Annual report 2008

DEXIA

Annual report 2008

Management report

2008

Group profile

Dexia is a European bank, with 36,760 members of staff and a core shareholders' equity of EUR 17.5 billion as of December 31, 2008. Dexia Group focuses on Public and Wholesale Banking, providing local public finance actors with comprehensive banking and financial solutions, and on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey.

BUSINESS LINES

Public and Wholesale Banking

As a consequence of the transformation plan initiated by Dexia in November 2008, the Public and Wholesale Banking business line has been revisited in order to take into account the current market environment. It will focus on markets combining strong commercial franchises, a long-term funding capacity and potential for profitable growth.
The commercial franchises in France, Belgium, Luxembourg, Italy and the Iberian Peninsula have been confirmed and these markets will remain core markets for Public and Wholesale Banking. Dexia will maintain a presence in Germany, Japan and Switzerland to retain platforms for access to funding sources. The activities in the United Kingdom and in the United States will be significantly reduced.
The ongoing financial crisis does neither question our clients' solvency nor their financing needs. And Dexia remains – on its core markets – a major player in public and infrastructure finance, the financing of the health and social housing sectors, and social economy.
Its strategy in this field is aiming at strengthening the range of products and services to customers. This approach, which is already largely effective in Belgium, will enable the Group to go beyond its role of specialist lender in order to offer a better service to a broader customer base.

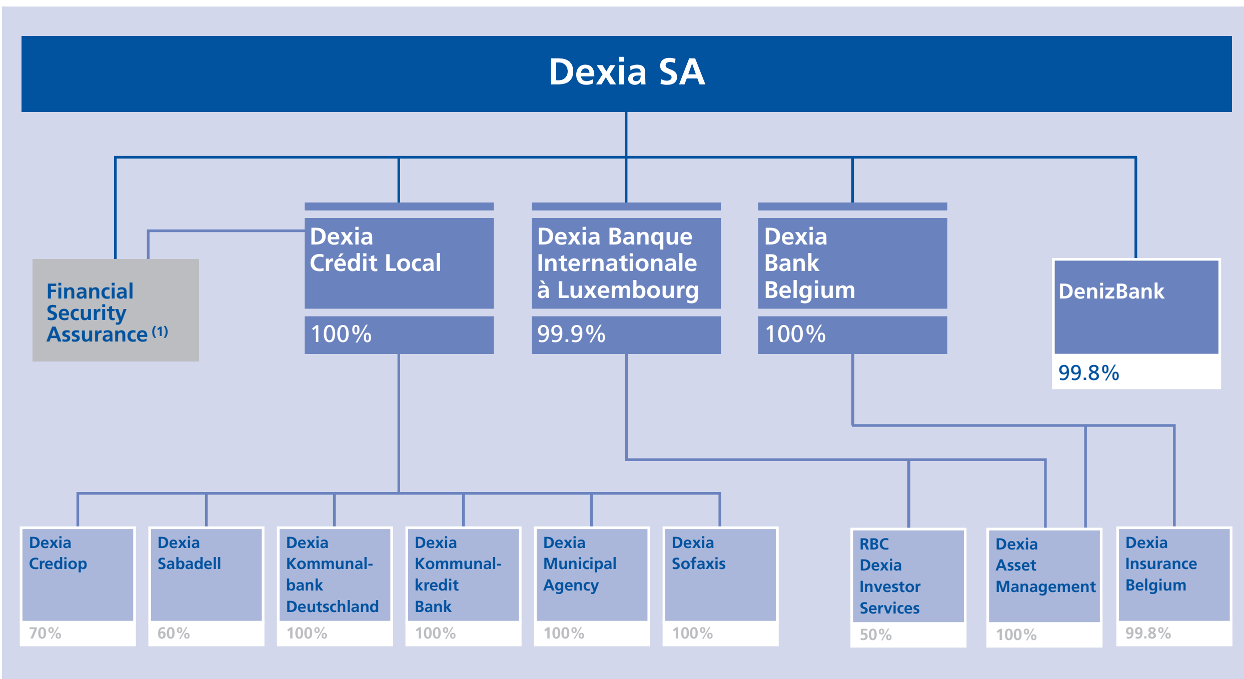
Retail and Commercial Banking

Dexia is a leading European bank, ranking among the three major banks in Belgium and Luxembourg and holding a strong position in Turkey. It is also present in Slovakia. The bank is offering a wide range of retail, commercial and private banking services as well as insurance products to more than six million customers.
This business line also includes asset management and investor services activities. Dexia Asset Management had EUR 79 billion of assets under management as of December 31, 2008. The investor services business is conducted by RBC Dexia Investor Services, a joint venture with Royal Bank of Canada, which offers its expertise in global custody, fund and pension administration and shareholder services to institutions around the world. Total assets under custody amounted to USD 1.9 trillion as of December 31, 2008.

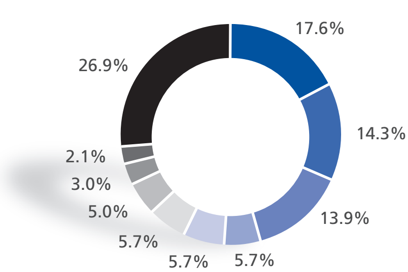
RATINGS

The Group's main operating entities – Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg – are rated AA- by Fitch, A1 by Moody's and A by Standard & Poor's. Three of Dexia's European subsidiaries issue Triple-A rated secured bonds.

SIMPLIFIED GROUP STRUCTURE

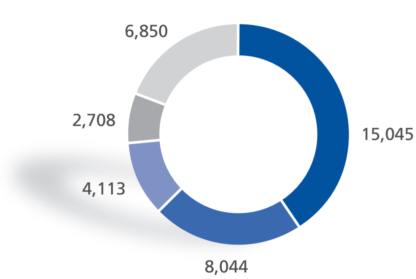


(1) Entity being sold; excl. Financial Products.



