised during the period [2]	(7,702,639)	(6,293,095)
Expired during the period	(12,786)	(67,444)
Outstanding at the end of the period	58,878,292	62,824,793
Exercisable at the end of the period	27,341,131	31,867,198

(1) Oustanding options also include the call options granted to Dexia Crédit Local's employees in 1999.
(2) The weighted average exercise price for 2006 and 2007 was respectively EUR 13.30 and 13.59 per share.

	Dec. 31, 2006			Dec. 31, 2007		
RANGE OF EXERCISE PRICES (EUR)	Number of outstanding options	Weighted-average options exercise price (EUR)	Weighted-average remaining contractual life (year)	Number of outstanding options	Weighted-average options exercise price (EUR)	Weighted-average remaining contractual life (year)
5.95 - 8.10	146,179	7.15	0.40	-	-	-
10.97 - 11.37	10,111,906	11.36	6.14	7,861,772	11.37	5.51
11.88 - 13.66	16,213,021	12.27	6.74	14,696,319	13.18	5.84
13.81 - 14.58	4,232,433	14.35	3.29	3,083,963	14.58	3.00
15.17 - 15.88	1,303,827	15.17	1.76	1,127,332	15.17	0.79
17.23 - 17.86	6,493,031	17.86	5.00	5,384,962	17.86	4.00
18.03 - 18.20	10,184,922	-	8.41	10,169,922	-	7.41
18.62 - 21.25	10,192,973	-	9.42	10,177,973	-	8.42
23.25	-	-	-	10,322,550	-	9.50

STOCK OPTION PLANS SETTLED IN DEXIA SHARES	Plan 2006 Stock option plan Dexia's employees	Plan 2006 Self-employed network	Plan 2006 Stock option plan DenizBank group	Plan 2007 Stock option plan Dexia's employees
Grant date	30/06/06	17/11/06	15/12/06	29/06/07
Number of instruments granted	9,760,225	197,748	235,000	10,322,500
Exercise price	18.62	21.25	20.71	23.25
Share price at the date of grant	18.85	21.27	20.92	23.35
Contractual life (years)	10 years	5 years	10 years	10 years
Vesting conditions	(1)	(2)	(1)	(1)
Settlement	Dexia shares	Dexia shares	Dexia shares	Dexia shares
Fair value per granted instrument at grant date	2.33	2.67	2.44	3.65
Valuation model	(3)	(3)	(3)	(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, 2006	Dec. 31, 2007
Equity-settled arrangements	30	35
Cash-settled arrangements [1]	18	19
Arrangements with settlement alternatives	0	0
TOTAL EXPENSES	**48**	**54**
Liabilities for cash-settled arrangement [1]	85	76
Liabilities for arrangements with settlement alternatives	0	0
TOTAL LIABILITIES	**85**	**76**

(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 the 2004 Equity Participation Plan (the "2004 Equity Plan"), which 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 company's performance over specified three-year performance cycles as described above) and 10% of shares of Dexia restricted stock. The Dexia restricted stock component is a fixed plan, where the company purchases Dexia shares, which cost is amortized over 2.5-year and 3.5-year vesting periods. In 2007 and 2006, FSA purchased shares to economically defease its liability for USD 4.7 million and USD 4.6 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)
2006	1,195,978	370,441	340,429	15,696	1,210,294	139.22
2007	1,210,294	306,368	364,510	37,550	1,114,602	145.61

CONSOLIDATED FINANCIAL STATEMENTS

9.9. MINORITY INTERESTS – CORE EQUITY

AS OF JAN.1, 2006	**1,136**
- Increase of capital (1)	513
- Dividends	(44)
- Net income for the period	88
- Translation adjustments	(1)
- Variation of scope of consolidation (2)	(28)
AS OF DEC. 31, 2006	**1,664**
AS OF JAN.1, 2007	**1,664**
- Increase of capital	18
- Dividends	(60)
- Net income for the period	103
- Variation of scope of consolidation	(4)
AS OF DEC. 31, 2007	**1,721**

(1) 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 Euribor 3 months 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 Dexia Crédit Local 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.
(2) The change in scope of consolidation in 2006 mainly included the decrease of minority interests in DenizBank and in RBC - DFS Spain.

9.10. CONTRIBUTION BY ACTIVITY

		Dec. 31, 2006				Dec. 31, 2007			
		Banking and other activities	FSA	Other insurance activities (1)	Total	Banking and other activities	FSA	Other insurance activities (1)	Total
I.	Cash and balances with central banks	3,365	0	0	3,365	8,835	0	0	8,835
II.	Loans and advances due from banks	77,982	159	74	78,215	54,585	139	52	54,776
III.	Loans and advances to customers	226,154	46	302	226,502	242,339	27	253	242,619
IV.	Financial assets measured at fair value through profit or loss	26,299	194	6,076	32,569	31,412	113	6,040	37,565
V.	Financial investments	161,629	17,184	11,825	190,638	188,120	16,489	15,681	220,290
VI.	Derivatives	23,727	298	7	24,032	28,838	369	11	29,218
VII.	Fair value revaluation of portfolio hedge	759	0	0	759	(185)	0	0	(185)
VIII.	Investments in associates	819	0	7	826	831	0	30	861
IX.	Tangible fixed assets	2,140	25	23	2,188	2,193	19	45	2,257
X.	Intangible assets and goodwill	2,246	9	138	2,393	2,385	8	131	2,524
XI.	Tax assets	664	76	9	749	984	384	77	1,445
XII.	Other assets	2,069	1,190	293	3,552	2,869	1,186	265	4,320
XIII.	Non current assets held for sale	955	0	0	955	39	0	0	39
TOTAL ASSETS		**528,808**	**19,181**	**18,754**	**566,743**	**563,245**	**18,734**	**22,585**	**604,564**
I.	Due to banks	174,628	0	126	174,754	178,674	1	6	178,681
II.	Customer borrowings and deposits	109,073	6,681	411	116,165	118,497	7,894	289	126,680
III.	Financial liabilities measured at fair value through profit or loss	2,956	7,471	4,781	15,208	7,279	6,696	4,326	18,301
IV.	Derivatives	30,438	51	0	30,489	31,063	301	1	31,365
V.	Fair value revaluation of portfolio hedge	239	0	0	239	(206)	0	0	(206)
VI.	Debt securities	184,322	424	0	184,746	203,526	487	0	204,013
VII.	Subordinated debts	4,291	0	54	4,345	4,838	0	47	4,885
VIII.	Technical provisions of insurance companies	0	145	12,143	12,288	2	134	14,935	15,071
IX.	Provisions and other obligations	1,242	0	226	1,468	1,102	0	251	1,353
X.	Tax liabilities	983	204	89	1,276	737	5	36	778
XI.	Other liabilities	3,853	2,341	351	6,545	4,660	2,277	312	7,249
XII.	Liabilities included in disposal groups held for sale	785	0	0	785	0	0	0	0
TOTAL LIABILITIES		**512,810**	**17,317**	**18,181**	**548,308**	**550,172**	**17,795**	**20,203**	**588,170**

(1) In December 2006 Other insurance activities includes insurance companies belonging to Dexia Insurance Belgium Group and BIL-Ré, while in December 2007, Other insurance activities includes the whole Dexia Insurance Belgium Group and Deniz Hayat Sigorta AS.

Figures as of Dec. 31, 2006 have been restated.

	Dec. 31, 2006				Dec. 31, 2007			
	Banking companies	FSA	Other insurance activ-ities (1)	Total	Banking and other activities	FSA	Other insurance activ-ities (1)	Total
Interest margin	3,341	209	379	3,929	3,851	205	470	4,526
Dividend income	81	4	67	152	80	3	64	147
Net income from associates	102	0	0	102	106	0	2	108
Net income from financial instruments at fair value through profit or loss	273	54	(8)	319	254	(419)	2	(163)
Net income on investments	1,036	7	121	1,164	558	7	155	720
Net fees and commissions	1,279	(4)	32	1,307	1,464	(3)	41	1,502
Premiums and technical income from insurance activities	0	486	3,518	4,004	4	486	4,523	5,013
Technical expense from insurance activities	0	(176)	(3,728)	(3,904)	2	(179)	(4,830)	(5,007)
Other net income	(74)	0	6	(68)	46	3	1	50
INCOME	6,038	580	387	7,005	6,365	103	428	6,896
Staff expense	(1,569)	(56)	(97)	(1,722)	(1,737)	(66)	(102)	(1,905)
General and administrative expense	(1,015)	(25)	(65)	(1,105)	(1,135)	(26)	(71)	(1,232)
Network costs	(299)	0	(53)	(352)	(308)	0	(59)	(367)
Depreciation & amortization	(234)	(3)	(8)	(245)	(274)	(2)	(8)	(284)
Deferred acquisition costs	0	(50)	0	(50)	0	(46)	0	(46)
EXPENSES	(3,117)	(134)	(223)	(3,474)	(3,454)	(140)	(240)	(3,834)
GROSS OPERATING INCOME	2,921	446	164	3,531	2,911	(37)	188	3,062
Impairment on loans and provisions for credit commitments	(105)	(18)	(1)	(124)	(140)	(23)	0	(163)
Impairment on tangible and intangible assets	0	0	0	0	(3)	0	0	(3)
Impairment on goodwill	0	0	0	0	(4)	0	0	(4)
NET INCOME BEFORE TAX	2,816	428	163	3,407	2,764	(60)	188	2,892
Tax expense	(433)	(110)	(26)	(569)	(318)	59	3	(256)
NET INCOME	2,383	318	137	2,838	2,446	(1)	191	2,636
Attributable to minority interest	84	3	1	88	100	0	3	103
Attributable to equity holders of the parent	2,299	315	136	2,750	2,346	(1)	188	2,533

(1) In December 2006 Other insurance activities includes insurance companies belonging to Dexia Insurance Belgium group and BIL-Ré, while in December 2007, Other insurance activities includes the whole Dexia Insurance Belgium group and Deniz Hayat Sigorta AS.

Figures as of Dec. 31, 2006 have been restated.

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. CONTRIBUTION OF JOINT VENTURES IN THE FINANCIAL STATEMENTS

	Dec. 31, 2006	Dec. 31, 2007
Total assets	8,375	10,842
Total liabilities	8,239	10,622
Income	395	443
Expenses	(247)	(284)
Gross operating income	148	159
Net income	99	115
Attributable to minority interest	2	3
Attributable to equity holders of the parent	97	112

9.12. EXCHANGE RATES

		Dec. 31, 2006		Dec. 31, 2007	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.6699	1.6695	1.6749	1.6359
Canadian Dollar	CAD	1.5337	1.4300	1.4439	1.4676
Swiss Franc	CHF	1.6081	1.5763	1.6552	1.6462
Koruna (Czech republic)	CZK	27.5492	28.2639	26.5940	27.7016
Danish Krone	DKK	7.4546	7.4588	7.4575	7.4518
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound Sterling	GBP	0.6726	0.6820	0.7336	0.6874
Hong Kong Dollar	HKD	10.2438	9.8277	11.4774	10.7598
Forint	HUF	251.4469	264.1324	252.6639	251.3037
Shekel	ILS	5.5520	5.6087	5.6635	5.6338
Yen	JPY	156.8456	146.8583	164.9005	162.0907
Mexican Peso	MXN	14.2633	13.7988	16.0587	15.0657
Norwegian Krone	NOK	8.2115	8.0450	7.9643	8.0113
New Zealand Dollar	NZD	1.8704	1.9448	1.8995	1.8628
Swedish Krona	SEK	9.0298	9.2459	9.4219	9.2636
Singapore Dollar	SGD	2.0195	1.9987	2.1186	2.0697
New Turkish Lira (1)	TRY	1.8515	1.8069	1.7060	1.7719
US Dollar	USD	1.3172	1.2649	1.4718	1.3794

(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, 2006	Dec. 31, 2007
Loans to be delivered and purchases of assets	17,764	14,283
Borrowings to be received and sales of assets	27,314	23,470

Figures as of Dec. 31, 2006 have been restated.

10.2. GUARANTEES

	Dec. 31, 2006	Dec. 31, 2007
Guarantees given to credit institutions	950	523
Guarantees given to customers	37,229	38,302
Guarantees received from credit institutions	3,265	1,047
Guarantees received from customers	40,322	36,399

Figures as of Dec. 31, 2006 have been restated.

10.3. LOAN COMMITMENTS

	Dec. 31, 2006	Dec. 31, 2007
Unused lines granted to credit institutions	1,297	1,339
Unused lines granted to customers	62,695	68,398
Unused lines obtained from credit institutions	5,817	1,775
Unused lines obtained from customers	462	23

10.4. OTHER COMMITMENTS

	Dec. 31, 2006	Dec. 31, 2007
Insurance activity – Commitments given	378,545	394,276
Insurance activity – Commitments received	92,783	93,807
Banking activity – Commitments given	263,328	293,614
Banking activity – Commitments received	852,523	941,962

Figures as of Dec. 31, 2006 have been restated.

11. NOTES ON THE CONSOLIDATED STATEMENT OF INCOME (IN MILLIONS OF EUR)

11.1. INTEREST INCOME – INTEREST EXPENSE

	Dec. 31, 2006	Dec. 31, 2007
INTEREST INCOME	**73,057**	**100,136**
a) interest income of assets not at fair value	**18,826**	**24,017**
Cash and balances with central banks	99	205
Loans and advances due from banks	2,472	3,032
Loans and advances to customers	8,432	11,205
Available-for-sale financial assets	7,298	9,354
Held-to-maturity investments	142	109
Interest on impaired assets	31	36
Other	352	76
b) interest income of assets at fair value	**54,231**	**76,119**
Financial assets held for trading	959	1,419
Financial assets designated at fair value	119	97
Derivatives held-for-trading	28,178	40,933
Derivatives used for hedging	24,975	33,670
INTEREST EXPENSE	**(69,128)**	**(95,610)**
a) interest expense of liabilities not at fair value	**(15,926)**	**(20,801)**
Due to banks	(5,425)	(8,266)
Customer borrowings and deposits	(2,831)	(4,235)
Debt securities	(7,408)	(8,022)
Subordinated debts	(222)	(247)
Preferred shares and hybrid capital	(26)	(15)
Other	(14)	(16)
b) interest expense of liabilities at fair value	**(53,202)**	**(74,809)**
Financial liabilities held-for-trading	(9)	(19)
Financial liabilities designated at fair value	(330)	(620)
Derivatives held-for-trading	(28,062)	(40,707)
Derivatives used for hedging	(24,801)	(33,463)
NET INTEREST INCOME	**3,929**	**4,526**

Figures as of Dec. 31, 2006 have been restated.