DEXIA SHAREHOLDING STRUCTURE
as of December 31, 2008

- Caisse des dépôts et consignations
- Holding Communal
- Arco Group
- French State
- Belgian federal State
- Three Belgian Regions
- Ethias Group
- CNP Assurances
- Employee shareholding
- Other Institutional and Individual Shareholders



MEMBERS OF STAFF
as of December 31, 2008 (1)

- Belgium
- Turkey
- Luxembourg
- France
- Other countries

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

RESULTS	Dexia GAAP					IFRS as adopted by EU				
(in millions of EUR)	2000	2001	2002	2003	2004	2004 (1)	2005	2006	2007	2008
Income	3,740	5,631	5,157	5,160	5,392	5,623	5,976	7,005	6,896	3,556
Costs	(2,050)	(3,323)	(3,037)	(3,056)	(3,012)	(3,057)	(3,229)	(3,474)	(3,834)	(4,119)
Gross operating income	1,690	2,308	2,120	2,104	2,380	2,566	2,747	3,531	3,062	(563)
Net income Group share	1,001	1,426	1,299	1,431	1,772	1,822	2,038	2,750	2,533	(3,326)

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

BALANCE SHEET	Dexia GAAP					IFRS as adopted by EU				
(in billions of EUR)	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Jan. 1, 2005 (1)	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Total assets	**257.8**	**351.4**	**350.9**	**349.9**	**389.2**	**404.6**	**508.8**	**566.7**	**604.6**	**651.0**
Loans and advances to customers	134.4	156.4	157.8	161.9	166.2	169.5	192.4	226.5	242.6	368.8
Financial assets at fair value through profit or loss and financial investments	77.7	125.9	134.7	127.9	144.5	147.3	198.9	223.2	257.9	141.1
Customers borrowings and deposits	52.4	84.0	85.3	92.3	97.6	87.1	97.7	116.2	126.7	114.7
Debt securities	134.4	140.9	146.5	134.9	143.9	144.2	175.7	184.7	204.0	188.1
Core shareholders' equity (2)	8.1	10.3	10.9	11.6	12.3	10.5	11.5	14.4	16.1	17.5

(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 2000-2004: shareholders' equity + general banking risks reserve.

RATIOS	Dexia GAAP					IFRS as adopted by EU				
	2000	2001	2002	2003	2004	2004	2005	2006	2007	2008
Cost-income ratio (1)	54.8%	59.0%	58.9%	59.2%	55.9%	54.4%	54.0%	49.6%	55.6%	115.8%
Tier 1 ratio	9.3%	9.3%	9.3%	9.9%	10.7%	10.0%	10.3%	9.8%	9.1%	10.6%
Capital adequacy ratio	9.8%	11.5%	10.7%	11.2%	11.7%	11.1%	10.9%	10.3%	9.6%	11.8%

(1) The ratio between the costs and the income.

QUALITY OF RISKS	Dexia GAAP					IFRS as adopted by EU				
	2000	2001	2002	2003	2004	2004	2005	2006	2007	2008
Impaired loans to customers (in millions of EUR)	905	1,897	1,942	1,708	1,722	1,722	1,473	1,359	1,218	3,535
Assets quality ratio (1)	0.68%	1.20%	1.23 %	1.05%	1.04%	1.04%	0.78%	0.61%	0.50%	0.99%
Coverage ratio (2)	65.0%	66.7%	68.0 %	72.8%	73.2%	73.2%	69.1%	69.3%	67.2%	58.9%

(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)	2000	2001	2002	2003	2004	2004	2005	2006	2007	2008
Earnings per share (1)	1.15	1.25	1.13	1.24	1.58	1.63	1.87	2.49	2.18	(2.54)
Gross dividend	0.43	0.48	0.48	0.53	0.62	0.62	0.71	0.81	0.91	- (2)
Net assets (3)	8.02	8.39	8.79	9.25	9.95	8.87	9.86	11.60	12.87	9.92
Pay-out ratio (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) The Board of Directors decided to propose to the next Shareholders' Meeting on May 13, 2009 that exceptionally no dividend be paid for 2008.
(3) The ratio between the core shareholders' equity 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.

RATINGS	Long term	Outlook	Short term
Fitch			
Dexia Bank Belgium	AA-	Stable outlook	F1+
Dexia Crédit Local	AA-	Stable outlook	F1+
Dexia Banque Internationale à Luxembourg	AA-	Stable outlook	F1+
Dexia Municipal Agency	AAA	-	
Moody's			
Dexia Bank Belgium	A1	Negative outlook	P-1
Dexia Crédit Local	A1	Negative outlook	P-1
Dexia Banque Internationale à Luxembourg	A1	Negative outlook	P-1
Dexia Municipal Agency	Aaa	-	
Standard & Poor's			
Dexia Bank Belgium	A	Stable outlook	A-1
Dexia Crédit Local	A	Stable outlook	A-1
Dexia Banque Internationale à Luxembourg	A	Stable outlook	A-1
Dexia Municipal Agency	AAA	-	
DBRS			
Dexia Bank Belgium	AA (low)	Negative trend	R-1 (middle)
Dexia Crédit Local	AA (low)	Negative trend	R-1 (middle)
Dexia Banque Internationale à Luxembourg	AA (low)	Negative trend	R-1 (middle)

The Group's principal banking entities – Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg – are rated AA- with stable outlook by Fitch (September 30, 2008), A1 with negative outlook by Moody's (January 19, 2009), A with stable outlook by Standard & Poor's (December 19, 2008) and AA (low) with negative trend by DBRS (November 17, 2008).
The triple-A rating of Dexia Municipal Agency was affirmed by Fitch (October 1, 2008), Moody's (January 23, 2009) and Standard & Poor's (October 7, 2008).

Message from the Chairmen

Jean-Luc Dehaene **Pierre Mariani**

The year 2008 was marked by the severe crisis which swept the financial markets and seriously affected Dexia. The announcement, at the beginning of the autumn, of the insolvency of the US bank Lehman Brothers suddenly revealed the imbalances in the financial sector, and these did not spare our Group. Too much exposure to the risks of the US market weakened the confidence of market operators in the robustness of our bank, and the contraction of the interbank market led, at the end of September, to an intense liquidity crisis. Our shareholders and the French and Belgian governments participated in the recapitalization of Dexia in an amount of EUR 6.0 billion on September 30, 2008 in order to re-establish the Group's solvency. The French, Belgian and Luxembourg governments also granted on October 9, 2008 their guarantees in particular to certain new issues, to ensure the Group has adequate liquidity.

The financial crisis highlighted the need to apply stricter than ever banking discipline within the Group and to make an in-depth revision of the portfolio and the mode of development of Dexia, as well as the method of financing its long-term commitments in order to cope with these new constraints.

Called upon to lead the Group in these difficult circumstances, together we took the urgent steps required by that deteriorating situation and immediately worked to redefine the improved bases on which to rebuild Dexia's future.