11.2. DIVIDEND INCOME

	Dec. 31, 2006	Dec. 31, 2007
Available-for-sale financial assets	144	143
Financial assets held for trading	3	3
Financial assets designated at fair value	5	1
TOTAL	**152**	**147**

11.3. NET INCOME FROM ASSOCIATES

	Dec. 31, 2006	Dec. 31, 2007
Income from associates before tax	143	147
Share of tax	(41)	(39)
TOTAL	**102**	**108**

11.4. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Dec. 31, 2006	Dec. 31, 2007
Net trading income	178	(570)
Net result of hedge accounting	(5)	65
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives (1)	15	21
Change in own credit risk	0	33
Forex activity and exchange differences	131	288
TOTAL	**319**	**(163)**
(1) Among which trading derivatives included in a fair value option strategy	10	344

Result of hedge accounting

	Dec. 31, 2006	Dec. 31, 2007
Fair value hedges	(22)	11
Fair value changes of the hedged item attributable to the hedged risk	*(1,182)*	*(2,570)*
Fair value changes of the hedging derivatives	*1,160*	*2,581*
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	15	43
Portfolio hedge	2	11
Fair value changes of the hedged item	*(251)*	*(706)*
Fair value changes of the hedging derivatives	*253*	*717*
TOTAL	**(5)**	**65**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	17	19

11.5. NET INCOME ON INVESTMENTS

	Dec. 31, 2006	Dec. 31, 2007
Gains on loans and advances	67	27
Gains on available-for-sale financial assets	1,174	883
Gains on held-to-maturity investments	0	0
Gains on tangible fixed assets	18	12
Gains on intangible fixed assets	2	0
Gains on assets and liabilities held for sale	29	13
Gains on liabilities	10	21
Other gains	1	2
TOTAL GAINS	1,301	958
Losses on loans and advances	(7)	(9)
Losses on available-for-sale financial assets	(202)	(238)
Losses on held-to-maturity investments	0	0
Losses on tangible fixed assets	(7)	(4)
Losses on intangible fixed assets	0	(1)
Losses on assets and liabilities held for sale	(1)	(1)
Losses on liabilities	(5)	(12)
Other losses	0	0
TOTAL LOSSES	(222)	(265)
NET IMPAIRMENT	85	27
TOTAL	**1,164**	**720**

Impairment on securities

	Specific Risk		Total
	Allowances	Write-backs	
As of December 31, 2006			
Securities held to maturity	0	0	0
Securities available for sale	(11)	96	85
TOTAL	**(11)**	**96**	**85**
As of December 31, 2007			
Securities held to maturity	0	0	0
Securities available for sale	(32)	59	27
TOTAL	**(32)**	**59**	**27**

11.6. FEE AND COMMISSION INCOME AND EXPENSE

	Dec. 31, 2006			Dec. 31, 2007		
	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	468	(33)	435	508	(41)	467
Administration of unit trusts and mutual funds	177	(33)	144	153	(19)	134
Insurance activity	77	(3)	74	77	(5)	72
Credit activity	91	(19)	72	140	(31)	109
Purchase and sale of securities	95	(20)	75	116	(32)	84
Purchase and sale of unit trusts and mutual funds	54	(11)	43	57	(10)	47
Payment services	152	(41)	111	219	(75)	144
Commissions to not exclusive brokers	24	(10)	14	25	(11)	14
Financial engineering	24	(1)	23	33	0	33
Services on securities other than safekeeping	35	(12)	23	46	(9)	37
Custody	183	(28)	155	224	(48)	176
Issues and placements of securities	29	(6)	23	23	(4)	19
Servicing fees of securitization	0	0	0	1	(2)	(1)
Private banking	35	0	35	36	(5)	31
Clearing and settlement	10	(12)	(2)	8	(15)	(7)
Securities lending	45	(8)	37	84	(34)	50
Other	61	(16)	45	109	(16)	93
TOTAL	**1,560**	**(253)**	**1,307**	**1,859**	**(357)**	**1,502**

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

11.7. TECHNICAL MARGIN OF INSURANCE ACTIVITIES

Premiums and technical income from insurance activities

	Dec. 31, 2006	Dec. 31, 2007
Premiums and contributions received	3,844	4,812
Claims incurred – part of reinsurers	29	28
Changes in technical reserves – part of reinsurers	(17)	(1)
Other technical income	148	174
INCOME	**4,004**	**5,013**

Technical expense from insurance activities

	Dec. 31, 2006	Dec. 31, 2007
Premiums received transferred to reinsurers	(243)	(272)
Premiums and contributions paid	(131)	(160)
Claims incurred	(914)	(1,010)
Change in technical reserves	(2,552)	(3,429)
Other technical expenses	(64)	(136)
EXPENSES	**(3,904)**	**(5,007)**

11.8. OTHER NET INCOME

	Dec. 31, 2006	Dec. 31, 2007
Other income	235	341
Other expense	(303)	(291)
TOTAL	**(68)**	**50**

11.9. STAFF EXPENSE

	Dec. 31, 2006	Dec. 31, 2007
Wages and salaries	1,152	1,322
Social security and insurance costs	304	316
Pension costs-defined benefit plans	101	90
Pension costs-defined contribution plans	16	30
Other post retirement benefits	4	1
Stock compensation expense (1)	48	54
Long-term employee benefits	2	(2)
Restructuring expenses	2	(19)
Other expenses	93	113
TOTAL	**1,722**	**1,905**

(1) See note 9.8.

(AVERAGE FTE)	Dec. 31, 2006			Dec. 31, 2007		
	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Senior Executives	537	25	562	501	28	529
Employees	18,815	2,066	20,881	24,039	2,376	26,415
Other	44	3	47	40	2	42
TOTAL	**19,396**	**2,094**	**21,490**	**24,580**	**2,406**	**26,986**

(AVERAGE FTE) Dec. 31, 2006	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**

(AVERAGE FTE) Dec. 31, 2007	France	Belgium	Luxembourg	Italy	Spain	Other Europe	USA	Other non Europe	Total Dexia
Senior Executives	38	316	77	4	2	34	18	40	529
Employees	2,341	9,346	3,025	267	131	1,911	619	8,775	26,415
Other	11	5	0	0	1	7	12	6	42
TOTAL	**2,390**	**9,667**	**3,102**	**271**	**134**	**1,952**	**649**	**8,821**	**26,986**

11.10. GENERAL AND ADMINISTRATIVE EXPENSE

	Dec. 31, 2006	Dec. 31, 2007
Occupancy	82	83
Operating leases (except technology and system costs)	107	114
Professional fees	152	194
Marketing advertising and public relations	101	123
Technology and system costs	184	188
Software costs and research and development costs	51	62
Repair and maintenance expenses	10	16
Restructuring costs other than staff	(3)	(2)
Insurance (except related to pension)	17	25
Transportation of mail and valuable	50	59
Operational taxes	77	96
Other general and administrative expense	277	274
TOTAL	**1,105**	**1,232**

11.11. DEPRECIATION AND AMORTIZATION

	Dec. 31, 2006	Dec. 31, 2007
Depreciation on land and buildings	78	78
Depreciation on other tangible assets	65	78
Amortization of intangible assets	102	128
TOTAL	**245**	**284**

11.12. IMPAIRMENT ON LOANS AND PROVISIONS FOR CREDIT COMMITMENTS

COLLECTIVE IMPAIRMENT	Dec. 31, 2006			Dec. 31, 2007		
	Allowances	Reversals	Total	Allowances	Reversals	Total
Loans	(86)	73	(13)	(121)	58	(63)
Credit enhancement (collective reserve)	(18)	0	(18)	0	27	27
TOTAL	**(104)**	**73**	**(31)**	**(121)**	**85**	**(36)**

SPECIFIC IMPAIRMENT	Dec. 31, 2006				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances 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 XII. of the assets.

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SPECIFIC IMPAIRMENT	Dec. 31, 2007				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances to customers	(188)	159	(7)	6	(30)
Other receivables [1]	(1)	1	0	0	0
Commitments	(70)	24	0	0	(46)
Credit enhancement (specific reserve)	(54)	21	(18)	0	(51)
TOTAL	**(313)**	**205**	**(25)**	**6**	**(127)**

(1) Is published in heading XII. of the assets.

11.13. IMPAIRMENTS ON TANGIBLE AND INTANGIBLE ASSETS

	Dec. 31, 2006	Dec. 31, 2007
Impairment on land and buildings	1	0
Impairment on assets held for sale	(1)	(2)
Impairment on intangible assets	0	(1)
TOTAL	**0**	**(3)**

Impairments are recorded when the criteria 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.

11.14. IMPAIRMENT ON GOODWILL

	Dec. 31, 2006	Dec. 31, 2007
Impairment on goodwill [1]	0	(4)

(1) The goodwill on our subsidiary in Jersey has been reviewed and found impaired.

11.15. TAX EXPENSE

	Dec. 31, 2006	Dec. 31, 2007
Income tax on current year	(509)	(479)
Deferred tax on current year	(51)	118
TAX ON CURRENT YEAR RESULT (A)	(560)	(361)
Income tax on previous year	(34)	78
Deferred tax on previous year	9	17
Provision for tax litigations	16	10
OTHER TAX EXPENSE (B)	(9)	105
TOTAL (A)+(B)	**(569)**	**(256)**

Figures as of Dec.31, 2006 have been restated.

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2006 and 2007 was 33.99 %.
Dexia effective tax rate was respectively 16.94 % and 12.97%, for 2006 and 2007.
The difference between the standard and the effective tax rate can be analyzed as follows:

	Dec. 31, 2006	Dec. 31, 2007
NET INCOME BEFORE TAX	3,407	2,892
Income and losses from companies accounted for by the equity method	102	108
TAX BASE	3,305	2,784
Statutory tax rate	33.99%	33.99%
TAX EXPENSE USING STATUTORY RATE	1,123	946
Tax effect of rates in other jurisdictions	(93)	(120)
Tax effect of non taxable revenues (1)	(581)	(545)
Tax effect of non tax deductible expenses	77	137
Tax effect of utilisation of previously unrecognised tax losses	0	(3)
Tax effect from reassessment of unrecognised deferred tax assets	23	43
Tax effect of change in tax rates	2	(21)
Items taxed at a reduced rate	(5)	(6)
Other increase (decrease) in statutory tax charge	14	(70)
TAX ON CURRENT YEAR RESULT	560	361
Taxe base	3,305	2,784
Effective tax rate	16.94%	12.97%

(1) Mainly non-taxable gains on sales of equity shares.

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, 2006	Dec. 31, 2007
Net income attributable to equity holders of the parent	2,750	2,533
Weighted average number of ordinary shares (millions)	1,105	1,163
Basic earnings per share (expressed in EUR per share)	2.49	2.18

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, 2006	Dec. 31, 2007
Net income attributable to equity holders of the parent	2,750	2,533
Weighted average number of ordinary shares (millions)	1,105	1,163
Adjustment for share options (millions)	16	16
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,121	1,179
Diluted earnings per share (expressed in EUR per share)	2.45	2.15

12. NOTES ON RISK EXPOSURE (IN MILLIONS OF EUR)

As requested by IFRS 7 § 34, disclosures are based on information internally provided to key management.
Disclosures have been restated accordingly to the change in presentation explained in accounting policies, note 1.2.3.

12.1. FAIR VALUE

A. Breakdown of fair value

A.1. Breakdown of fair value of assets

	Dec. 31, 2006			Dec. 31, 2007		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	3,365	3,365	0	8,835	8,835	0
Loans and advances due from banks	78,215	79,130	915	54,776	54,759	(17)
Loans and advances to customers	226,502	227,393	891	242,619	244,189	1,570
Financial assets held for trading	24,417	24,417	0	30,411	30,411	0
Financial assets designated at fair value	8,152	8,152	0	7,154	7,154	0
Available-for-sale financial assets	188,378	188,378	0	218,375	218,375	0
Held to maturity investments	2,260	2,345	85	1,915	2,089	174
Derivatives	24,032	24,032	0	29,218	29,218	0
Fair value revaluation of portfolio hedge	759	759	0	(185)	(185)	0
Investments in associates	826	1,225	399	861	1,412	551
Other assets	8,882	8,880	(2)	10,546	10,546	0
Non-current assets held for sale	955	983	28	39	67	28
TOTAL	**566,743**	**569,059**	**2,316**	**604,564**	**606,870**	**2,306**

Figures as of Dec. 31, 2006 have been restated.

In case of hedging by portfolio hedge, hedged interest rate risk revaluation of elements carried out at amortized cost is included in the line "Fair value revaluation of portfolio hedge". Therefore, fair value of loans and advances to customers is equal to the fair value disclosed in both lines "Loans and advances to customers" and "Fair value revaluation of portfolio hedge".

A.2. Breakdown of fair value of liabilities

	Dec. 31, 2006			Dec. 31, 2007		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Due to banks	174,754	172,690	(2,064)	178,681	178,024	(657)
Customer borrowings and deposits	116,165	115,767	(398)	126,680	126,698	18
Financial liabilities held for trading	578	578	0	1,995	1,995	0
Financial liabilities designated at fair value	14,630	14,630	0	16,306	16,306	0
Derivatives	30,489	30,489	0	31,365	31,365	0
Fair value revaluation of portfolio hedge	239	239	0	(206)	(206)	0
Debt securities	184,746	183,045	(1,701)	204,013	203,619	(394)
Subordinated debts	4,345	3,870	(475)	4,885	4,885	0
Other liabilities	21,577	21,566	(11)	24,451	24,451	0
Liabilities included in disposal groups held for sale	785	785	0	0	0	0
TOTAL	**548,308**	**543,659**	**(4,649)**	**588,170**	**587,137**	**(1,033)**

Figures as of Dec. 31, 2006 have been restated.

In accordance with our valuation rules, fair value is equal to accounting value for some kinds of items, see note 1.33. of Accounting policies. Except for liabilities "held for trading" and "designated at fair value", the own credit spread on liabilities has been considered as unchanged in the determination of the fair value. In case of hedging by portfolio hedge, hedged interest rate risk revaluation of debt securities as well as demand deposits is included in the line "Fair value revaluation of portfolio hedge".
Therefore, fair value of "Customers borrowings and deposits" and of "Debt securities" is equal to their disclosed fair value plus the fair value of ""Fair value revaluation of portfolio hedge".

B. Analysis of fair value of financial instruments

B.1. Assets

	Dec. 31, 2006			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates)[1]	Total
Loans and advances due from banks	13	79,117	0	79,130
Loans and advances to customers	1,556	225,837	0	227,393
Financial assets held for trading	17,076	7,341	0	24,417
Financial assets designated at fair value	7,145	1,007	0	8,152
Available-for-sale financial assets	150,070	38,238	70	188,378
Held to maturity investments	933	1,412	0	2,345
Derivatives	2,092	21,167	773	24,032
Fair value revaluation of portfolio hedge	0	759	0	759
TOTAL	**178,885**	**374,878**	**843**	**554,606**

(1) The sensitivity of assets and liabilities for which fair value is calculated using a model without observable market prices and rates is very limited, as most of products are hedged on back-to-back basis. The only major not hedged elements are the CDS of FSA, for which the sensitivity is reported in note 12.5.

Figures as of Dec. 31, 2006 have been restated.

	Dec. 31, 2007			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates)(1)	Total
Loans and advances due from banks	605	54,154	0	54,759
Loans and advances to customers	7,171	237,018	0	244,189
Financial assets held for trading	25,967	4,444	0	30,411
Financial assets designated at fair value	6,453	701	0	7,154
Available-for-sale financial assets	146,257	71,637	481	218,375
Held to maturity investments	14,75	614	0	2,089
Derivatives	172	28,407	639	29,218
Fair value revaluation of portfolio hedge	0	(185)	0	(185)
TOTAL	**188,100**	**396,790**	**1,120**	**586,010**

(1) The sensitivity of assets and liabilities for which fair value is calculated using a model without observable market prices and rates is very limited, as most of products are hedged on back-to-back basis. The only major not hedged elements are the CDS of FSA, for which the sensitivity is reported in note 12.5.

B.2. Liabilities

	As of Dec. 31, 2006			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates)(1)	Total
Due to banks	255	172,435	0	172,690
Customer borrowings and deposits	167	115,600	0	115,767
Financial liabilities held for trading	545	33	0	578
Financial liabilities designated at fair value	4,781	2,378	7,471	14,630
Derivatives	2,100	26,696	1,693	30,489
Fair value revaluation of portfolio hedge	0	239	0	239
Debt securities	25,953	157,092	0	183,045
Subordinated debts	0	3,870	0	3,870
TOTAL	**33,801**	**478,343**	**9,164**	**521,308**

(1) The sensitivity of assets and liabilities for which fair value is calculated using a model without observable market prices and rates is very limited, as most of products are hedged on back-to-back basis. The only major not hedged elements are the CDS of FSA, for which the sensitivity is reported in note 12.5.

Figures as of Dec. 31, 2006 have been restated.

	As of Dec. 31, 2007			
	Quoted market price	Model (with observable market prices and rates)	Model (no observable market prices and rates)(1)	Total
Due to banks	1,344	176,680	0	178,024
Customer borrowings and deposits	5,448	121,250	0	126,698
Financial liabilities held for trading	1,995	0	0	1,995
Financial liabilities designated at fair value	4,500	5,109	6,697	16,306
Derivatives	361	29,963	1,041	31,365
Fair value revaluation of portfolio hedge	0	(206)	0	(206)
Debt securities	4,865	198,754	0	203,619
Subordinated debts	0	4,885	0	4,885
TOTAL	**18,513**	**536,435**	**7,738**	**562,686**

(1) The sensitivity of assets and liabilities for which fair value is calculated using a model without observable prices and rates is very limited, as most of products are hedged on back-to-back basis. The only major not hedged elements are the CDS of FSA, for which the sensitivity is reported in note 12.5.

C. Disclosure of difference between transaction prices and modeled values (deferred day one profit)

No significant amounts are recognized as deferred Day One Profit (DOP) as of Dec. 31, 2006 nor as of Dec. 31, 2007.
As Dexia sells simple products, like Interest Rate Swaps (IRS) or complex products (like structured transactions) that are perfectly backed to back, the day one profit is recognized up-front. Only few transactions, of unsignificant amounts have non-observable parameters.
Deferred DOP is therefore immaterial.
Day one profit taken up-front amounts EUR 79 million as of Dec. 31, 2007.

12.2. CREDIT RISKS EXPOSURE

A. Analysis of total Dexia Group exposure

Credit risk exposure is disclosed in the same way as reported to the Management and is:

- the net carrying amount for balance sheet assets other than derivative contracts (i.e. accounting value after deduction of specific provision);
- the mark-to-market value and the add-on for derivatives contracts (the add-ons represent an estimation of the potential future credit risk exposure; this latter is not booked but added to the net positive mark-to-market value for the regulatory reporting;
- the full commitment amount for off-balance sheet commitments. The full commitment amount is either the undrawn part of liquidity facilities or the maximum amount Dexia is committed to pay for the guarantees it has granted to third parties;
- the net par outstanding for FSA's credit risk exposure; however the par ceded to reinsurers is disclosed under the figures dedicated to FSA credit risk exposure.

Credit risk exposure is broken down by geographical region and by counterpart taking into account the guarantees obtained. This means that when credit risk exposure is guaranteed by a third-part whose weighted risk (for Basel reglementations) is lower than that of the direct borrower, the exposure is then reported to the guarantor's geographical region and activity sector, except in 2006, as explained hereunder.

Credit risk exposure is based on a scope that encompasses the fully-consolidated subsidiaries of Dexia Group and includes 50% of the joint venture RBC Dexia Investor Services.

Figures published last year as of December 31, 2006 have been restated for some companies (Dexia Insurance Belgium group is integrated, DenizBank and FSA's figures were restated).

Comparative information in respect of previous period:
In the frame of Basel II and in order to be compliant with IFRS 7 requirements regarding the definition of maximum credit risk exposure, Dexia redefined its concept of credit risk exposure in 2007. As a difference with credit risk exposure reported in 2007, assets credit risk exposure 2006 was declared before deduction of specific provisions.
In addition, the breakdown of the credit risk exposure per type of counterpart is influenced by the way guaranteed exposure is reported. In 2006, it was systematically reported as a direct exposure on the guarantor while in 2007, it is reported as a direct exposure on the guarantor only when it generates less weighted risks (in the Basel approaches) than the exposure on the direct borrower.
Due to the use of a new central information system, 2006 information can technically not be retrieved in the same way as 2007 information.

EXPOSURE BY GEOGRAPHICAL REGION	Dec. 31, 2006	Dec. 31, 2007
Belgium	96,637	103,958
France	99,831	109,411
Germany	42,908	46,866
Italy	61,213	67,427
Luxembourg	10,564	16,684
Other EU countries	127,400	145,137
Rest of Europe	8,793	14,870
Turkey	9,675	14,803
United States and Canada	318,281	334,592
South and Central America	1,536	3,526
Southeast Asia	2,679	8,476
Japan	9,251	12,089
Other (1)	17,854	24,667
TOTAL(2)	**806,622**	**902,506**

(1) Includes supranational entities, like European Central Bank.

EXPOSURE BY CATEGORY OF COUNTERPART	Dec. 31, 2006	Dec. 31, 2007
Central governments	63,828	74,856
Local public sector	395,706	429,021
Corporate	41,054	58,663
Monoline	26,967	20,677
ABS/MBS	119,010	135,137
Project finance	13,907	19,377
Individuals, SME, self-employed	37,804	42,288
Financial institutions	102,368	119,744
Other	5,978	2,743
TOTAL (2)	**806,622**	**902,506**

(2) For FSA, the Par ceded to reinsurers was EUR 92.7 billion as of Dec. 31, 2006 and EUR 93.8 billion as of Dec.31, 2007.

B. FSA insured portfolio

A focus on the FSA insured portfolio is published as it represents a large part of the exposure reported above.

Net par of the FSA insurance portfolio (including the Financial Products Portfolio)

B.1. Breakdown by sectorial category (net par outstanding) (1)

	Dec. 31, 2006	Dec. 31, 2007
Residential mortgages	11,928	13,458
Consumer receivables	8,047	7,863
Pooled corporate	34,874	40,229
Other asset-backed	5,232	1,423
Financial products	12,443	12,274
International	22,280	21,492
ABS	94,804	96,739
General obligations	78,281	77,609
Tax-supported non general obligations	35,286	33,875
Municipal Utility Revenue	30,718	30,129
Healthcare revenue	9,987	9,510
Housing revenue	5,752	5,207
Transportation revenue	12,271	11,827
Education	3,324	3,708
Other public finance	1,236	1,645
International	14,013	18,587
MUNICIPAL	190,868	192,097
TOTAL(2)	**285,672**	**288,836**

(1) The Financial Products Portfolio which is also reinsured within the insurance portfolio is included at fair value.
(2) The Par ceded to reinsurers was EUR 92.7 billion as of Dec. 31, 2006 and EUR 93,8 billion as of Dec. 31, 2007.

B.2. Rating (net par outstanding) (1)

	Dec. 31, 2006	Dec. 31, 2007
AAA	78,663	86,862
AA	79,135	80,685
A	91,458	86,735
BBB	35,497	31,751
Non-investment grade	919	2,803
TOTAL	**285,672**	**288,836**

(1) The Financial Products Portfolio which is also reinsured within the insurance portfolio is included at fair value.

In the context of implementation of IFRS 7, the 2006 amounts have been restated in order to classify the underlying assets of the Financial Products Portfolio by range of ratings instead of using the average rating for the whole portfolio as presented previous year.

C. Credit risk exposure by class of financial instruments

	Dec. 31, 2006	Dec. 31, 2007
Debt securities	211,248	239,630
Loans and advances	217,949	261,874
Other financial instruments	39,942	19,335
Off balance-sheet exposure	337,483	381,667
TOTAL	**806,622**	**902,506**

Debt securities classified in available for sale represent 86% of total debt securities.
Dexia holds financial collateral and physicial collateral.
The bulk of the financial collateral is composed of cash collaterals and term deposits, and to a lesser extent, of investment grade bonds (AAA-AA sovereigns or banking issuers), UCITS (Undertakings for the Collective Investment in Transferable Securities) shares and equities quoted on recognized markets. Physical collateral is mainly composed of mortgages on residential or small commercial real estate and pledges on various other assets (receivables, business goodwill). Only collateral eligible under Basel II and directly held by Dexia are considered. Collateral held mainly covers Loans and Advances and Off-balance-sheet commitments.

D. Credit quality of not impaired financial assets

	Dec. 31, 2007				
	AAA to AA-	A+ to BBB- grade or unrated	Non investment	DenizBank (1)	Total
Debt securities	166,801	64,749	6,478	1,581	239,609
Loans and advances	135,236	87,872	28,856	8,654	260,618
Other financial instruments	12,886	5,528	836	77	19,327
Off balance-sheet exposure	215,513	145,789	15,707	4,572	381,581
TOTAL	**530,436**	**303 938**	**51,877**	**14,884**	**901,135**

The credit quality of financial assets is assessed by reference to internal credit ratings or to external ones when internal ratings are not available. Credit quality reporting to management does not distinguish past due among not impaired financial assets.
A group world risk information system has been implemented during 2007 allowing a detailed breakdown of credit quality of not impaired financial assets. The classification of rating has been reviewed together with the review of Basel II classification. Therefore, the same breakdown is not available for 2006 but, according to the analysis performed by the risk management on Dexia's global exposure, the content and the ratings of the portfolio have not significantly changed in comparison with 2007.

(1) In the course of 2007, the credit risks of DenizBank were gradually integrated into the Group's general scope by redefining the organization, integrating the reportings and starting the harmonization of internal ratings with those developed by Dexia following the introduction of Basel II.
As Dexia rating methodology is not yet fully implemented in DenizBank organization, and as few external ratings are available on Turkish exposures, Dexia reports the credit quality of DenizBank in a separate column.
However, the preservation of the internal scorings of DenizBank and of the credit risk monitoring systems allowed to keep a complete view on DenizBank's portfolio risks.

E. Carrying amount of financial assets with renegociated terms that otherwise should be past-due or impaired

No major operation is concerned by this point as Dexia is mainly active in the public sector.

F. Information on past-due or impaired financial assets

	Dec. 31, 2006				
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets	Collateral received on past due or impaired loans
	<90 days	>90 days <180 days	>180 days		
Debt securities	3	0	0	29	0
Loans and advances	523	162	211	1,365	302
TOTAL	**526**	**162**	**211**	**1,394**	**302**

	Dec. 31, 2007				
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets	Collateral received on past due or impaired loans
	<90 days	>90 days <180 days	>180 days		
Debt securities	0	0	0	62	0
Loans and advances	762	161	44	1,219	357
TOTAL	**762**	**161**	**44**	**1,281**	**357**

Collaterals held are mainly composed of mortgages on residential or small commercial real estate and pledges on various other assets (receivables, business goodwill). Past due outstandings are mainly retail and corporate. Financial assets are determined as impaired accordingly to the description made in valuation rules 1.8.

G. Collateral and other credit enhancements obtained by taking possession of collateral hold

NATURE OF THE ASSETS OBTAINED DURING THE PERIOD BY TAKING POSSESSION OF A COLLATERAL	Carrying amount	
	Dec. 31, 2006	Dec. 31, 2007
Cash	8	9
Equity instrument	1	0
Debt instruments	3	4
Loans and advances	1	1
Property plant and equipment	17	17
Other	7	8
TOTAL	**37**	**39**

Dexia generally readily converts into cash the collaterals obtained, respecting the legal procedures thereon specific to each country for seizure of property and for seizure of goods.

H. Allowances movements for credit losses

	As of Jan. 1, 2006	Utilization	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjust-ments	As of-Dec. 31, 2006	Recoveries directly recognized in profit or loss	Charges-off directly recognized in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY ASSESSED FINANCIAL ASSETS	1,352	(98)	189	(258)	(8)	1,177	22	(61)
Loans and advances to customers	1,021	(89)	176	(164)	(2)	942	22	(61)
Available-for-sale financial assets	329	(9)	12	(94)	(6)	232	0	0
Assets from insurance activities	1	0	0	0	0	1	0	0
Other accounts and receivables	1	0	1	0	0	2	0	0
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS AND SPECIFIC ALLOWANCES FOR COLLECTIVELY ASSESSED FINANCIAL ASSETS	406	(45)	86	(73)	(17)	357		
TOTAL	**1,758**	**(143)**	**275**	**(331)**	**(25)**	**1,534**	**22**	**(61)**

	As of Jan. 1, 2007	Utilization	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjust-ments	As of-Dec. 31, 2007	Recoveries directly recognized in profit or loss	Charges-off directly recognized in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY ASSESSED FINANCIAL ASSETS	1,177	(144)	215	(213)	(23)	1,012	6	(7)
Loans and advances to customers	942	(121)	188	(159)	(33)	817	6	(7)
Available-for-sale financial assets	232	(23)	26	(53)	10	192	0	0
Assets from insurance activities	1	0	0	0	0	1	0	0
Other accounts and receivables	2	0	1	(1)	0	2	0	0
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS AND SPECIFIC ALLOWANCES FOR COLLECTIVELY ASSESSED FINANCIAL ASSETS	357	(3)	121	(58)	2	419		
TOTAL	**1,534**	**(147)**	**336**	**(271)**	**(21)**	**1,431**	**6**	**(7)**

I. Credit risk information for loans designated at fair value through profit or loss

As of Dec. 31, 2006

MAXIMUM EXPOSURE TO CREDIT RISK	Amount of change in the loans at fair value through profit and loss attributable to changes in the credit risk	
	Change of the period	Cumulative amount
559	0	0

As of Dec. 31, 2007

MAXIMUM EXPOSURE TO CREDIT RISK	Amount of change in the loans at fair value through profit and loss attributable to changes in the credit risk	
	Change of the period	Cumulative amount
361	5	5

No credit derivative is held to mitigate the maximum exposure to credit risk.
Dexia estimates the fair value of the assets by calculating the amount of future payments from the assets and discounting the payments to a present value at a discount rate that reflects the uncertainty associated with those payments.
The change in credit spread is not significant and credit risk is not hedged.

J. Credit risk information about financial liabilities designated at fair value through profit or loss

As of Dec. 31, 2006

CARRYING AMOUNT	Difference between carrying amount and contractually amount required to be paid at maturity (1)
14,630	8

(1) This amount includes the premium/discount and the accumulated change in the market value.

As of Dec. 31, 2007

CARRYING AMOUNT	Difference between carrying amount and contractually amount required to be paid at maturity (1)
16,305	220

(1) This amount includes the premium/discount and the accumulated change in the market value.

In 2006 and in 2007, no change in the fair value of Dexia's financial liabilities is attributable to changes in the credit risk of the liability.
However, as of Dec. 31, 2007, an adjustment of EUR -30 million of the fair value of FSA's liabilities has been booked.
This is not attributable to changes in the creditworthiness of the liability but cristallizes the impact of the general liquidity crisis on credit spreads.
(See also note 8.3. Financial liabilities measured at fair value through profit or loss-Financial liabilities designated at fair value).

12.3. INFORMATION ABOUT COLLATERALS

A. Assets received as collateral if this collateral can be sold or repledged

ASSETS RECEIVED AS COLLATERAL	Collateral received as of Dec. 31,2006		Collateral received as of Dec. 31,2007	
	Fair values of collateral held	Fair value of collateral sold/repledge	Fair values of collateral held	Fair value of collateral sold/repledge
Equity instrument	0	0	71	0
Debt instruments	27,856	26,835	27,005	25,057
Loans and advances	1,143	0	422	0
TOTAL	**28,999**	**26,835**	**27,498**	**25,057**

Collaterals are obtained within the framework of repurchase agreement activities and of bond lending activities.
Contracts which determine the conditions of repledge are either Overseas Securities Lending Agreement (OSLA) – possibly amended by the legal department or the ones written by the legal department.Repledge is a usual market practice.

B. Information on financial assets pledged as collateral

Carrying amount of financial assets pledged as collateral as of Dec. 31, 2006		Carrying amount of financial assets pledged as collateral as of Dec. 31, 2007	
for liabilities	for contingent liabilities	for liabilities	for contingent liabilities
80,304	0	66,430	0

Assets are mainly pledged to collateralize repurchase agreements and debts to Central banks and to the European Central Bank.
Repurchase agreements reimbursement amount amounted to EUR 50 billion as of Dec. 31, 2006 and to EUR 39 billion as of Dec. 31, 2007.

12.4. INTEREST RATE REPRICING RISK: BREAKDOWN BY REMAINING MATURITY UNTIL NEXT REFIXING INTEREST RATE DATE

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 an accounting standpoint, rather than on assumptions based on observed behavioral data. This latter approach is realized in the ALM sensitivity (see note 12.5.).