Supported by a new and tightened management team consisting of experienced bankers, we announced a raft of measures that were absolutely vital to the company. Firstly, we undertook to transfer the insurance activities of FSA, the US credit enhancement subsidiary and a major factor in the crisis of confidence suffered by Dexia, signing an agreement to sell FSA to Assured Guaranty, whilst retaining USD 17 billion of assets in the Financial Products activity, on which the Belgian and French governments grant a guarantee. FSA, which contributed EUR 3.1 billion to Dexia's loss in 2008, no longer constitutes a risk to the Group's solvency, which is at a high level in comparison to the sector as a whole.

We then redefined the measures necessary to reduce the imbalances: this was the object of the transformation plan presented on November 14, 2008 and implemented since that date. It revolves around three fundamental axes for the future of Dexia: reduction of the Group's risk profile, priority given to clients and the historical business lines, and adaptation of the cost structure.

First of all, in addition to the agreement to sell FSA, reduction of the risk profile began with a limitation of market activities and a cessation of proprietary trading activities. Treasury management and risk management were centralized. Bond investment activities were stopped and the corresponding assets still on the balance sheet will gradually be reduced.

Then we had to rethink the development of the Group's business lines. Dexia's future profitability requires a refocusing on the Group's principal business lines, local public finance and commercial banking, and its core markets, France, Belgium, Luxembourg, Turkey, Italy and the Iberian Peninsula. Beyond the losses strictly associated with the effects of the crisis, Dexia's historical business lines showed good resilience, as witnessed by the total deposits with the bank which at the end of December 2008 were at a level higher than in September 2008. Implementation of the transformation plan will be reflected in 2009 by the cessation of public finance activities in Australia, Eastern Europe (excluding Slovakia), Mexico, India and Scandinavia. Dexia will only retain platforms providing access to local financing in Japan, Germany and Switzerland. Finally, activities in the United Kingdom and in the United States will be significantly reduced.

The transformation plan relies on the shared endeavors of employees, management and shareholders alike. An exercise aimed at a cost reduction in the order of 15% over three years has now begun and is intended to give Dexia the efficiency and agility vital to its profitable development. The workforce reduction necessary to adapt our organization to the new market environment and to the refocusing of activities is now under way, observing the rules of social dialogue which have always prevailed in Dexia. Management will receive no bonus for the year 2008. Finally, considering the net loss of EUR 3,326 million for 2008, and exceptionally, the Board of Directors will propose to the next Shareholders' Meeting that no dividend be paid to shareholders for 2008.

Of course 2009 is shaping up to be a difficult year, and the economic environment is not showing any signs of improvement in the short term, but Dexia can rely on its solid attributes to rediscover its profitability. Firstly, it can rely on the unceasing support of its shareholders and of the French, Belgian and Luxembourg governments, which have provided the means to maintain the bank's liquidity and credit. Then, Dexia has a client franchise in which loyalty, so sorely tried of late, has never failed. Finally, the bank has the strength of its teams and members of staff who have mobilized without demur to find solutions and to continue the work they are doing with our clients.

With the benefit of acknowledged expertise on its principal markets and a re-found discipline, Dexia will be in a position to provide its clients with the services they expect and to give its shareholders a promising future. That is what gives us our underlying confidence in Dexia's ability to rediscover the path to profitability and to controlled development.

Jean-Luc Dehaene
Chairman of the Board of Directors

Pierre Mariani
Chief Executive Officer

2008 and early 2009 highlights

The year 2008 was marked by an unprecedented financial crisis. The impact of the crisis on the Group's financial situation is detailed in the chapter Financial Results on page 71. In view of the deterioration of market conditions, Dexia was forced to take major steps to overcome the severely disrupted environment and to reestablish a solid base.

CAPITAL INCREASE OF EUR 6 BILLION

On September 30, 2008, Dexia announced a capital increase of EUR 6.0 billion underwritten by the Belgian and French governments together with existing reference shareholders. It also announced an investment of EUR 0.4 billion by the Luxembourg government in the form of convertible bonds.
With this capital increase, which took place on October 3, 2008, the Belgian and French shareholders subscribed to an approximate total of 600 million shares, issued at a price per share equal to EUR 9.90.
In Belgium, the federal government, the three Regions and the reference shareholders (Holding Communal, Arcofin and Ethias) jointly invested EUR 3 billion.
In France, the government and the reference shareholders (Caisse des dépôts et consignations and CNP Assurances) invested EUR 3 billion.

STATES' GUARANTEE

Facing difficulties in refinancing following the failure of Lehman and its consequences on the liquidity of the banking system, Dexia asked the Belgian, French and Luxembourg governments for assistance. On October 9, 2008, they announced that Dexia was being granted a guarantee, the terms of which were defined on December 9, 2008.
This several but not joint guarantee relates to a total maximum amount of EUR 150 billion and covers Dexia's liabilities towards credit institutions and institutional counterparts, as well as bonds and other debt securities issued for the same counterparts, provided that these liabilities, bonds or securities fall due before October 31, 2011 and are contracted, issued or renewed between October 9, 2008 and October 31, 2009.
The guaranteed amounts are subject to daily communication via the Dexia internet site (*http://www.dexia.com/e/services/state-guarantee.php*). As of March 31, 2009, they amounted to EUR 73.2 billion.

WITHDRAWAL FROM KOMMUNALKREDIT AUSTRIA WITH A 100% HOLDING TAKEN IN THE CAPITAL OF DEXIA KOMMUNALKREDIT BANK

Affected by the financial crisis, Kommunalkredit Austria AG, Dexia's partner in Central and Eastern Europe, called for support from the Austrian government at the end of October 2008.
The partnership between Dexia and Kommunalkredit Austria dates back to 1992 when Dexia took a 26% stake in it, which was further increased to 49% in 2001 with the objective of developing its public finance franchise in Austria. Kommunalkredit Austria and Dexia also invested in a joint venture – Dexia Kommunalkredit Bank – to oversee operations in Central and Eastern Europe. Dexia Kommunalkredit Bank was held 49% by Kommunalkredit Austria and 51% by Dexia. It controlled the Public and Wholesale Banking activities of the Group in the countries of Central and Eastern Europe, including Dexia banka Slovensko in Slovakia, which also operates as a retail bank.
As a consequence of the plan to recapitalize Kommunalkredit Austria announced on November 3, 2008, Dexia sold its 49% holding in Kommunalkredit Austria and is in the process of finalizing the purchase of the share of Kommunalkredit Austria in Dexia Kommunalkredit Bank, thus raising its share to 100%.