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
Loans and advances 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
Financial assets held for trading	201	13,750	3,009	1,148	5,507	443	184	175	0	24,417
Financial assets designated at fair value	2	634	345	204	830	6,095	18	24	0	8,152
Available-for-sale financial assets	991	48,929	21,442	23,404	84,005	2,883	2,276	4,679	(231)	188,378
Held to maturity investments	10	197	126	1,275	590	8	54	0	0	2,260
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						816			(67)	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**	**22,133**	**13,642**	**23,374**	**(1,602)**	**566,743**

Figures as of Dec. 31, 2006 have been restated.

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	9,166	2,404	78	871	(248)	116,165
Financial liabilities held for trading	30	355	50	76	21	26	19	1	578
Financial liabilities designated at fair value	2,284	502	2,102	4,135	647	4,725	104	131	14,630
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	40,667	227	2,613	(238)	184,746
Subordinated debts	2	1,081	208	2,003	766	143	79	63	4,345
Technical provision of 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	0	0	785
TOTAL	**134,277**	**168,995**	**67,938**	**67,190**	**46,671**	**28,314**	**12,876**	**22,047**	**548,308**

Figures as of Dec. 31, 2006 have been restated.

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)	(31,986)	19,045	6,346	122,796	(6,181)

Balance-sheet sensitivity gap is hedged through derivatives.

ASSETS As of Dec. 31, 2007	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	8,208	610	0	0	0	0	17	0	0	8,835
Loans and advances due from banks	12,268	24,608	9,654	4,097	3,416	15	427	291	0	54,776
Loans and advances to customers	19,640	42,931	48,498	41,975	88,327	656	2,297	(467)	(1,238)	242,619
Financial assets held for trading	454	22,871	1,595	1,180	4,818	147	251	(905)	0	30,411
Financial assets designated at fair value	126	270	192	267	1,886	4,396	11	6	0	7,154
Available-for-sale financial assets	1,497	78,085	18,886	27,560	88,707	3,263	2,689	(2,121)	(191)	218,375
Held to maturity investments	2	211	255	733	672	0	42	0	0	1,915
Derivatives							7,303	21,915	0	29,218
Fair value revaluation of portfolio hedge								(185)	0	(185)
Investments in associates						861				861
Tangible fixed assets						2,257				2,257
Intangible assets and goodwill						2,524				2,524
Tax assets						1,548			(103)	1,445
Other assets	1,603	621	146	365	430	1,142	0	16	(3)	4,320
Non current assets held for sale						42	0	0	(3)	39
TOTAL	**43,798**	**170,207**	**79,226**	**76,177**	**188,256**	**16,851**	**13,037**	**18,550**	**(1,538)**	**604,564**

LIABILITIES As of Dec. 31, 2007	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	Undeter-mined	Accrued interest maturity	Fair value adjustment	Total
Due to banks	77,239	91,333	6,532	2,178	455	145	636	163	178,681
Customer borrowings and deposits	75,914	33,629	6,323	7,829	2,286	48	940	(289)	126,680
Financial liabilities held for trading	41	398	994	473	6	46	38	(1)	1,995
Financial liabilities designated at fair value	7	1,093	790	6,041	3,622	4,324	129	300	16,306
Derivatives							8,231	23,134	31,365
Fair value revaluation of portfolio hedge								(206)	(206)
Debt securities	1,892	80,422	35,111	39,247	45,494	159	2,769	(1,081)	204,013
Subordinated debts	7	1,799	183	1,387	1,303	42	116	48	4,885
Technical provision of insurance companies						15,071			15,071
Provisions and other obligations						1,353			1,353
Tax liabilities						778			778
Other liabilities	2,380	1,032	329	1,006	1,022	1,476	4	0	7,249
Liabilities included in disposal groups held for sale						0	0	0	0
TOTAL	**157,480**	**209,706**	**50,262**	**58,161**	**54,188**	**23,442**	**12,863**	**22,068**	**588,170**

NET POSITION As of Dec. 31, 2007	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	(113,682)	(39,499)	28,964	18,016	134,068	(6,591)

Balance-sheet sensitivity gap is hedged through derivatives.

12.5. MARKET RISK & ALM

Market risks's measures are presented as follows:

A. Treasury Financial Market activities
- Value at Risk (including ALM Delegated)
- Spread sensitivity for credit spread portfolio (CSP) and Public Finance Bond denominated exposure
- DenizBank's Value at Risk

B. ALM interest rate risk
- Long term ALM sensitivity for activities with maturity greater than 2 years (except for some delegated currencies on which ALM Delegated managed the full curve)
- DIB-Life's ALM sensitivity
- DenizBank's sensitivity
- FSA's sensitivity

C. ALM equity exposure – Listed shares sensitivity

A. Treasury and Financial Market activities

Treasury and Financial Markets (TFM) activities of Dexia are mainly oriented as a support function for the Group.
TFM assumes trading activities as well as non-trading risk positions that arise from short-term balance sheet and capital management activities.
TFM also manages Credit Spread Portfolio (CSP) activity line. As a regular practicer of financial markets products and operations, CSP develops expertise in credit spreads, credit instruments and techniques that can be used by core business lines to manage the balance sheet and the global or specific credit exposures.

a. Value at Risk – 99% 10 days – (in millions of EUR)

Dexia Group calculated in 2007 an Interest Rate and FX VaR mainly based on parametrical method (99% 10 days), an Equity VaR based on historical method and since 4Q 2006 – only for trading desks –, a historical credit spread VaR.

The detailed VaR usage of Dexia Group is disclosed in the table below.
It doesn't include DenizBank's VaR which is disclosed in a separate table, nor the CSP Portfolio and the Public Finance Bond denominated exposure which are followed in sensitivity for the banking part (See hereunder).

	2006			2007		
	IR(1)&FX(2) (Trading and Banking)	EQT(3) Trading	Credit spread Trading (only 4Q)(4)	IR(1)&FX(2) (Trading and Banking)	EQT(3) Trading	Credit spread Trading
Individual	Average 25.2 Maximum 43.7	Average 2.3 Maximum 6.6	Average 11.7 Maximum 16.0	Average 30.0 Maximum 58.0	Average 6.2 Maximum 16.0	Average 25.4 Maximum 57.4
Global		Average 29.8 Maximum 58.9 Limit 142	} Incl. only 4Q 2006 for Var Spread (4)		Average 61.6 Maximum 100.3 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.

b. Credit Spread Portfolio and Public Finance Bond denominated exposure (banking book only)

Dexia manages high quality investment portfolio (and related investment programme) focussing exclusively on credit spreads. Its volume and sensitivity is constrained via the global risk appetite exercise.

TFM credit spread denominated exposure (CSP–banking book) amounted to EUR 70.8 billion as of Dec. 31, 2007.
The main asset classes are banks, covered bonds, MBS and ABS.
The average rating of this exposure stood at AA- as of Dec. 31, 2007.
Public Finance Bond denominated exposure (banking book) is the part of public finance business operated in bond format and not only via loans.

The public finance denominated bond exposure (banking book) amounted to EUR 78.1 billion as of Dec. 31, 2007.
The main assets classes are local authorities and public sector related bodies.
The average rating of this exposure stood at AA- as of Dec. 31, 2007.

Interest rate sensitivity

The interest rate risk of the Credit spread Portfolio is hedged, as its purpose is the credit spread. Therefore, it has a very limited sensitivity to change of interest rate.

Credit spread sensitivity

It estimates the sensitivity in fair value after a basis point spread increase (in millions of EUR).

	CSP (banking book)	Public Finance Bond denominated exposure (banking book)
Dec. 31, 2007	(41.4)	(60.1)

c. DenizBank's Value at Risk (in millions of EUR)

VaR calculation is applied to DenizBank on a consolidated basis.

	2006		2007	
	IR(1)&FX(2) (Trading for IR and Banking for FX)	EQT(3) Trading	IR(1)&FX(2) (Trading for IR and Banking for FX)	EQT(3) Trading
Individual	Average 2.6 Maximum 3.4	Average 3.3 Maximum 6.2	Average 4.1 Maximum 5.3	Average 0.8 Maximum 1.0
Global	Average 5.9 Maximum 9.6		Average 4.9 Maximum 6.3	

(1) IR: interest rate
(2) FX: forex
(3) EQT: equities

B. ALM interest rate risk

a. Long term ALM interest rate risk exposure – ALM sensitivity(1)

Long Term ALM falls under the direct decision and control authority of the ALCO Group (ALM Committee), which meets on a monthly basis.
The sensitivities measure the change in the balance sheet net economic value if interest rates raise by 1% across the entire curve.
Dexia Group's ALM Long Term sensitivity amounts to EUR -116 million as of Dec. 31, 2007 (vs EUR -494 million as of Dec. 31, 2006).

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 12.4.).

(1) Positions of insurance companies, pension funds and DenizBank are excluded.

b. DIB-Life's ALM sensitivity

As a part of the Solvency II implementation, the ALM models and parameters of the Dexia Insurance Belgium group (DIB) are being under review.
Results relating to the sensitivity of ALM, of which life activity represents almost the entirety of asset commitments, are therefore subject to variations as the project is implemented.
On the basis of current models and parameters, the sensitivity of the ALM life activity of the DIB group is less than respectively EUR 15 million and EUR 10 million for an increase of 100bp as of Dec. 31, 2006 and Dec. 31, 2007.

Dexia does not expect any significant modification of that sensitivity during the passage to Solvency II.

c. DenizBank's ALM sensitivity

DenizBank's ALM sensitivity amounts to EUR -47 million as of Dec. 31, 2007 (vs EUR -28 million as of December 31, 2006).

d. FSA's sensitivity

In order to isolate the USD impact of the exchange rate fluctuation from the market sensitivity, all amounts are given in USD. This also allows an easier reconciliation with the financial communication of FSA.

d.1. Sensitivity to interest rate risk

FSA holds two main investment portfolios, both classified primarily as available-for-sale ("AFS"):
- a General Investment Portfolio, amounting to USD 5.2 billion as of Dec. 31, 2007 (USD 4.9 billion in 2006); and
- a Financial Product (FP) Segment Investment Portfolio, amounting to USD 19 billion (USD 18 billion in 2006), which supports GIC liabilities (Guaranteed Investment Contracts).

Over 97% of the FSA's General Investment Portfolio was invested in fixed-income securities as of Dec. 31, 2007.
Sensitivity to a hypothetical increase in interest rates of 1.0% across the entire yield curve would result in an estimated after-tax decrease of USD 150.9 million (USD 124.7 million in 2006), recorded in the AFS reserve.

FSA's FP Segment Investment Portfolio consists primarily of US dollar-denominated asset-backed securities, US agency and government securities and mortgage-backed securities. The primary objectives in managing this portfolio are to generate a stable net interest margin, to maintain liquidity and to optimize risk-adjusted returns.

The assets and liabilities supporting the GIC business are hedged using interest rate swaps or futures.
Certain categories of assets and liabilities are economically hedged, without the use of derivatives.

A hypothetical increase in interest rates of 1% would have the following after-tax effect:

(in millions USD)	2006	2007
Change in fair value of assets (1)	(119.4)	(129.2)
Change in fair value of derivatives hedging assets (2)	95.4	107.0
Change in fair value of liabilities (3)	295.7	245.9
Change in fair value of derivatives hedging liabilities (2)	(272.2)	(225.2)
NET CHANGES IN FAIR VALUE	**(0.5)**	**(1.5)**

(1) Recorded in AFS reserve.
(2) Recorded in result.
(3) Changes in the fair value of the liability portfolio are recorded in result if they are designated as hedges for accounting purposes or designated at fair value through profit and loss in accordance with IAS 39.

d.2. Sensitivity to credit spread and market risk

FSA's portfolio of insured Credit Default Swaps (CDS) contracts consists primarily of synthetic structured credit derivatives guaranteed by FSA and is organized into various categories, which are defined by the underlying assets, credit rating, maturity dates and other terms.
Changes in fair value of insured CDS contracts are generally due to changes in credit spreads.
Because the portfolio of FSA-insured CDS is not traded, FSA has developed a series of asset credit – spread algorithms based on market indices to estimate fair value.
FSA intends to hold each of these contracts to its maturity; however, because they are considered as derivatives, their fair value fluctuations are reflected in the results.
The estimated pre-tax reduction in the fair value of FSA's portfolio of insured CDS contracts that would result from an increase of one basis point in credit spreads is USD 30.9 million (USD 25.2 million in 2006).
The estimated pre-tax reduction in the fair value of the FP Segment Investment Portfolio for a one basis point of credit spread widening by type of security is USD 8.3 million in the AFS reserve (USD 6.8 million as of December 31, 2006).

C. ALM equity exposure – Listed shares sensitivity

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 accounting result 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 as most of 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.
The -25% column represents the impairment that could be recorded in accounting results if there is a decline in value of 25% and if a structural impairment is pronounced on these shares by the Default Committee.

A. BANKING COMPANIES (ALM PORTFOLIO)	Market value	VaR	% VaR	EaR	-25%
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)
March 31, 2007	1,471	103	7.0%	0	(11)
June 30, 2007	1,490	92	6.2%	(1)	(17)
September 30, 2007	1,558	117	7.5%	(11)	(75)
December 31, 2007	1,105	97	8.7%	(11)	(56)

B. INSURANCE COMPANIES PORTFOLIO	Market value	VaR	% VaR	EaR	-25%
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)
March 31, 2007	1,727	104	6.0%	(1)	(37)
June 30, 2007	2,030	106	5.2%	(3)	(91)
September 30, 2007	2,236	144	6.4%	(23)	(19)
December 31, 2007	2,451	170	6.9%	(36)	(248)

12.6. LIQUIDITY RISK: BREAKDOWN BY RESIDUAL MATURITY

Dexia adopts a conservative approach for liquidity risk management in which its future funding needs never exceed its secured funding capacity. We refer to point 4.3. in Accounting policies.

Sight accounts and saving deposits are included in the column "At sight and on demand" even though they have no fixed repayment date.

ASSETS	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impair-ment	Total
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				
Cash and balances with central banks	2,699	658	0	0	0	0	8	0	0	3,365
Loans and advances 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
Financial assets held for trading	1	396	548	6,191	16,480	442	184	175		24,417
Financial assets designated at fair value	0	2	210	412	1,391	6,095	18	24		8,152
Available-for-sale financial assets	87	5,029	8,945	40,129	124,324	3,140	2,276	4,679	(231)	188,378
Held to maturity investments	0	102	134	1,243	726	1	54	0	0	2,260
Derivatives							7,955	16,077		24,032
Fair value revaluation of portfolio hedge								759		759
Investments in associates						826				826
Tangible fixed assets						2,188				2,188
Intangible assets and goodwill						2,393				2,393
Tax assets						816			(67)	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**	**22,515**	**13,642**	**23,374**	**(1,602)**	**566,743**

Figures as of Dec. 31, 2006 have been restated.

LIABILITIES 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	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	9,332	3,817	75	871	(248)	116,165
Financial liabilities held for trading	0	355	50	87	40	26	19	1	578
Financial liabilities designated at fair value	56	591	2,341	5,181	1,502	4,724	104	131	14,630
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	58,701	30	2,613	(238)	184,746
Subordinated debts	3	421	175	1,764	1,090	750	79	63	4,345
Technical provision of insurance companies	6	92	325	2,080	9,783	2			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	**133,796**	**134,059**	**58,109**	**88,933**	**85,622**	**12,866**	**12,876**	**22,047**	**548,308**

Figures as of Dec. 31, 2006 have been restated.

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	(93,011)	(71,374)	(12,263)	10,458	174,485	9,649

Figures as of Dec. 31, 2006, have been restated.