SALE OF THE INSURANCE BUSINESS OF FINANCIAL SECURITY ASSURANCE (FSA)

On November 14, 2008, Dexia entered into a "sale and purchase agreement" with Assured Guaranty relating to the sale of FSA Holdings, excluding its Financial Products activity.
Through this transaction, Dexia will exit a no longer core insurance business with significant exposure to the US market.
The consideration received by Dexia will be USD 361 million in cash and USD 44.6 million (1) in newly issued Assured Guaranty shares. On the basis of the closing price of Assured Guaranty on November 13, 2008 (USD 8.10 per share), the transaction results in (i) a total payment of USD 722 million and (ii) payment half in cash and half in shares (up to 75% in cash and 25% in shares are the purchaser's discretion, before closing). The authorization to issue these shares was granted by the shareholders' meeting of Assured Guaranty on March 16, 2009.
Through this transaction, Dexia would become a shareholder of Assured Guaranty up to a maximum of 24.7%.
An important milestone was passed on January 20, 2009 with the US anti-trust authorities granted authorization for the sale. Dexia aims to conclude the transaction at the beginning of the second quarter 2009.

(1) 44,567,901 shares.

The FSA Financial Products portfolio, which comprises primarily the guaranteed investment contract business and the net interest margin activity of Global Funding, is excluded from the scope of the sale of FSA Holdings. This activity will be carved out of the transaction and placed in run-off, under the responsibility of Dexia, which already provides its liquidity. The Belgian and French governments have agreed to provide a guarantee on the Financial Products assets. This guarantee was approved by the European Commission on March 13, 2009 and provides that Dexia will cover the first loss of USD 4.5 billion of which an amount of about USD 2 billion has already been reserved as of December 31, 2008 (USD 1.5 billion on the Financial Products portfolio and a USD 420 million collective impairment on US RMBS). If the losses exceed USD 4.5 billion, the states will be entitled to ordinary shares of Dexia or profit-sharing certificates. This mechanism will be submitted for approval to a Dexia extraordinary shareholders' meeting.

TRANSFORMATION PLAN

On November 14, 2008, Dexia announced an important transformation plan aimed at managing risks even more firmly and re-establishing strict discipline in financial and activity terms. The lines of this transformation plan will enable Dexia to refocus on its core client franchises, to improve its risk profile and to optimize its cost base. A progress report on the plan was communicated to the market on January 30, 2009.

Improvement of the Group's risk profile

The Group intends to improve its risk profile with the disposal of certain activities (in particular the sale of FSA's insurance activities, described above), an in-depth reorganization of trading activities and the run-off of bond portfolios, which will have a beneficial effect on liquidity.

- Credit spread and public bond portfolios have been placed in run-off and are now managed centrally.
- The organization of trading activities, dispersed and decentralized as they were, was inefficient and exposed the Group to operational risks. These activities have been reorganized around the following key principles:

– reduction by half of the Value at Risk limits for trading activities and reduction of the activity perimeter as proprietary trading activities are stopped;

– tightening of the organization around two market platforms, in Brussels (trading, central treasury) and Dublin (management of run-off portfolios) in order to strengthen control of the activities.

Priority on core franchises

Dexia's activities will be refocused on core client franchises in Public, Retail and Commercial Banking in core markets and selected geographies.

The organization of the Group will be focused on two core client franchises: Public and Wholesale Banking for comprehensive banking activities focused on local public finance clients and Retail and Commercial Banking which now includes Retail, Commercial and Private Banking as well as Insurance, Asset Management and Investor Services activities.

The **Public and Wholesale Banking** model will be revisited in order to take account of the current market environment and the Group's funding capacities. The Group will now focus on markets combining:

- strong commercial franchises with direct client relationships and significant cross-selling opportunities;
- appropriate stable or long-term domestic funding base;
- attractive returns based on a low risk "local authority" type of environment.

The application of these three criteria has resulted in a significant geographical reorientation:

- confirmation of the commercial franchise in France, Belgium and Luxembourg, as well as in Italy and in the Iberian Peninsula;
- in Japan, Germany and Switzerland, maintenance of establishments to retain platforms for access to funding sources, in particular the German *Pfandbriefe*, but without any commercial development;
- significant reduction of activities in the United Kingdom and North America;
- discontinuation of activities in Australia, Eastern Europe (excluding Dexia banka Slovensko), Mexico, India and Scandinavia.

Beyond the geographical redeployment of its activities, Dexia aims to redeploy the commercial development of this business line, in order to enlarge the range of products and services to customers. This approach, which is already largely effective in Belgium, will enable the Group to go beyond its role of specialist lender in order to offer a better service to a broader customer base.

The ongoing financial crisis does neither question our clients' solvency nor their financing needs. And Dexia remains – on its core markets – a major player in public and infrastructure finance, the financing of the health and social housing sectors, and social economy.

Dexia **Retail and Commercial Banking** activities have demonstrated good resilience during the crisis and have supported the overall liquidity of the Group.
Dexia will continue to develop attractive retail, private and commercial banking franchises in Belgium, Turkey, Luxembourg and Slovakia, with stronger focus on attracting customer deposits.
Certain developments in retail and private banking not offering attractive return patterns in a context of global liquidity crisis will be discontinued.

Reduction of costs and adaptation of jobs

The ambition of the Dexia Group is to reduce its cost base by 15% in three years. It reflects the efforts made by the Group to adapt its organization and its commercial product range in a crisis context. From 2009, the impact of the savings plan on the financial statements will be in the order of EUR 200 million.
The review and reorientation of activities will also be accompanied by an overall workforce reduction plan, involving some 900 job losses for the entire Group in 2009.

Corporate governance

Introduction: The Corporate Governance Charter of Dexia SA

The Belgian Code of corporate governance, which replaces the recommendations made on this issue by the Banking, Finance and Insurance Commission, the Federation of Enterprises in Belgium and Euronext Brussels became effective on January 1, 2005. The Belgian Code of corporate governance contains nine mandatory principles for publicly traded companies. Dexia intends to respect 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 Belgian Code of corporate governance and on any adaptations for the existing situation at Dexia.
The work of this committee resulted notably 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.
At its meeting on November 13, 2008, the Board of Directors of Dexia SA amended its internal rules in order to strengthen its governance even more.
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 five 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, responsibilities and operating modes of the decision-making entities, which consist of the shareholders' meeting, the Board of Directors and the Management Board. The internal rules of the Board of Directors and of the Management Board are also provided in their entirety. This part of the Charter also describes the competences of general management at Group level, and the central functions of 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" part of this section contains information relating to internal audit, professional ethics and compliance. The "external control" section deals with the Statutory Auditor's tasks 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 Belgian Code of corporate governance, in this chapter of the annual report of Dexia SA.
Pursuant to the Belgian Code of corporate governance, 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 relation

SHAREHOLDER BASE

The following table shows the principal shareholders of Dexia SA (as of December 31, 2008):

Name of shareholder	Percentage of Dexia SA's existing shares held as of December 31, 2008
Caisse des dépôts et consignations	17.61%
Holding Communal	14.34%
Arco Group	13.92%
Belgian federal government through Société fédérale de participations et d'investissement	5.73%
French government through Société de prise de participation de l'État	5.73%
Ethias Group	5.04%
CNP Assurances	2.97%
Flemish Region through Vlaamse Toekomstfonds	2.87%
Walloon Region	2.01%
Brussels-Capital Region	0.86%

As of December 31, 2008, Dexia SA directly or indirectly held 0.02% of own shares. Members of staff of the Dexia Group held 2.06 % of the company's capital.
At that same date, and to the knowledge of the company, no individual shareholder, with the exception of Arco Group, Holding Communal, Caisse des dépôts et consignations, Ethias

Group, Société de prise de participation de l'État and Société fédérale de participations et d'investissement held 3% or more of the capital of Dexia SA.
In addition, the directors of Dexia SA held 58,808 shares in the company as of December 31, 2008.

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 98).
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 website, 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 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 2008, management chaired a meeting of shareholders on May 15 at the Maison de la Chimie in Paris. The French shareholders in the regions were not forgotten as Dexia met them in September on the occasion of a meeting held in Strasbourg and organized in partnership with a major investment journal. 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. Indeed in 2008, Dexia met numerous shareholders in Marseilles, Lyons, Bordeaux and Lille.
Every year, Dexia is also present at the Actionaria convention. This important exposition, which is designed for savers and held in Paris, attracts thousands of visitors over a 2-day period and gives Dexia the opportunity to engage in direct dialogue with its shareholders.
Individual Belgian shareholders were also informed, with meetings organized in Aalst, Bruges, Liège and Namur.

Information media
Dexia publishes a *Letter to the shareholders* in French and Dutch twice 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 *Letter to the shareholders* issues are sent to club members and to shareholders who request it. They are also available on the website.
The *Dexia Annual Report* is available in three languages: French, English and Dutch. Dexia also publishes two quaterly financial reports and one half-year financial report 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, France and Luxembourg; with information provided by the toll-free number; in an invitation to attend the 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 94,074 visitors in a month, up 14.4% compared to 2007 the website *www.dexia.com* confirmed in 2008 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 2008, its homepage "You are a shareholder" received almost 97,100 visits, i.e. a 12.7 % increase in visit frequency compared to 2007.
The site provides access to the Group's main publications such as annual and quarterly reports, as well as press releases and information letters to shareholders.
In English, French and Dutch, the trilingual Dexia site is consulted for the most part by European surfers, mainly Belgian and French.

The European Advisory Board 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.
In 2008, the Advisory Board met on March 17 to deal with the Group's annual financial statements. The Board also worked on the reshaping of the *Shareholders' Guide*, a new version of which was published in 2008.
Finally, one of the Board's members spoke to the shareholders' meeting and reported on the work of the Board during the previous year.

Telephone information service for shareholders
The service is available in France free of charge, Monday through Friday, from 9 am until 7 pm at 0800 355 000. 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 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 16% 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 financial reports, annual 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 2008, there was a wealth of financial news from Dexia, which resulted in the preparation of 57 publications, including 3 financial reports, 2 quarterly financial reports, 1 half-year financial report, 1 general presentation, 14 ad hoc presentations and 36 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 2008, the Management of the Group, assisted by the Investor Relations team, met several hundred investors in 16 countries and 25 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. In accordance with this regulation, Dexia SA has decided since 2003 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.

MANAGEMENT REPORT

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 information" on the Dexia website. This same policy of transparency for shareholders and institutional investors is also found in the Corporate Governance Charter of Dexia SA.

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, 2008) (1)

The articles of association of Dexia SA stipulate that the Board is composed of between sixteen and twenty directors.
As of December 31, 2008, the Board of Directors was composed of seventeen members.
Its composition also respects the French and Belgian statutory nature of Dexia SA. Indeed, the Board has as many Belgian members as it has French members and each nationality represents at least one third of the Board.