This table does not take into account the liquidity nor the eligibility to refinancing of the asset; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

ASSETS As of Dec. 31, 2007	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	8,208	610	0	0	0	0	17	0	0	8,835
Loans and advances due from banks	11,746	24,073	8,519	5,407	4,297	16	427	291	0	54,776
Loans and advances to customers	14,751	16,761	20,650	50,838	138,537	490	2,297	(467)	(1,238)	242,619
Financial assets held for trading	0	212	1,638	8,249	20,565	401	251	(905)		30,411
Financial assets designated at fair value	0	34	109	453	2,144	4,397	11	6		7,154
Available-for-sale financial assets	466	5,127	13,585	49,712	145,809	3,297	2,689	(2,121)	(191)	218,373
Held to maturity investments	2	141	196	750	786	0	42	0	0	1,917
Derivatives							7,303	21,915		29,218
Fair value revaluation of portfolio hedge								(185)		(185)
Investments in associates						861				861
Tangible fixed assets						2,257				2,257
Intangible assets and goodwill						2,524				2,524
Tax assets						1,548			(103)	1,445
Other assets	1,553	635	148	365	471	1,135	0	16	(3)	4,320
Non current assets held for sale						42	0	0	(3)	39
TOTAL	**36,726**	**47,593**	**44,845**	**115,774**	**312,609**	**16,968**	**13,037**	**18,550**	**(1,538)**	**604,564**

LIABILITIES As of Dec. 31, 2007	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 maturity	Undetermined	Accrued interest	Fair value adjustment	Total
Due to banks	76,862	81,886	6,040	5,379	7,571	144	636	163	178,681
Customer borrowings and deposits	76,042	30,940	5,596	8,638	4,766	47	940	(289)	126,680
Financial liabilities held for trading	1	398	999	500	15	45	38	(1)	1,995
Financial liabilities designated at fair value	0	455	1,294	6,168	3,636	4,324	129	300	16,306
Derivatives							8,231	23,134	31,365
Fair value revaluation of portfolio hedge								(206)	(206)
Debt securities	1,346	37,746	30,895	64,306	68,032	0	2,769	(1,081)	204,013
Subordinated debts	7	148	119	1,224	2,696	527	116	48	4,885
Technical provision of insurance companies	5	135	459	3,449	10,864	159			15,071
Provisions and other obligations						1,353			1,353
Tax liabilities						778			778
Other liabilities	2,612	1,151	335	1,007	1,022	1,118	4	0	7,249
TOTAL	**156,875**	**152,859**	**45,737**	**90,671**	**98,602**	**8,495**	**12,863**	**22,068**	**588,170**

As of Dec. 31, 2007	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	(120,149)	(105,266)	(892)	25,103	214,007	8,473

This table does not take into account the liquidity nor the eligibility to refinancing of the asset; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

12.7. CURRENCY RISK

As of Dec. 31, 2006	EUR	Other EU currencies	USD	Other	Total
Total assets	392,060	38,474	96,911	39,298	566,743
Total liabilities and equity	379,892	40,049	112,626	34,176	566,743
NET ON BALANCE POSITION	**12,168**	**(1,575)**	**(15,715)**	**5,122**	**0**

As of Dec. 31, 2007	EUR	Other EU currencies	USD	Other	Total
Total assets	430,215	40,202	84,214	49,933	604,564
Total liabilities and equity	414,243	38,406	113,149	38,766	604,564
NET ON BALANCE POSITION	**15,972**	**1,796**	**(28,935)**	**11,167**	**0**

The figures as at December 31, 2006 have been restated.

The on-balance position is hedged by derivatives, so that nearly all foreign exchange positions are closed.

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 analyzed 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 makes 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's financial position.

12.9. SOLVENCY

A. Comparison total equity (financial statements) and total equity as calculated for regulatory requirements

	Dec. 31, 2006		Dec. 31, 2007	
	Financial statements	Regulatory purposes	Financial statements	Regulatory purposes
Total shareholders' equity	16,299	16,299	14,525	14,525
Minority interests	1,710	1,699	1,754	1,749
of which Core equity	*1,664*	*1,654*	*1,721*	*1,711*
of which Gains and Losses not recognized in the statement of income	*46*	*45*	*33*	*38*
Discretionary participation features of insurance contracts	426	0	115	0
TOTAL EQUITY	**18,435**	**17,998**	**16,394**	**16,274**

Comments on regulatory requirements are described in Note 4.4. of Accounting Rules.
For regulatory purposes, insurances companies are accounted for by the equity method. Therefore, minority interests differ from those published in the Financial Statements. Discretionary Participation Features only relate to insurance companies.

B. Regulatory capital, total weighted risks and solvency ratios

	Dec. 31, 2006	Dec. 31, 2007
TOTAL REGULATORY CAPITAL (AFTER PROFIT APPROPRIATION)	**13,754**	**15,345**
TIER 1 CAPITAL	13,028	14,549
Total shareholders' equity	16,299	14,525
Minority interests (1)	501	552
Assumed dividend to shareholders and minority interests	(956)	(1,080)
Other	37	136
Elements deducted from Tier 1 capital: Intangible fixed assets and goodwill	(2,244)	(2,385)
Elements of equity not eligible as regulatory Tier 1 capital		
- AFS Revaluation reserve	*1,692*	*(1,019)*
- Cash Flow Hedge reserve	*4*	*72*
- Gains and losses not recognized in the statement of income of associates and of subsidiaries held for sale (2)	*288*	*(493)*
- Short position on treasury shares	*5*	*6*
- Own credit risk	*0*	*21*
- Minority interests in AFS reserve and hedging reserve	*43*	*35*
Hybrid regulatory Tier 1 capital (3)	1,423	1,423
TIER 2 CAPITAL	4,183	4,362
Perpetuals	915	767
Revaluation reserve AFS Shares (shareholders and minority interests) (4)	860	542
Subordinated liabilities	2,408	3,053
ITEMS TO BE DEDUCTED FROM TOTAL REGULATORY OWN FUNDS (2)	(3,457)	(3,566)

(1) On a regulatory approach, the amounts booked in minority interests and eligible as hybrid regulatory Tier 1 capital are presented separately. As of Dec. 31, 2006 and as of Dec. 31, 2007 EUR 1,198 million eligible as hybrid regulatory Tier 1 capital are included in minority interests' core equity.
(2) Mainly insurance companies (FSA and DIS Group) and credit institutions as Crédit du Nord and KommunalKredit Austria.
(3) This amount is the result of three operations:
- undated deeply subordinated non-cumulative Notes for EUR 700 million, issued by Dexia Crédit Local and booked in Minority interests;
- undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked in Minority interests for EUR 498 million;
- hybrid capital issued by Dexia BIL on July 6, 2001 for an amount of EUR 225 million and posted in Subordinated debts in the financial statements.
(4) Belgian regulator recognizes 90% of net of tax available for sale reserve on equities as additional own funds, if positive; otherwise, it should be deducted from Tier 1 capital.

Total weighted risks	133,369	159,383
20% weighted-counterparts	45,102	47,531
50% weighted-counterparts	14,783	19,161
100% weighted-counterparts	65,393	84,795
Trading portfolio	8,091	7,896

Solvency ratio’s		
Tier 1 ratio	9.8%	9.1%
Capital Adequacy ratio	10.3%	9.6%

CONSOLIDATED FINANCIAL STATEMENTS

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, 2007

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, 2007, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium on quoted companies. These consolidated accounts comprise the consolidated balance sheet as of December 31, 2007 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 604,564 million and the consolidated statement of income shows a profit for the year (Group share) of EUR 2,533 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, 2007 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 on quoted companies 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, 2008

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, 2007

BALANCE SHEET (before income appropriation)

ASSETS (in EUR)		Dec. 31, 2006	Dec. 31, 2007
	FIXED ASSETS	21,946,223,593	22,343,276,875
I.	Formation expenses	7,921,112	6,862,955
II.	Intangible assets	2,199,041	1,757,908
III.	Tangible assets	3,046,550	2,885,895
	B. Plant, machinery and equipment	260,178	129,078
	C. Furniture and vehicles	2,685,914	2,645,878
	E. Other tangible assets	100,458	110,939
	F. Assets under construction and advance payments made	0	0
IV.	Financial assets	21,933,056,890	22,331,770,117
	A. Affiliated enterprises	21,933,047,031	22,331,013,099
	1. Participating interests	18,352,306,065	18,952,029,542
	2. Amounts receivable	3,580,740,966	3,378,983,557
	C. Other financial assets	9,859	757,018
	2. Amounts receivable and cash guarantees	9,859	757,018
	CURRENT ASSETS	426,440,849	382,622,037
V.	Amounts receivable after more than one year	43,051,736	34,048,252
	B. Other amounts receivable	43,051,736	34,048,252
VII.	Amounts receivable within one year	47,731,203	72,536,814
	A. Trade debtors	980,935	1,534,032
	B. Other amounts receivable	46,750,268	71,002,782
VIII.	Investments	271,778,529	177,659,475
	A. Own shares	0	177,476,946
	B. Other investments and deposits	271,778,529	182,529
IX.	Cash at bank and in hand	17,138,524	48,924,494
X.	Deferred charges and accrued income	46,740,857	49,453,002
	TOTAL ASSETS	**22,372,664,442**	**22,725,898,912**

LIABILITIES AND SHAREHOLDERS' EQUITY (in EUR)		Dec. 31, 2006	Dec. 31, 2007
	EQUITY	18,700,437,915	19,078,633,845
I.	Capital	5,237,739,141	5,307,005,112
	A. Issued capital	5,237,739,141	5,307,005,112
II.	Share premium account	10,228,952,195	10,398,540,030
IV.	Reserves	1,172,577,436	1,507,592,844
	A. Legal reserve	488,758,507	523,773,914
	B. Unavailable reserves	0	177,476,946
	1. In respect of own shares held	0	177,476,946
	D. Available reserves	683,818,929	806,341,984
V.	Profit carried forward	743,450,101	783,974,433
V. bis.	Net income for the year (1)	1,317,719,042	1,081,521,426
	PROVISIONS AND DEFERRED TAXES	35,187,826	22,751,448
VII.	A. Provisions for liabilities and charges	35,187,826	22,751,448
	2. Taxation	1,002,752	3,140,155
	4. Other liabilities and charges	34,185,074	19,611,293
	AMOUNTS PAYABLE	3,637,038,701	3,624,513,619
VIII.	Amounts payable after more than one year	200,000,000	200,000,000
	A. Financial liabilities	200,000,000	200,000,000
	5. Other loans	200,000,000	200,000,000
IX.	Amounts payable within one year	3,394,506,364	3,377,332,805
	A. Current portion of amounts payable after more than one year falling due within one year	0	0
	B. Financial liabilities	3,277,189,872	3,192,037,751
	1. Credit institutions	3,277,189,872	3,192,037,751
	C. Trade debts	35,258,283	39,729,166
	1. Suppliers	35,258,283	39,729,166
	E. Taxes, remuneration and social security	10,479,475	16,573,599
	1. Taxes	1,278,915	198,233
	2. Remuneration and social security	9,200,560	16,375,366
	F. Other amounts payable	71,578,734	128,992,289
X.	Accrued charges and deferred income	42,532,337	47,180,814
	TOTAL LIABILITIES	**22,372,664,442**	**22,725,898,912**

(1) See note 1 to the financial statements.

OFF-BALANCE SHEET ITEMS

(in EUR)	Dec. 31, 2006	Dec. 31, 2007
Miscellaneous rights and commitments:		
- Personal guarantees given on behalf of third parties	29,700	32,550
- Personal guarantees given on behalf of Dexia Funding Lux SA	500,000,000	500,000,000
- Bank rental guarantee for the Square de Meeûs building	483,392	0
- Real guarantees given on own assets	18,271	17,019
- Foreign currency transactions - amounts receivable	141,168,500	141,168,500
- Foreign currency transactions - amounts to be delivered	101,906,909	91,202,460
- Stock options rights issued	893,049,444	1,055,272,927
- Commitment towards Financial Security Assurance Holdings LTD ("FSA")	227,755,846	203,832,042
- Commitment towards Dexia Bank Nederland NV	PM	PM

STATEMENT OF INCOME

(in EUR)		Dec. 31, 2006	Dec. 31, 2007
I.	Operating income	164,213	1,688,547
	D. Other operating income	164,213	1,688,547
II.	Operating charges	(126,832,312)	(146,688,172)
	B. Services and other goods	(82,901,359)	(107,287,735)
	C. Remuneration, social security costs and pensions	(36,064,269)	(48,781,949)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(4,963,947)	(4,986,397)
	F. Increase (+); decrease (-) in provisions for liabilities and charges	(2,487,004)	14,573,781
	G. Other operating charges	(415,733)	(205,872)
III.	Operating loss	(126,668,099)	(144,999,625)
IV.	Financial income	1,641 710,754	1,376 320,424
	A. Income from financial fixed assets	1,566 423,517	1,360 836,110
	B. Income from current assets	15,355,894	11,746,641
	C. Other financial income	59,931,343	3,737,673
V.	Financial charges	(221,570,359)	(203,605,493)
	A. Debt charges	(161,021,234)	(178,790,062)
	C. Other financial charges	(60,549,125)	(24,815,431)
VI.	Current profit before taxes	1,293,472,296	1,027,715,306
VII.	Exceptional income	194,995	606,358
	A. Adjustments to depreciation of and to other amounts written off on intangible and tangible fixed assets	194,995	34,167
	B. Impairment on financial assets	0	572,191
VIII.	Exceptional charges	(68,411)	0
	A. Exceptional depreciation of and other amounts written off on formation expense, intangible and tangible fixed assets	(68,411)	0
	B. Amounts written off on financial fixed assets	0	0
IX.	Profit for the period before taxes	1,293,598,880	1,028,321,664
X.	Income taxes	24,120,162	53,199,762
	A. Income taxes	(1,020,535)	(3,140,169)
	B. Adjustment of income taxes and write-back of tax provisions	25,140,697	56,339,931
XI.	Profit for the period	1,317,719,042	1,081,521,426
XIII.	Profit to be appropriated	1,317,719,042	1,081,521,426
	Profit brought forward of the previous period		783,974,433
	Profit for the period to be appropriated		1,081,521,426
	PROFIT TO BE APPROPRIATED		**1,865,495,859**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. PRESENTATION OF THE FINANCIAL STATEMENTS

Dexia SA presents its financial statements before appropriation.
The profit for the 2007 financial year amounts to EUR 1,081.5 million. The profit carried forward from the previous year stands at EUR 784 million, making a total profit for appropriation of EUR 1,865.5 million.
The proposal to appropriate the profit is:

- to the legal reserve up: EUR 6.9 million;
- to the available reserve up: EUR 393.7 million;
- to the payment of a gross dividend of 0.91 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 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, external costs linked to software definition and 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 recorded to align the accounting value of fixed assets to their utilization value for the company to take into account 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. In this it is therefore required 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 valued according to the same principles as debts at more than one year and up to one year.

3.2.5. Amounts receivable after more than one year and within one year (items V. 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.
Additional 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 22,726 million as of December 31, 2007, against EUR 22,373 million as of December 31, 2006, or an increase of 2%.

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 6.9 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 28,000 people in the 32 countries in which the Dexia Group is active.

4.2.2. Intangible fixed assets
Intangible fixed assets totaled EUR 1.8 million and concerned the acquisition and the development of software as well as external costs related to the development of the Dexia website. These intangible fixed assets are depreciated on a straight-line basis over a period of three years.

4.2.3. Tangible fixed assets
Tangible fixed assets which have a net book value of EUR 2.9 million have a gross acquisition value of EUR 9.5 million.
Property, plant and equipment contribute a gross acquisition value of EUR 3.9 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 5.3 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 0.2 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 18,352.3 million as of December 31, 2006 was EUR 18,952 million as of December 31, 2007.