*(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
JEAN-LUC DEHAENE *Independent director* 68 years old Belgian Director since 2008 Holds 700 shares	Chairman of the Appointment and Compensation Committee, Chairman of the Strategy Committee	**2008-2013**	Chairman of the Board of Directors, Dexia SA	Politician who exercises different governmental and parliamentary functions. Chairman of the Board of Directors of the College of Europe Vice-Chairman of the European Convention Director: • Inbev • Lotus Bakeries • Umicore • Trombogenics • Novovil Companies belonging to the Dexia Group: • Chairman of the Board of Directors of Dexia Crédit Local • Vice-Chairman of the Board of Directors of Dexia Bank Belgium • Director of Dexia Banque Internationale à Luxembourg	Doctor of Law from the University of Namur and the K.U. Leuven. He started his professional activities as Association Secretary to the Flanders' Scouting Federation (Vlaams Verbond van Katholieke Scouts) and became in 1965 member of the Research Department of the Christian Workers' Union (ACW). He started his political career in 1967, occupying several parliamentary and governmental functions at federal and European level.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
PIERRE MARIANI 52 years old French Director since 2008 Holds no Dexia share	Member of the Strategy Committee	**2008-2013**	Chief Executive Officer Chairman of the Management Board of Dexia SA	Companies belonging to the Dexia Group: Director: • Dexia Bank Belgium • Dexia Crédit Local • Dexia Banque Internationale à Luxembourg	Graduate in law, former student of the Hautes études commerciales and the École nationale d'administration (ENA). Between 1982 and 1992 he occupied various functions in the Ministry of Economy and Finance. In 1993 he was appointed Director of the Cabinet of the Budget Minister, government spokesman, and head of communication. In 1995 he was appointed Managing Director of the Société française d'investissements immobiliers et de gestion, a real estate company in the Fimalac Group. In 1996, he was appointed Managing Director and member of the Management Board of Banque pour l'expansion industrielle (Banexi), the commercial arm of BNP, of which he became Chairman of the Management Board in 1997. In 1999, he was appointed head of International Retail Banking and, from 2003, head of Financial Services and International Retail Banking of the BNP Paribas Group. He was appointed Deputy Managing Director in 2008 jointly responsible for Retail Banking activities and for the International Retail Services of BNP Paribas.
GILLES BENOIST *Independent director* 62 years old French Director since 1999 Holds 300 Dexia shares	Chairman of the Accounts Committee, Chairman of the Internal Control, Risks and Conformity Committee	**2006-2010**	Managing Director, CNP Assurances	Member of the Management Board of the Group Caisse des Dépôts Chairman of the Fédération française des sociétés anonymes d'assurance Director and member of the strategy commitee of Suez Environnement Company SA	Law degree. Graduate of the Institut d'études politiques de Paris (IEP) and of the École nationale d'administration (ENA). After having been a member of the Management Board and General-Secretary of Crédit local de France since 1987, General-Secretary and member of the Executive Board of Caisse des dépôts et consignations from 1993 onwards, he became Chairman of the Management Board of CNP Assurances on July 9, 1998; he was appointed Managing Director when the company's corporate governance was changed on July 10, 2007.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
BRUNO BÉZARD 45 years old French Director since 2008 Holds no Dexia share	Member of the Internal Control, Risks and Conformity Committee, Member of the Strategy Committee	**2008-2013**	Managing Director of the Agence des participations de l'État (APE)		Graduate from the École Polytechnique and the École nationale d'administration (ENA). He is Inspector General of Finances and occupied various international and internal posts with the French Treasury and Ministerial Office. Since July 2002 he has been involved with companies in which the French government took a holding, and took part in the creation of the Agence des participations de l'État (APE), of which he has been Managing Director since February 2007.
AUGUSTIN DE ROMANET DE BEAUNE 47 years old French Director since 2007 Holds no Dexia share	Member of the Appointment and Compensation Committee, Member of the Strategy Committee	**2007-2011**	Managing Director of the Caisse des dépôts et consignations	Director: • Accor • CDC Entreprises • CNP Assurances • Icade • Veolia Environnement Chairman of the Supervisory Board of the Société nationale immobilière Chairman of the Board of Directors of the Fonds stratégique d'investissement	Graduate of the Institut d'études politiques de Paris (IEP) and of the École nationale d'administration (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
DENIS KESSLER *Independent director* 56 years old French Director since 1999 Holds 15,285 Dexia shares	Member of the Appointment and Compensation Committee	**2006-2010**	Chairman and Managing Director, SCOR SE	Chairman: • SCOR Global P&C SE • SCOR Global Life US reinsurance Company (US) • SCOR Global Life reinsurance company of Texas (US) • SCOR Holding (Switzerland) AG • SCOR Reinsurance Company (US) • SCOR US Corporation (US) Director: • BNP Paribas SA • Bolloré • Dassault Aviation • Fonds stratégique d'investissement • Invesco Ltd (US) • SCOR Canada Reinsurance Company • SCOR Global Life SE Chairman of the Supervisory Board of SCOR Global Investments SE	University Professor of Economics and Social Sciences, Doctor of Economics, graduate of the École des hautes études commerciales. Today he is a member of the Conseil du Siècle and of the Cercle de l'Orchestre de Paris, Vice-Chairman of the Reinsurance Advisory Board, 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.
CATHERINE KOPP *Independent director* 58 years old French Director since 2008 Holds 250 Dexia shares		**2008- 2012**	Managing Director Human Resources of the Accor Group	Director of Schneider Electric	After studying mathematics, she worked for the IBM Group, where she held several management positions (human resources, marketing and sales) before becoming Managing Director and later Chairman and Managing Director of IBM France. From 2001 to 2002, she was head of Human Resources of the LVMH Group. Since 2002, she has been Managing Director Human Resources of the Accor Group and member of the Executive Committee. Catherine Kopp is also member of the Board of Directors of Schneider Electric. In 2006, the French Prime Minister appointed her member of the High Authority for the Fight Against Discriminations and Equality. Within the Mouvement des Entreprises de France (MEDEF) she led the cross-sector negotiations on Diversity (2006) and on Modernization of the Labor Market (2006), which both resulted in an agreement. Catherine Kopp is Knight of the National Order of the Legion of Honor and Knight of the National Order of Merit.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
SERGE KUBLA 61 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* 71 years old French Director since 2000 Holds 38,000 Dexia shares	Member of the Accounts Committee and of the Strategy Committee	**2006-2010**	Emeritus Associate Professor, Université Paris-Dauphine	Director: • SCOR • Institut français des relations internationales (IFRI) • Fondation C.genial Member of the Supervisory Board of Paris Orléans Chairman: • Fondation du Risque • Institut Louis Bachelier	Graduate of the École 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 59 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 of Whestia SA Member of the Board of Directors and of the Compensation Committee of SOGEPA SA Member of the Board of Directors and Vice-Chairman of the Société wallonne du logement Federal member of the Conseil supérieur de l'emploi	PhD in applied economic sciences, author of studies and scientific articles.
ALAIN QUINET 47 years old French Director since 2008 Holds no Dexia share	Member of the Internal Control, Risks and Conformity Committee	**2008-2013**	Head of Finances and Strategy and member of the Management Board of the Group Caisse des Dépôts	Director: • Accor • CDC Infrastructure (chairman) • CDC International • CNP Assurances • Eiffage • Fonds stratégique d'investissement • Société forestière de la CDC • ICADE • Transdev Managing director: • CDC Entreprises Capital Investissement • Financière Transdef Member of the Supervisory Board: • Compagnie des Alpes • Compagnie nationale du Rhône Other function in the Dexia Group: • director of Dexia Crédit Local	Graduate of the Institut d'études politiques de Paris and former student of the École nationale d'administration (ENA). He is Inspector General of Finances. He starded his career in 1988 as an economist in the forecast department of the French Ministry of Economy, Finance and Industry where he occupied several posts until 2002. In the meantime, he also occupied the post of economist with the OECD (from 1992 until 1994), then was head of the macroeconomic research department of the French National Bank (from 1997 until 1999). In 2002, he was appointed Economic Advisor to the Prime Minister. In 2005 he was appointed as Deputy Head of Economic Matters in the Prime Minister's Office. In 2008, he joined the Group Caisse des Dépôts and in June 2008 he was appointed head of Finance and Strategy and member of the Management Board.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
JAN RENDERS 59 years old Belgian Director since 2003 Holds no Dexia share		**2008-2012**	General Chairman of ACW	Chairman of the Board of Directors: • Hoger Instituut voor de Arbeid (HIVA) • Arcopar • Arcofin • Sociaal Engagement – cvba with social purpose • 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 of Huis van de Arbeid vzw	Graduate in sociology. He started his career in 1972 as Advisor in the Research Department of the ACV. In 1990, he was appointed National Secretary of ACW and in 1997 Deputy General-Secretary. He was appointed General Chairman in 2002.
FRANCINE SWIGGERS 56 years old Belgian Director since 2007 Holds no Dexia share	Member of the Appointment and Compensation Committee Member of the Strategy Committee	**2008-2012**	Chairman of the Management Board, Arco Group	Chairman of the Management Board: • Arcoplus • Auxipar • Arcosyn • Interfinance • Procura vzw Director: • Arcopar • Arcofin • De Warande vzw • Hogeschool Universiteit Brussel Director and member of the Audit Committee: • VDK Spaarbank • Aquafin Other function in the Dexia Group: • director of Dexia Crédit Local • director of Dexia Bank Belgium (as from January 30, 2009)	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.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
MARC TINANT 54 years old Belgian Director since 2001 Holds 100 Dexia shares	Member of the Accounts Committee, Member of the Internal Control, Risks and Conformity Committee	**2006-2010**	Vice-Chairman of the Management Board and director of Arcofin	Vice-Chairman of the Management Board and director: • Arcoplus • Auxipar • Arcopar • Arcosyn Chief Executive Officer and Vice-Chairman of the Board of Directors of EPC Director: • Retail Estates (Sicafi listed in Brussels) • SRIW (Walloon Regional Investment Company) • Interfinance • Mediabel • SOFADI • SOFATO ASBL • SYNECO ASBL • Euro Villages Ardennes • Pauls Chief Executive Officer and director: • FINEXPA • CETS ASBL Member of the Financial Committee of the Université catholique de Louvain (UCL)	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.
BRIAN UNWIN *Independent director* 73 years old British Director since 2000 Holds no Dexia share		**2006-2010**	Chairman of Assettrust Housing, Limited	Chairman of the European Centre for Nature Conservation Director of the Federal Trust for Education & Research	Studied at Oxford and Yale. Former diplomat also worked for the Chancellor of the Exchequer and on the Prime Minister's staff in the United Kingdom. He became President of the European Investment Bank in 1993. Honorary President since 2000.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS	BIOGRAPHY
KOEN VAN LOO 36 years old Belgian Director since 2008 Holds 1,073 Dexia shares	Member of the Internal Control, Risks and Conformity Committee, Member of the Strategy Committee	**2008-2013**	Managing Director and Member of the Strategy Committee of the Société fédérale de participations et d'investissement	Chairman of the Board of Directors of FEDIMMO Director and Member of the Audit Committee of SN Airholding Director: • Zephyr FIN • Certi-Fed • Bel to mundial vzw • Zilver Avenue Participatiemaatschappij nv	Graduate in Applied Economics and holds a post-graduate degree in Taxation. He began his career as a Deputy Advisor to the Conseil central de l'économie before joining the Office of the Belgian Minister of Finance as an expert in September 1999. In November 2000 he was appointed Advisor to the Cabinet and was then head of the Cabinet from May 2003 until November 2006. He was then appointed Managing Director and Member of the Strategy Committee of the Société fédérale de participations et d'investissement.
FRANCIS VERMEIREN 72 years old Belgian Director since 2004 Holds 3,100 Dexia shares	Member of the Appointment and Compensation Committee, Member of the Strategy Committee	**2005-2009**	Mayor of Zaventem	Chairman of the Board of Directors of 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 Appointment and Compensation 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 Appointment 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 Appointment and Compensation 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 Appointment and Compensation 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

Periodically, 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 Belgian Code of corporate governance also stipulates that non-executive directors of the company are to conduct a regular assessment of their interactions with the 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 February 28, 2008, in connection with setting the Chief Executive Officer's compensation for the 2007 fiscal year (variable portion) and for the 2008 fiscal year (fixed compensation, setting the system for calculating the Chief Executive Officer's variable compensation in 2008, and the distribution of stock options in 2008).

Changes in the composition of the Board of Directors of Dexia SA in 2008

During the 2008 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 14, 2008:

• the definitive appointment as director, for a new mandate of four years to expire at the end of the 2012 Ordinary Shareholders' Meeting of Dexia SA, of Francine Swiggers, appointed provisionally by the Board of Directors to replace Rik Branson, resigning;

• the resolution to proceed with the renewal of the mandate of Jan Renders as a director for a four-year term to expire at the end of the 2012 Ordinary Shareholders' Meeting of Dexia SA;

• the definitive appointment as a director, for a new mandate of four years to expire at the end of the 2012 Ordinary Shareholders' Meeting of Dexia SA, of Catherine Kopp, appointed provisionally by the Board of Directors to replace Anne-Marie Idrac, resigning.

2. At its meeting on October 7, 2008, the Board of Directors unanimously co-opted Jean-Luc Dehaene and Pierre Mariani as directors, with immediate effect, to replace Pierre Richard and Axel Miller, resigning.

Jean-Luc Dehaene was appointed with immediate effect as Chairman of the Board of Directors to replace Pierre Richard.

Pierre Mariani was appointed with immediate effect as Chief Executive Officer and Chairman of the Management Board, to replace Axel Miller.

Their definitive appointment will be submitted to the 2009 Ordinary Shareholders' Meeting of Dexia SA.

3. At its meeting on October 20, 2008, the Board of Directors decided to co-opt Bruno Bézard, Alain Quinet and Koen Van Loo as directors with immediate effect, to replace Jacques Guerber, Dominique Marcel and Guy Burton respectively, resigning.

Their definitive appointment will be submitted to the 2009 Ordinary Shareholders' Meeting of Dexia SA.

4. At its meeting on January 29, 2009, the Board of Directors noted the resignation of Fabio Innocenzi taking effect on December 8, 2008.

New directors

As indicated above, during the financial year 2008 five new directors were appointed, namely Jean-Luc Dehaene, Pierre Mariani, Bruno Bézard, Koen Van Loo and Alain Quinet.

• Jean-Luc Dehaene, Doctor of Law from the University of Namur and the K.U. Leuven started his professional activities as Association Secretary to the Flanders' Scouting Federation (Vlaams Verbond van Katholieke Scouts) and became in 1965 member of the Research Department of the Christian Workers Union (ACW). He began his political career in 1967, occupying parliamentary and governmental functions at federal and European level.