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% interest in Dexia Crédit Local SA, Paris, France.
EUR 2,426.8 million	95% of Dexia Participation Belgique SA, Brussels, Belgium. On February 9, 2007, Dexia SA took part in the increase of capital of its subsidiary Dexia Participation Belgique for an amount of EUR 607.1 million representing 95% of its proportion of the subsidiary's shareholding. This transaction was carried out within the context of the takeover of Denizbank, in which Dexia Participation Belgique was involved as a consequence of its 75% holding in DenizBank.
EUR 1,751.8 million	57.68% interest in Dexia Banque Internationale à Luxembourg SA (Dexia BIL), Luxembourg.
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 99.13% of Financial Security Assurance Holdings Ltd.
EUR 93.0 million	100% in Dexia Nederland Holding NV, Amsterdam, The Netherlands.
EUR 3.0 million	100% interest in Dexia Habitat SA, Paris, Finance.
EUR 1.5 million	100% in Dexia Employee Benefits SA, Brussels, Belgium. On February 28, 2007, Dexia SA took part in the recapitalization of its subsidiary Dexia Employee Benefits for an amount of EUR 0.5 million
EUR 1.5 million	99.53% in Associated Dexia Technology Services SA Luxembourg
PM	100% interest in Dexia Management Services Ltd, London, United Kingdom.
PM	100% interest in Dexia Funding Luxembourg SA, Luxembourg.
PM	0.01% interest in Deniz Faktoring, Istanbul, Turkey.
PM	0.01% interest in Deniz Finansal Kiralama, Istanbul, Turkey.

It must be noted that the liquidation of Dexia Financière SA, a subsidiary in which Dexia SA held 8.42%, was closed on November 7, 2007, and gave rise to an impairment reversal of EUR 0.6 million.

Receivables on affiliated companies

This item includes subordinated loans granted to Group entities for a total of EUR 3,379.0 million.

Other financial assets

Dexia SA paid EUR 0.8 million by way of rental guarantee for the new premises located in the Dexia Tower – CBX.

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, 2007 included the following companies:

- CBX Gestion (previously Europrojet Développement)
- CLF Marne-la-Vallée Participation
- Compagnie pour le Foncier et l'Habitat
- Dexia Assuréco
- Dexia Bail
- Dexia CBXIA1
- Dexia CBXIA2
- Dexia CLF Avenir
- Dexia CLF Développement
- 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
- Floral
- Genebus Lease (previously Dexia CLF Energia)
- Guide pratique de la Décentralisation.

The company CLF Patrimoniale 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, 2008 amounted to EUR 34.0 million as of December 31, 2007.

4.2.6. Amounts receivable within one year

Trade debtors

The item "Trade debtors" relates to commercial receivables for services rendered to subsidiaries of the Group (EUR 0.9 million) and advances paid to suppliers (EUR 0.6 million).

Other receivables

The subordinated loan of EUR 33 million previously granted by Dexia SA to Kempen & Co NV was repaid on January 2, 2007.

In fact, Dexia's permanent establishment in Paris 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, 2007, 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 67 million.

Furthermore, as from January 1, 2007, the permanent establishment of Dexia SA in Luxembourg is the head of the Group within the scope of tax integration in Luxembourg. As a consequence, it alone is liable for corporation tax and local commercial tax on group companies integrated in Luxembourg. As at December 31, 2007, the permanent establishment had a claim of EUR 1.6 million on the companies taking part in the tax consolidation in Luxembourg, which corresponds to the tax due from those companies on their share of the consolidated tax result.

For its part, the registered office has a tax claim on the Belgian tax authorities corresponding to overpaid advance tax of EUR 0.9 million relating to the year 2006 and to overpaid withholding tax of EUR 0.1 million for the year 2007.

The work rules state that salary is to be paid in advance. These represent a claim of EUR 0.8 million as of December 31, 2007.

The balance includes various receivables is EUR 0.6 million.

4.2.7. Investments

Own shares

Following the authorization given by the Extraordinary Shareholders' Meeting on May 9, 2007, as from August 31, 2007 Dexia SA proceeded to repurchase 8,626,866 own shares for a total amount of EUR 177.5 million.

These own shares were acquired in accordance with the conditions provided by the Law and with a view to their cancelation, which will be proposed to the next Extraordinary Shareholders' Meeting. As a consequence, they were valued at their acquisition price, applying the valuation rule retained by the Board of Directors.

The ancillary costs associated with the purchase of own shares were recorded immediately as expenses.

Other investments and deposits

This heading includes VVPR Dexia strips worth EUR 0.2 million.

4.2.8. Cash at bank and in hand

Available cash in accounts totaled EUR 48.9 million.

4.2.9. Deferred charges and accrued income

Deferred charges totaled EUR 0.6 million and accrued income was EUR 48.9 million.

Among accrued income are the pro ratas of interest relating to subordinated loans granted to Group entities (EUR 46.6 million), a currency swap and accrued interest with Dexia Crédit Local (EUR 1.5 million), to available securities (EUR 0.3 million), to advances on deferred tax (EUR 0.1 million) and to services rendered to other entities of the Group (EUR 0.4 million).

4.3. LIABILITIES

SHAREHOLDERS' EQUITY

As of December 31, 2007, the holding company's shareholders' equity including 2007 net income before profit appropriation totaled EUR 19,078.6 million and is composed of the following items.

4.3.1. Capital

Subscribed capital totaled EUR 5,307 million as of December 31, 2007 compared with EUR 5,237.7 million as of December 31, 2006.

This increase of EUR 69.3 million resulted from the following operations:

1. a capital increase reserved to employees and members of the Dexia Group as part of the 2007 shareholding plan for an amount of EUR 41.7 million;
2. the exercise of warrants granted to employees for an amount of EUR 27.6 million.

As of December 31, 2007, the company's capital was represented by 1,178,576,763 shares, including 823,685,470 bearer shares and 354,891,293 registered shares. The total number of Dexia VVPR strips was 684,233,854.

4.3.2. Additional paid-in capital

Each capital increase is accompanied by additional paid-in capital, which totaled EUR 10,398.5 million as of December 31, 2007.

4.3.3. Reserves and retained earnings

The item "Reserves" includes the legal reserve (EUR 523.8 million), an unavailable reserve for own shares (EUR 177.5 million) fed during the 2007 financial year by the transfer of the available reserve and an available reserve amounting to EUR 806.3 million.

Retained earnings from 2006 amounted EUR 784 million.

4.3.4. Net income of the year

As of December 31, 2007, net income totaled EUR 1,081.5 million. This result is composed of the dividends received from Dexia's operating entities (EUR +1,170.3 million), financial results (EUR +2.4 million), exceptional income (EUR +0.6 million) and net income (EUR +53.2 million) after deduction of the holding company's operating expenses (EUR -145 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. Provision for tax charges

A provision for tax charges of EUR 3.1 million was made to take into account a potential regularisation on the tax basis.

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 2007 financial year, these operations resulted in tax savings of EUR 1 million (cash savings) included in the amount of EUR 50.7 million mentioned in the note 4.5.4.Corporate income tax, and in an allowance in the same amount.

Moreover, during the 2007 financial year, provisions for risks and charges were carried forward in the amount of EUR 15.5 million following the abandonment of debt in favor of a subsidiary taking part in the tax integration in accordance with the undertaking initially made by Dexia Crédit Local vis-à-vis that subsidiary. This abandonment is a part of the tax level effect transaction approved by the French tax authorities and corresponds to the tax savings previously realized.

The provision for removal costs (EUR 0.1 million) for the move of the permanent establishment in Paris previously situated at 7-11, quai André Citroën to new premises in the Tour Dexia CBX located in the La Défense district of Paris was used this year. Initially planned for 2005, this move was postponed to the spring of 2007.

The balance of the provisions for other liabilities and charges as at 31 december 2007 amounts to EUR 19.6 million.

LIABILITIES

4.3.7. Amounts payable after more than one year

Financial liabilities payable after more than one year related to loans contracted with Group companies for an amount of EUR 200 million.

4.3.8. Amounts payable within one year

Financial liabilities

These liabilities relate to short-term financing concluded with Group companies for an amount of EUR 3,190 million and overdrafts on sight accounts up to EUR 2 million.

Trade liabilities

Suppliers' invoices not yet paid amount to EUR 18.3 million and invoices to be received EUR 21.4 million.

Taxes, remuneration and social security

This item includes:

- VAT to be paid (EUR 0.2 million);
- liabilities corresponding to compensation and social contributions (EUR 16.4 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 2007, 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, 2007 had a liability of EUR 41.3 million to the subsidiaries taking part in the French tax consolidation.

Dividends relating to the 2006 financial year still to be paid amount to EUR 22.7 million whilst the balance of dividends for previous financial years is EUR 64.8 million.

The remaining balance (EUR 0.2 million) is related to other various liabilities.

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 3.1 million);
- financial charges linked to loans due with Group companies (EUR 41.2 million);
- pro rata operating expenditures attributable to the 2007 fiscal year (EUR 2.8 million);
- positive conversion difference on currencies (EUR 0.1 million).

4.4. OFF-BALANCE-SHEET ITEMS – COMMITMENTS

Dexia SA has significant commitments that are recorded off balance sheet:

4.4.1. On 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. 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 91.2 million as of December 31, 2007) against EUR 141.20 million.

4.4.3. As of December 31, 2007, the number of stock options granted and not yet exercised stood at 62,817,843. On the basis of the strike prices, this operation results in an off-balance sheet commitment of EUR 1,055.30 million.

4.4.4. 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.

4.4.5. 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.

4.4.6. 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.

4.4.7. 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 FSA's subsidiary Financial Security Assurance Inc. received a subpoena from the US Securities and Exchange Commission (SEC) related to an ongoing industry-wide civil investigation concerning the bidding of municipal GIC's. FSA issues municipal GICs through its financial products segment, but does not serve as a GIC broker. FSA understands that many financial institutions 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 has been endeavoring to cooperate fully with both investigations.

On February 4, 2008, FSA received a letter from the SEC, commonly called a "Wells Notice", indicating that the SEC staff is considering recommending that the SEC authorize the staff to bring a civil injunctive action and/or institute administrative proceedings against FSA, alleging violations of certain provisions of the US securities laws. FSA understands that it will have an opportunity to respond to the Wells Notice and to discuss the matter with staff before any recommendation is made to the SEC.

4.4.8. 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 2007.

This file must be submitted to the chambers (*chambre du conseil/raadkamer*).

4.4.9. Lernout & Hauspie

Dexia is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products (LHSP) and the consequences thereof.

This was described in detail in the 2006 annual report.

Since then, the following relevant events have occurred.

4.4.9.1. Claim on Lernout & Hauspie Speech Products

Dexia Bank has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 27,493,196.41 (exchange rate USD/EUR 1.4718) – of which EUR 173,101.09 reserved interests –, for which an impairment has been recorded for EUR. 23,043,202.55. The liquidation of LHSP's assets is subject to separate proceedings in Belgium and in the United States.

According to the LHSP Belgian bankruptcy receivers, Dexia Bank and the other unsecured creditors are unlikely to receive any dividend from the Belgian liquidation of LHSP.

4.4.9.2. Claim on Lernout & Hauspie Investment Company

During 2007, the Dexia Bank's outstanding claim on Lernout & Hauspie Investment Company (LHIC) has reduced to EUR 48,362,014.99 – of which EUR 4,926,788.84 reserved interests –, as a consequence of the sale of a participation held by LHIC and pledged in favor of Dexia Bank. An impairment for EUR 46,868,797.65 has been recorded for the remaining claim.

As part of the security for its claim, Dexia Bank still has a pledge on a portfolio of securities owned by LHIC, the value of which is estimated at around USD 1,200,000.

4.4.9.3. Prosecution of Dexia Bank in Belgium

On May 4, 2007, Dexia Bank was summoned, together with 20 other parties, to appear before the criminal Court of Appeal in Ghent. According to the writ of summons, Dexia Bank is prosecuted as an alleged accessory to the falsification of the financial statements of LHSP and other related offences among which forgery, securities fraud and market manipulation.

The Public Prosecutor alleges in substance that Artesia Banking Corporation (hereafter ABC) aided and abetted LHSP in the creation of fictitious revenue, by granting a USD 20 million loan to Messrs. Lernout, Hauspie and Willaert, whilst ABC allegedly knew that the management of LHSP would utilize these funds

for improper revenue recognition. Furthermore, the Public Prosecutor demands the seizure of properties in an amount of approximately EUR 29,000,000.
Dexia Bank considers it has serious grounds for contesting the charges.

Two series of hearings took place in 2007.
The Introductory Hearing started on May 21 and ended on June 26. These hearings only concerned arguments of procedural nature. In an interlocutory judgment of June 26, the Court of Appeal in Ghent rejected part of Dexia Bank's procedural arguments, while others were joined to the Merits.
The hearings on the Merits started on October 1. During those hearings, the Public Prosecutor and the Civil Parties argued their case. No significant new elements were raised with respect to Dexia Bank. Dexia Bank underlines its innocence in this matter and contests the charges brought against it.
Parties alleging to have suffered losses in relation to the prosecuted offences can make a claim in the criminal proceedings until the last day of the trial. On December 31, 2007, around 12,600 parties had introduced a claim for damages in the criminal proceedings. Dexia Bank is currently reviewing these claims.
The largest claim is the claim of the LHSP Belgian bankruptcy receivers. They are claiming an amount of USD 744,128,638.37 in principal. This claim is in part duplicative of the claims of other civil parties.
Dexia Bank, in its turn, has made a claim as a civil party against Messrs. Lernout, Hauspie, Willaert and Bastiaens and against N.V. LHSP in October 2007, claiming damages for a provisional amount of EUR 2. Dexia Bank's claim is in relation to the losses suffered on its LHSP portfolio (Dexia Bank is still holding 437,000 LHSP shares) and to an amount of EUR 27,493,196.41 owed to it by LHSP under a USD 430 million Revolving Facility Agreement dated May 5, 2000. (Supra 4.2.1.).

4.4.9.4. Civil proceedings against Dexia Bank in Belgium

4.4.9.4.1. LHSP receivers' claim

In July 2005, the Belgian 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, to a large extent duplicative of the claims introduced in the criminal proceedings, 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*.

4.4.9.4.2. Claims 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 yet been assessed. 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*.

4.4.9.5. Civil proceedings against Dexia Bank in the United States

4.4.9.5.1. 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 Bank's claims in the US bankruptcy proceedings. This action is, essentially, a duplication of the above-mentioned LHSP receivers' claim. The claim is still pending.

4.4.9.5.2. 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.
All these claims have been settled (the NASDAQ class action as well as the Stonington, Baker and TRA/Filler claims) or dismissed with prejudice (the EASDAQ class action).
The NASDAQ class action has been settled for an amount of USD 60,000,000 and has been approved by the court. Dexia Bank has not rendered public the settlements amounts in the other cases since this could seriously harm Dexia Bank's interests. These settlements are not subject to court approval.

4.4.9.6. 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 Banking Corporation (ABC) 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.
DBB vigorously contests the grounds for these applications.

4.4.9.7. 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 proceedings relate to the loan granted by BAN to Mr. Bastiaens (see paragraph 4.4.9.6., 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 4.4.9.6., above).
In addition, BAN is involved in a number of proceedings 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 Belgian 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 Appeal issued a decision on July 12, 2006 at the request of Crédit Agricole Indosuez Luxembourg (CAIL) by which BNP Paribas Luxembourg was ordered to deliver the Parvest shares to CAIL by June 30, 2007 or to pay to CAIL the counter value of these Parvest shares on June 30, 2007 if the latter were not delivered

to CAIL prior to July 1, 2007. The Luxembourg Court of Appeals condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation.

As no lifting of the various attachments on the Parvest shares was obtained, BAN paid the value of the Parvest shares to BNP Paribas Luxembourg and Dexia Bank reimbursed this amount (USD 30,039,336.54) to BAN on July 9.

BAN has lodged an appeal against the decision of the Court of Appeal in Luxembourg before the Supreme Court.

Finally, in October 2007, Dexia Bank honored the bank guarantee of USD 10.000.000 in principal issued in favor of BAN (supra, 4.4.9.6.). This resulted in a payment of USD 17,538,614.58 in favor of BAN on October 30, 2007.

4.4.9.8. Provisions and impairments

On December 31, 2007, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 75,793,661.71 – of which EUR 5,101,935.02 reserved interests – (see paragraphs 4.4.9.1., 4.4.9.2. and 4.4.9.7.). On the same date impairments for the Lernout & Hauspie file amounted to some EUR 69,912,004.48. 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 litigation in the US, and hence the settlements concluded in the NASDAQ class action and in the Baker, Stonington and TRA/Filler transactional cases as well as the costs and legal fees related to the whole of the L&H proceedings mentioned in paragraphs 4.4.9.1. to 4.4.9.6. above.

Dexia strongly challenges the validity and the merits of all these claims.

As mentioned in the 2006 annual report, Dexia does not disclose the amount of the provisions relating to the US litigation, in general, and, more specifically, to the settlement amounts reached with Stonington, Baker and TRA/Filler since this could seriously harm its right of defense.

4.4.10. Dexia Bank Nederland NV

4.4.10.1. Background

The difficulties linked to the share-leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NV; herein-after 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 annual report 2006 (especially pages 99 to 101) and in the activity reports published during the year 2007, which are available on *www.dexia.com*.

4.4.10.2. Duisenberg Arrangement

On December 31, 2007, approximately 68,000 clients (holding over 116,000 contracts) of DBnl have actively accepted settlements based on the Duisenberg Arrangement. This figure does not include the 165,300 clients who are bound by the Duisenberg Arrangement by virtue of the Amsterdam Court of Appeal decision mentioned below, nor the nearly 100,000 clients (with approximately 200,000 contracts) who had already signed a waiver, and of which some also potentially benefit from the Duisenberg Arrangement.

July 31, 2007 was the last day of the opt-out period of six months. Therefore, since August 1, 2007 no further valid opt out has been possible. During the opt-out period, clients could file an opt-out statement to prevent them being bound automatically by the Duisenberg Arrangement, based on the decision of the Amsterdam Court of Appeal of January 25, 2007, granting binding force to that Arrangement. However, an opt-out does not prove any obligation of DBnl. It only means that the client reserves the right to start proceedings against DBnl. Around 23,400 clients have filed an opt-out statement, including 16,000 clients represented by Leaseproces BV. Starting February 1, 2007, the suspended court cases could be resumed by the plaintiffs. Until December 31, 2007, approximately 1,275 court cases – around 38% of the number of suspended cases – have been continued.

On March 1, 2007, the Amsterdam Court of Appeal has rendered two important judgments. In one case, the Court confirmed a ruling that spouse consent to enter into share-leasing agreements is mandatory. In this matter, DBnl has issued an appeal to the Dutch Supreme Court. On January 25, 2008, the procurator general of the Supreme Court delivered his opinion, advising the Supreme Court to confirm the judgment of the Amsterdam Court of Appeal. The judgment of the Supreme Court in respect of spouse consent is expected in May 2008. If the ruling of the Amsterdam Court of Appeal is confirmed on appeal by the Supreme Court, the damage for DBnl – based on all clients that have sent a so-called annulment letter within three years and six months after entering into a share-leasing agreement – will amount to EUR 32 million. The law – if applicable – stipulates that the partner should protest within three years after having knowledge of the existence of the contract in order for it to be valid. DBnl has received approximately 12,500 "spouse letters", sent more than three years and six months after entering into a share leasing agreement. No new valid "spouse letters" can be sent anymore. No provisions over those needed for the Duisenberg Arrangement have been made in respect of these risks, since DBnl is of the opinion that no spouse consent is required by law. In the other case, concerning "duty of care", the Amsterdam Court of Appeal ruled in line with the Duisenberg Arrangement. This judgment is no longer open to appeal. An important aspect of this judgment – that the damage of the client does not include the interest paid during the course of the contracts – has been confirmed by later decisions of this Amsterdam Court of Appeal.

On April 27, 2007, the Amsterdam Sub-District Court rendered three so-called "standard decisions", pretending to give "guidance" to DBnl and its clients in respect of the most likely outcome of individual proceedings, heard by that court. Factors that this Sub-District Court takes into account are – amongst others – the income, wealth, investment experience and education of the clients. Generally speaking, the outcome of this system is more favorable to the clients than the Duisenberg Arrangement, especially since the Amsterdam Sub-District Court considers interest paid during the course of the contract as part of the damage that has to be returned – partially – by DBnl to its clients. DBnl does not agree with this approach as it conflicts with the Duisenberg Arrangement and with the mentioned decision of the Amsterdam Court of Appeal that interest paid should not be considered as part of the damage of the client. Therefore DBnl has issued and will continue to issue appeals to the Amsterdam Court of Appeal in respect of decisions which included interest paid as part of the damage.

On December 31, 2007, Leaseproces BV, a profit-driven organization that recruits clients on a "no cure, no pay" base, represented approximately 28,300 clients, of which approximately 16,000 have filed a valid opt-out statement within the context of the Duisenberg Arrangement. The difference consists of clients who did not have to opt-out for different reasons (with products not in the scope of the Duisenberg Arrangement and clients who have previously accepted a settlement) and clients that apparently accepted the Duisenberg Arrangement after all. For approximately 2,000 of its clients, Leaseproces BV actually started proceedings. On a minor scale, other organizations, attorneys at law and other lawyers continue to summon DBnl on behalf of their clients in civil courts. However, in the fourth quarter 2007 a growing number of other court cases were settled as well, a vast majority based on the Duisenberg Arrangement. Therefore, the total number of clients in proceedings continues to decrease. A number of these proceedings (by clients represented by Leaseproces BV as well as by clients represented by other lawyers) will be canceled soon, since these clients did not file the opt-out statement.

4.4.10.3 Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Dexia has reported on this matter in its earlier reports and quarterly activity reports. 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 client's spouse; 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 mainly with individual parties but in some cases with collective foundations (Stichting Leaseleed). They are represented to different types of Courts or Arbitrators, mainly the Sub-District and District Courts, Courts of Appeal, the Dutch Securities Institute (DSI) and the Dispute Committee for the Banking Industry.

Over 130 clients have issued a complaint to the so-called Disputes Committee Duisenberg (Geschillencommissie Duisenberg). However, only a insignificant number of those complaints have resulted in an adjudication.

In past reports and press releases, Dexia has informed the public about important developments. This information is available on the Dexia website at *www.dexia.com*.

4.4.10.4 Dutch Securities Institute (DSI)

At the end of 2007, only 120 cases were still under consideration by the Grievance Committee DSI, and no cases under consideration by the Appeals Committee of DSI.

4.4.10.5 Depot Lease

The Duisenberg Arrangement is not applicable to the group of approximately 5,500 clients who entered into share-leasing agreements in connection with securities deposit ("Depot Lease"). At the end of 2007, many settlements with Depot Lease clients were reached, among which with nearly all 390 clients of the Stichting Leaseleed. DBnl still faces some 200 court cases with Depot Lease clients, but expects to be able to settle these cases as well.

4.4.10.6 Provisions as of December 31, 2007

Provisions are updated every quarter and may be influenced by the fluctuations in the value of the underlying stock of the share-leasing contracts, by client behavior and by future judgements.

4.4.10.7 Assessment

The purpose of the following table 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, 2007[1] (in millions of euro, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL OUTSTANDING PORTFOLIO	**84,029**	**487**	**488**	**+1**
- Contracts with sufficient collateral	37,968	149	218	+69
- Contracts with insufficient collateral	46,061	338	270	-68
of which:				
- Contracts with redemption	2,929	18	17	-1
- Contracts without redemption	43,132	320	253	-67
of which:				
- Accepted an agreement[2] (and signed the waiver)	26,200	190	150	-40
- Not accepted an agreement	16,932	130	103	-27

CONTRACTS THAT ENDED BEFORE DECEMBER 31, 2007[1] (in millions of euro, unless otherwise stated)	Number of contracts	Loan amount	Collateral	Excess (+) or Lack (-) of collateral
TOTAL PORTFOLIO	**631,281**	**5,855**	**6,229**	**+374**
- Contracts with sufficient collateral	332,135	2,548	4,095	+1,547
- Contracts with insufficient collateral	299,146	3,307	2,135	-1,172
of which:				
- Contracts with redemption[3]	70,491	876	669	-207
- Contracts without redemption	228,655	2,431	1,466	-965
of which:				
- Accepted an agreement[2] (and signed the waiver)	166,469	1,755	1,034	-720
- Not accepted an agreement	62,186	676	431	-245

(1) All contracts qualifying for the share-lease definition since the start of their origination, regardless of the way they were terminated.
(2) Either the Dexia Offer, the Duisenberg Arrangement or another kind of settlement.
(3) Mainly early terminated contracts.

4.5. STATEMENT OF INCOME

4.5.1. Operating income

Other operating income relates to the recovery of general costs (EUR 1.7 million).

Miscellaneous services and other goods increased by EUR 24.4 million to EUR 107.3 million.

This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, which amounted to 65.1 EUR million against EUR 52.1 million in 2006. 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 1.8 million. Other operating costs (leasing of premises, telecommunications, travel, trainings, memberships and supplies) totaled EUR 32.8 million compared with EUR 21.9 million in 2006, that growth being linked to the evolution of the Dexia SA workforce. Printing and advertising costs linked to corporate publications were EUR 3.7 million compared to EUR 4.4 million in 2006. The compensation paid to members of the Board of Directors was stable at EUR 3.9 million.

The average number of persons directly employed by Dexia rose from 177 to 242, a trend which explained the increase in payroll and social contributions from EUR 36.1 million to EUR 48.8 million.

Amortization of formation expenses represented EUR 2.9 million, amortization of intangible fixed assets EUR 1.4 million and depreciation of tangible fixed assets EUR 0.7 million.

4.5.2. Financial results

Financial income from financial assets includes the dividends paid by Group entities (EUR 1,170.3 million) as well as interest received and earned for subordinated loans (EUR 190.5 million).

Income from current assets included the interest generated by the currency swap contracted with Dexia Crédit Local (EUR 5.9 million), proceeds from tax deferred advances (EUR 0.7 million) and income from money-market investments (EUR 5.1 million).

Other financial results come from a hedge transaction in an amount of EUR 3.7 million.

Interest paid and due in relation to the loans granted by Group entities totaled EUR 171.6 million. Financial charges relating to the currency interest rate swap with Dexia Crédit Local were EUR 7 million and other interest charges were EUR 0.2 million.

Other financial charges were mainly composed of commissions linked to the payment of dividends by payment organizations, which are Dexia Bank, Dexia BIL and Caceis (EUR 5.8 million), the cost of fiduciary services (EUR 0.2 million), the purchase fees related to own shares (EUR 0.1 million) and other financial charges (EUR 0.4 million).

To this is added an abandonment of debt granted by the permanent establishment in Paris to a subsidiary tasking part in the tax integration in accordance with the undertaking initially made by Dexia Crédit Local as head of the group within the scope of tax integration in France (EUR 15.5 million). This abandonment, which is a part of the tax level effect transaction approved by the French tax authorities and corresponds to the tax savings previously realized, also gave rise to a provision for risks and charges being carried forward in the same amount (cf. "provisions for other risks and charges" above).

Furthermore, exchange losses on forward sales in Turkish lira (TRY) were realized in the amount of EUR 2.8 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 reversal was therefore made in the amount of EUR 0.03 million.

An impairment of EUR 0.6 million was recorded on the close of liquidation of the company Dexia Financière on November 7, 2007.

4.5.4. Corporate income tax

The corporate tax charge relates to a provision for tax charges (EUR 3.1 million) (see section 4.3.5. provision for tax charges). This provision is to be viewed in context, with a tax regularization in favor of the head office of Dexia SA in relation to earnings in 2005 (EUR 3 million).

Proceeds from other foreign income taxes are explained by the fact that the permanent establishments in Paris and in Luxembourg are each head of the tax consolidation group in their respective country. The tax savings realized by each tax consolidation group are recorded in the financial statements of these permanent establishments and considered as an immediate gain (EUR 1.6 million in Luxembourg and EUR 50.7 million in France).

Moreover, the provision for tax risks of EUR 1 million recorded as part of the tax consolidation by Paris in 2006 was carried forward.

4.5.5. Net income for the year

Net income for 2007 totaled EUR 1,081.5 million.

4.6. STATEMENT OF FORMATION EXPENSES

(in EUR)	Amounts
NET BOOK VALUE AS AT DEC. 31, 2006	**7,921,112**
Movements during the period:	
- new expenses incurred & expenses of capital increase	1,817,361
- depreciation	2,875,518
NET BOOK VALUE AS AT DEC. 31, 2007	**6,862,955**
Detailing: - Expenses of formation or capital increase, loan issue expenses and other formation expenses	6,862,955

4.7. STATEMENT OF INTANGIBLE ASSETS (LICENCES)

(in EUR)	Amounts
ACQUISITION VALUE AS AT DEC. 31, 2006	**5,624,291**
Movements during the period:	
- Acquisitions, including produced fixed assets	931,325
ACQUISITION VALUE AS AT DEC. 31, 2007	**6,555,616**
DEPRECIATION AS AT DEC. 31, 2006	**3,425,250**
Movements during the period:	
Recorded	1,372,458
DEPRECIATION AS AT DEC. 31, 2007	**4,797,708**
NET BOOK VALUE AS AT DEC. 31, 2007	**1,757,908**

4.8. STATEMENT OF TANGIBLE FIXED ASSETS

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under contruction and advance payments
ACQUISITION VALUE AS AT DEC. 31, 2006	**1,221,455**	**7,925,356**	**3,154,330**	**0**
Movements during the period:				
- Acquisitions	23,878	615,076	43,566	0
- Sales and disposals	(473,448)	(43,680)	(2,961,952)	0
- Transfers from one heading to another	0	0	0	0
ACQUISITION VALUE AS AT DEC. 31, 2007	**771,885**	**8,496,752**	**235,944**	**0**
DEPRECIATION AS AT DEC. 31, 2006	**961,277**	**5,239,442**	**3,053,872**	**0**
Movements during the period:				
- Recorded	18,113	687,223	33,085	0
- Written back because surplus	0	(34,167)	0	0
- Canceled due to sales and disposals	(336,583)	(41,624)	(2,961,952)	0
DEPRECIATION AS AT DEC. 31, 2007	**642,807**	**5,850,874**	**125,005**	**0**
NET BOOK VALUE AS AT DEC. 31, 2007	**129,078**	**2,645,878**	**110,939**	**0**

4.9. STATEMENT OF FINANCIAL FIXED ASSETS

1. Participating interests and shares

(in EUR)	Amounts
ACQUISITION VALUE AS AT DEC. 31, 2006	**18,428,562,251**
Movements during the period:	
- Acquisitions	607,550,028
- Sales and disposals	(84,082,737)
ACQUISITION VALUE AS AT DEC. 31, 2007	**18,952,029,542**
AMOUNTS WRITTEN DOWN AS AT DEC. 31, 2006	**76,256,186**
Movements during the period:	
- Recorded	0
- Reversal of write-off	(572,191)
- Canceled due to sales and disposals	(75,683,995)
AMOUNTS WRITTEN DOWN AS AT DEC. 31, 2007	**0**
NET BOOK VALUE AS AT DEC. 31, 2007	**18,952,029,542**

2. Amounts receivable

(in EUR)	1. Affiliated	2. With participation link
NET BOOK VALUE AS AT DEC. 31, 2006	**3,580,740,966**	**9,859**
Movements during the period:		
- Additions		755,618
- Repayments		(8,459)
- Exchange differences	(201,757,409)	
NET BOOK VALUE AS AT DEC. 31, 2007	**3,378,983,557**	**757,018**

4.10. SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

List of enterprises in which the enterprise holds a participating interest, and other enterprises in which the enterprise holds rights in the amount of at least 10% of the capital issued.

Name, full address of the registered office and, for the enterprise governed by Belgian law, the company number	Shares held by the enterprise (directly)		Shares held by subsidiaries	Information from the most recent period for which annual accounts are available			
	Number	%	%	Primary financial statement	Monetary unit	Capital and reserves (+) or (-) (in monetary unit)	Net result (+) or (-) (in monetary unit)
Dexia Banque Belgique SA Boulevard Pachéco 44 B-1000 Brussels BE 0403.201.185 Common shares	359,412,609	100.00	0.00	31/12/06	EUR	2,696,814,890	908,755,000
Dexia Crédit Local SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92913 Paris Common shares	87,045 744	100.00	0.00	31/12/06	EUR	2,883,542,885	472,624,577
Dexia Banque Internationale à Luxembourg SA - FC [1] 69, route d'Esch L-1470 Luxembourg Common shares	1,163,720	57.68	42.26	31/12/06	EUR	1,673,941,044	631,344,223
Dexia Holding Incorporated - FC [1] West 52nd street 31 New York, NY 10019, USA Common shares	1	10.00	90.00	31/12/06	USD	3,301,865,189	532,462,853
Dexia Management Services Ltd - FC [1] Shackleton House Battle Bridge Lane, 2nd floor 4 UK-London SE1 2 RB Common shares	10,000	100.00	0.00	31/12/06	GBP	75,018	(2,946)
Dexia Participation Luxembourg SA - FC [1] 69, route d'Esch L-1470 Luxembourg Common shares	25,759	99.99	0.01	31/12/06	EUR	1,406,982,020	127,950,874
Dexia Habitat SA - FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92913 Paris Common shares	187,494	100.00	0.00	31/12/06	EUR	2,997,341	29,705
Dexia Employee Benefits SA Avenue Livingstone 6 B-1000 Brussels BE 0866.161.005 Common shares	14,999	100.00	0.00	31/12/06	EUR	201,401	(92,303)
Dexia Nederland Holding NV - FC [1] Piet Heinkade 55 NL-1019 GM Amsterdam Common shares	50,000	100.00	0.00	31/12/06	EUR	416,854,921	(21,486,916)
Dexia Participation Belgique SA Place Rogier 11 B-1210 Brussels BE 0882.068.708 Common shares	190	95.00	5.00				
Dexia Funding Luxembourg SA - FC [1] 180, rue des Aubépines L-1145 Luxembourg Common shares	31	100.00	0.00				
Associated Dexia Technology Services SA - FC [1] 23, Z.A. Bourmicht L-8070 Bertrange Common shares	1,493	99.53	0.47				
Deniz Finansal Kiralama - FC [1] Rihtim Caddesi - Karaköy 26 T-Istanbul Common shares	72	0.01	99.99	31/12/06	TRY	88,744,506	6,582,195
Deniz Faktoring - FC [1] Rihtim Caddesi - Karaköy 26 T-Istanbul Common shares	1	0.01	99.99	31/12/06	TRY	41,346,485	4,090,095

(1) FC: foreign company

4.11. INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS

(in EUR)	Previous period	Period
Fixed term deposits with credit institutions falling due:	**271,700,000**	**0**
- Within one month	271,700,000	0
Other investments not yet shown separately	**78,529**	**182,529**

4.12. DEFERRED CHARGES AND ACCRUED INCOME

(in EUR)	Period
Deferred charges	635,209
Accrued income: interest	48,382,793
Accrued income: Provided services	435,000

4.13. STATEMENT OF CAPITAL AND SHAREHOLDERS' STRUCTURE

A. Issued capital

	Amounts (in EUR)	Number of shares
ISSUED CAPITAL AS AT DEC. 31, 2006	**5,237,739,141**	
Changes during the period:		
- capital increase for staff and employees of Dexia Group	41,727,658	9,272,813
- exercise of warrants for Group staff	27,538,313	6,119,625
ISSUED CAPITAL AS AT DEC. 31, 2007	**5,307,005,112**	

B. Structure of the capital

	Amounts (in EUR)	Number of shares
Different categories of shares:		
- Shares without indication of nominal value, each representing 1/1,178,576,763 of the issued capital	5,307,005,112	1,178,576,763
- Registered shares		354,891,293
- Bearer shares		823,685,470

C. Own shares held by:

	Amount of capital (in EUR)	Number of shares
- the company itself	38,820,897	8,626,866
- its direct subsidiaries	1,376,415	305,870

D. Commitments to issue shares

	Amount of capital (in EUR)	Number of shares
Following the exercising of subscription rights:		
- Number of outstanding subscription rights		62,817,843
- Amount of capital to be issued	282,680,294	
- Maximum number of shares to be issued		62,817,843

E. Amount of authorized capital, not issued

	Amount (in EUR)
	4,519,528,120

F. Structure of shareholdings of the enterprise as at the annual balancing of the books, as it appears from the statement received by the enterprise

Arcofin: 17.66%
Holding Communal: 16.25%
Caisse des dépôts et consignations: 11.67%
Ethias group: 6.25%
CNP Assurances: 1.96%

4.14. ALLOCATION OF HEADING PROVISIONS FOR OTHER RISKS AND CHARGES OF THE LIABILITIES IF THE AMOUNT IS CONSIDERABLE

(in EUR)	Period
Engagement as head of a fiscal consolidation (France)	19,611,293

4.15. ANALYSIS BY CURRENT PORTIONS OF AMOUNTS INITIALLY PAYABLE AFTER MORE THAN ONE YEAR

(in EUR)	Not more than one year	Between one and five years	Over five years
Financial debts	**0**	**0**	**200,000,000**
5. Other loans	0	0	200,000,000
TOTAL			200,000,000

4.16. AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	198,233
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	16,375,366

4.17. ACCRUED CHARGES AND DEFERRED INCOME

(in EUR)	Period
Accrued charges: interest	44,283,475
Accrued charges: general operating expense	2,846,217
Positive exchange difference	51,122

4.18. OPERATING RESULTS

(in EUR)	Previous period	Period
Other operating income		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	0	21,684
Employees recorded in the personnel register in Belgium		
a) Total number at the closing date	207	239
b) Average number of employees in full-time equivalents	161.9	219.0
c) Number of actual working hours	252,134	326,355
Personnel charges		
a) Remuneration and direct social benefits	23,768,184	38,462,616
b) Employers' contribution for social security	6,845,401	6,173,063
c) Employers' premium for extra statutory insurance	5,054,207	3,499,210
d) Other personnel charges	396,477	647,060
e) Pensions		0
Provisions for liabilities and charges		
Increases	4,089,504	1,042,559
Decreases	1,602,500	15,616,340
Other operating charges		
Taxes related to operations	395,168	182,528
Other charges	20,565	23,344
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	1	2
b) Average number of employees in full-time equivalents	0.4	1.9
c) Number of actual working hours	678	3,306
d) Charges to the enterprise	24,488	108,047

4.19. FINANCIAL RESULTS

(in EUR)	Previous period	Period
Other financial income		
Exchange differences	55,987,760	60,417
Income related to a swap	3,943,340	3,677,225
Other financial income	243	31
Other financial charges		
Charges linked to the payment of dividends	4,268,469	5,795,502
Impairments at the realization of current assets	20,000	15,516,340
Exchange differences	9,112	2,814,745
Conversion differences	55,977,329	64,956
Other financial charges	274,214	535,149
Charges linked to the purchases of own shares	0	88,739

4.20. INCOME TAXES

(in EUR)	Period
Income taxes of the current period	**0**
a) Taxes and withholding taxes due or paid	93,242
b) Excess of income tax prepayments and withholding taxes capitalised	(93,242)
c) Estimated additional charges for income taxes	0
Income taxes on previous periods	**3,140,169**
a) Additional charges for income taxes due or paid	14
b) Additional charges for income taxes estimated or provided for	3,140,155
Taxes of the current period that are materially affected by differences between the profit before taxes and the estimated taxable profit	
Definitively taxed income	1,111,792,454
Tax integration in France	PM
Tax integration in Luxembourg	PM

4.21. OTHER TAXES AND TAXES BORNE BY THIRD PARTIES

(in 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	2,182
2. By the enterprise	14,918	10,616
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	8,795,818	15,062,412
2. Withholding taxes on investment income	112,610,287	93,829,529

4.22. RIGHTS AND COMMITMENTS NOT ACCRUED IN THE BALANCE SHEET

(in EUR)	Period
Personal guarantees, provided or irrevocably promised by the enterprise, as security for debts and commitments of third parties	**500,032,550**
Whereof:	
- Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise	500,032,550
Forwarded transactions	
- Goods purchases (to be received)	0
- Goods sold (to be delivered)	0
- Currencies purchased (to be received)	141,168,500
- Currencies sold (to be delivered)	91,202,460

Information concerning important litigation and other commitments

See notes annual reports: note 4.4.

If there is a supplementary retirement or survivor's pension plan in favor of the personnel or the executives of the enterprise, a brief description of such plan and of the measurs taken by the enterprise to cover the resulting charges.

Members of staff benefit from a supplementary retirement and survival pension scheme for wich both employees and staff premiums have been paid to a group insurance.
Some members of the Management Board also benefit from a supplementary scheme of which the contributions are paid to an external insurance company.

5. FINANCIAL RELATIONSHIPS

5.1. RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Affiliated enterprises	
	Previous period	Period
FINANCIAL FIXED ASSETS	**21,933,047,031**	**22 331 013 099**
Investments	18,352,306,065	18,952,029,542
Subordinated amounts receivable	3,580,740,966	3,378,983,557
AMOUNTS RECEIVABLE	**43,445,840**	**35,052,654**
After one year	43,051,736	34 048,252
Within one year	394,104	1 004,402
CURRENT INVESTMENTS	**271,700,000**	**0**
Shares	0	0
Amounts receivable	271,700,000	0
AMOUNTS PAYABLE	**3,503,872,720**	**3,452,564,090**
After one year	200,000,000	200,000,000
Within one year	3,303,872,720	3,252,564,090
PERSONNAL GUARANTEES		
Provided or irrevocably promises by the enterprise, as a security for debts or commitments of affiliated enterprises	500,000,000	500,000,000
OTHER SUBSTANTIAL FINANCIAL COMMITMENTS	**227,755,846**	**203,832,042**
FINANCIAL RESULTS		
From financial fixed assets	1,566,423,517	1,360,836,093
From current assets	13,871,036	11,741,751
Other financial income	0	0
From interests on liabilities	160,214,051	178,761,391
Other financial charges	4,157,322	21,466,938

5.2. RELATIONSHIPS WITH DIRECTORS AND MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THE MENTIONED PERSONS WITHOUT BEING ASSOCIATED THEREWITH

Amount of remuneration and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To the directors	3,908,955

5.3. RELATIONSHIPS WITH AFFILIATED AUDITOR(S)

Compensation of the auditor(s)	**226,000**
Remuneration for exeptional tasks executed within the enterprise by the Auditors	
Other tasks	22,998
Tax advise	131,225
Other (non-assistance)	347,264

Mentions in accordance with section 133, § 6 of the Belgian Company Code.

The mention is made of the board of mutually independent commissioners, which was founded within Dexia SA (See section 133, § 6, 3° of the Belgian Company Code).

6. 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

Currency interest rate swap: 1 contract	43,060,972

7. DECLARATION CONCERNING THE CONSOLIDATED ACCOUNTS

The enterprise has established and published the consolidated accounts and a consolidated financial statement.

8. SOCIAL REPORT

8.1. STATEMENT OF THE PERSONS EMPLOYED IN 2007

A. Employees recorded in the staff 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	192.0	35.7	219.0 (ETP)	161.9 (ETP)
Number of actual working hours	315,207	11,148	326,355 (T)	252,134 (T)
Personnel charges (in EUR)	35 649,639	6,623,034	42,272,673 (T)	27,719,903 (T)
Advantages of the benefits in addition to wage (in EUR)			587,150 (T)	177,123 (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	**200**	**39**	**229.3**
b. By nature of the employment contract			
Contract of indefinite period	197	39	226.3
Contract of definite period	3	0	3.0
c. According to gender			
Male	131	24	149.0
Female	69	15	80.3
d. By professional category			
Management staff	27	17	40.0
Employees	173	22	189.3

B. Hired temporary staff and personnel placed at the enterprise's disposal

During the period	Temporary personnel	Persons placed at the disposal of the enterprise
Average number of employees	1.9	0
Number of hours actually worked	3,306	0
Charges of the enterprise (in EUR)	108,047	0

8.2. TABLE OF PERSONNEL MOVEMENTS DURING THE PERIOD

A. ENTRIES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded on the personnel register during the period	**56**	**0**	**56.0**
b. By nature of the employment contract			
Contract for an indefinite period	53	0	53.0
Contract for a defined period	3	0	3.0
c. According to gender and by level of education			
Male: secondary education	0	0	0
higher non-university education	2	0	2.0
university education	31	0	31.0
Female: secondary education	1	0	1.0
higher non-university education	8	0	8.0
university education	14	0	14.0

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees with a in the staff register listed date of termination of the contract during the period	**23**	**1**	**23.1**
b. By nature of the employment contract			
Contract for an indefinite period	21	1	21.1
Contract for a defined period	2	0	2.0
c. According to gender and by level of education			
Male: secondary education	0	0	0
higher non-university education	4	0	4.0
university education	8	0	8.0
Female: secondary education			
higher non-university education	5	0	5.0
university education	6	1	6.1
d. According to the reason for termination of the employment contract			
Retirement	0	0	0
Dismissal	8	0	8.0
Other reason	15	1	15.1
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	0	0	0

8.3. STATEMENT CONCERNING THE USE OF EMPLOYMENT PROMOTION MEASURES DURING THE FINANCIAL YEAR

EMPLOYMENT PROMOTION MEASURES

	Number of employed persons involved		
	Number equivalents	In full-time advantage	Amount of the advantage (in EUR)
1. Measures comprising a financial profit			
Structural reduction of social security contributions	259	255.2	895,270
2. Other measures			
Successive employment contracts concluded for specific periods	3	3.0	
Reduction of personal social security contributions to low paid employees	7	7.0	

	Number of employees involved in one or more employment promotion measures	
	Number equivalents	In full time equivalence
TOTAL FOR THE PERIOD	**259**	**255.2**
TOTAL FOR THE PREVIOUS PERIOD	**228**	**224.9**

8.4. INFORMATION ON TRAINING PROVIDED TO EMPLOYEES DURING THE FINANCIAL YEAR

Total of initiatives of employees training at the expense of the employer	Male	Female
Number of employees involved	96	51
Number of training hours	3,436	2,150
Costs for the enterprise (in EUR)	809,453	506,497

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, 2007

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, 2007, prepared in accordance with the financial reporting framework applicable in Belgium, and which show a balance sheet total of EUR 22,725,898,912 and a profit for the year of EUR 1,081,521,426.

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, 2007 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;
• we are unaware of any 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 1, 2007 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, 2008

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.

DEXIA IN THE WORLD

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Dexia’s annual report 2007 has been published by the Financial Communication department of Dexia SA.
This report is also available in Dutch and French. It just needs to be requested at the Dexia head office in Brussels or in Paris or via the company Website at *www.dexia.com*

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May 14, 2008

Results as of March 31, 2008
May 14, 2008

Payment of dividend for the 2007 financial year
May 22, 2008

Results as of June 30, 2008
August 29, 2008

Results as of September 30, 2008
November 14, 2008

Results as of December 31, 2008
February 26, 2009

Ordinary Shareholders’ Meeting for the 2008 financial year
May 13, 2009

Photographs: Marc Vanderslagmolen – Stéphane de Bourgies – **Concept:** Publicis Consultants
Lay-out: Nord Compo – 7, rue de Fives – BP 123 - F-59653 Villeneuve-d'Ascq – Tel. +33 3 20 41 40 01 – **Printed** by Bema Graphics – Wommelgem – Belgium

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SDXI 0129-5 04-08