• Pierre Mariani, a graduate in Law, is a former student of the Hautes études commerciales and the École nationale d'administration (ENA). Between 1982 and 1992 he occupied various functions in the Ministry of Economy and Finance. In 1993, he was appointed director of the Cabinet of the Budget Minister, government spokesman, and head of communication. In 1995, he was appointed Managing Director of the Société française d'investissements immobiliers et de gestion, a real estate company in the Fimalac Group. In 1996, he was appointed Managing Director and member of the management board of the Banque pour l'expansion industrielle (Banexi), the commercial bank of BNP, of which he became Chairman of the management board in 1997. In 1999, he was appointed Head of International Retail Banking and, from 2003, Head of Financial Services and International Retail Banking of Goupe BNP Paribas. He was appointed Deputy Managing Director in 2008, jointly responsible for Retail Banking activities and for the International Retail Services of BNP Paribas.

• Bruno Bézard is a graduate of the École Polytechnique and the École nationale d'administration (ENA). He is Inspector General of Finances and occupied various international and internal posts with the French Treasury and Ministerial Office. Since July 2002 he has been involved with companies in which the French government took a holding (Société de prise de participation de l'État) and took part in the creation of the Agence des participations de l'État (APE) of which he has been Managing Director since February 2007.

• Koen Van Loo is a graduate in Applied Economics and holds a post-graduate degree in taxation. He began his career as a Deputy Advisor to the Conseil central de l'économie before joining the Office of the Belgian Minister of Finance as an expert in September 1999. In November 2000, he was appointed Advisor to the Cabinet and was then head of the Cabinet from May 2003 until November 2006. He was then appointed Managing Director and member of the strategy committee of the Société fédérale de participations et d'investissement.

• Alain Quinet is a graduate of the Institut d'études politiques de Paris, and a former student of the École nationale d'administration (ENA). He is Inspector General of Finances. He started his career as an economist in the forecast department of the French Ministry of Economy, Finances and Industry where he occupied several posts until 2002. In the meantime he also occupied the post of economist with the OECD (from 1992 until 1994) then was head of the macroeconomic research department of the French National Bank (from 1997 until 1999). In 2002, he was appointed Economics Advisor to the Prime Minister. In 2005, he was appointed Deputy Director of the Prime Minister's Office of Economic Affairs. In 2008, he joined the Group Caisse des Dépôts and in June 2008 he was appointed head of Finances and Strategy and a Member of the Management Board.

Independent members of the Board of Directors

With just a few exceptions, the criteria retained in 2004 by the Board of Directors of Dexia SA (based both on the Belgian Company Code and on the French principles of governance recommended in the report by the working party of Medef (Mouvement des Entreprises de France) and AFEP (Association française des entreprises privées) in 2002) were identical to those recommended in the Belgian code of corporate governance.
In 2007, the Board of Directors decided to align them as a whole to the criteria defined in the Company Code and the Belgian and French Codes of corporate governance.
The Law of December 17, 2008 in particular establishing the Audit Committee in listed companies and in financial companies has strengthened the minimum legal criteria of independence, and replaced the criteria contained in the Belgian Code of corporate governance. This law expressly provides that directors who qualified as independent under the former independence criteria may continue to sit on the Board of Directors as independent directors until July 1, 2011.
On January 29, 2009, the Board of Directors decided to adapt the independence criteria retained by Dexia SA in relation to the new legal criteria contained in Article 526*ter* of the Company Code. As a consequence, the independence criteria applied by Dexia SA to its directors are as follows.
1. For a period of five years preceding their appointment as independent director, they may not have exercised a mandate or occupied a post as director, manager, member of the Management Board, Chief Executive Offcer, member of management staff, executive or member of staff of Dexia SA or of a company or a person associated with it or within its scope of consolidation.
2. The independent director may not have sat on the Board of Directors of Dexia SA as non-executive director for more than three successive mandates without that period exceeding twelve years: the loss of status as independent director at the end of that period of twelve years shall not hamper the renewal of the mandate as non-independent director.

3. The independent director may not, whether in Dexia SA or in a company associated with it, have a spouse or a person with whom they legally cohabit, parent, or relative up to twice removed performing a mandate as director, manager, member of the Management Board, Chief Executive Officer, member of management staff, executive or person referred to in one of the points 1 to 10.

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 mandate as director.

6. The independent director may not have entered into or maintained a significant business relationship with the company or with a company or person associated with it over the last financial year, either directly or as a partner, shareholder, member of the Board of Directors or member of management staff of a company or person entering into such a relationship.

7. The independent director may not have been an auditor, partner or employee of a current or previous external auditor of Dexia SA or an associated company over the previous five years.

8. The independent director may not represent a controlling shareholder or one directly or indirectly controlling via companies he controls, more than 10% of the capital of Dexia SA. Deeds of disposal relating to their shares or the exercise of rights relating to them may not be subject to contractual provisions or unilateral undertakings to which the shareholder might have subscribed.

9. The independent director may not receive or have received any compensation or other significant advantage involving the assets of the company or a company or person associated with it outside percentages and fees received as 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.

Considering these criteria, the Board of Directors of Dexia SA has six independent directors as of December 31, 2008, confirmed by the Board of Directors meeting on January 29, 2009.

They are:
- Jean-Luc Dehaene;
- Gilles Benoist;
- Denis Kessler;
- Catherine Kopp;
- André Levy-Lang;
- 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 is to be noted that with the exception of Pierre Mariani, Chief Executive Officer, all the 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. 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 acquisitions and disposals of major assets.

Management control and risk management for the company
The Board of Directors controls and directs the management of the company and of 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 functions, 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 members of staff.
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 have been in existence since 1999 and which codify all the

rules intended to enable the Board of Directors fully to exercise its competences and to increase the effectiveness of the contribution made by each director, have evolved significantly since 2005. The latest amendments were adopted by the Board of Directors on November 13, 2008 with the aim of strengthening the Group's governance and risk monitoring. The Board of Directors in fact decided to adapt its internal rules to alter the tasks and composition of the specialist committees created within it.
The object of these amendments was, on the one hand, to alter the operation of the Audit Committee, which is now split into two committees: the Accounts Committee and the Internal Control, Risks and Conformity Committee. These two committees, which together form the Audit Committee within the meaning of the Law of December 17, 2008 in particular establishing an audit committee in listed companies and financial institutions, meet at least once a year. Each of them is subject to specific internal rules which have been approved by the Board of Directors on the proposal of the Appointment Committee.
On the other hand, the Appointment Committee and the Compensation Committee were merged into a single Appointment and Compensation Committee which combines all the former attributions of the two committees.

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 personæ*; 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 tasks of these specialist committees are clearly defined in the internal rules of the Board of Directors, and in the specific internal rules of the Accounts Committee and the Internal Control, Risks and Conformity Committee.

Conflicts of interest

Directors make sure that their participation in 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 participation in 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 Appointment and Compensation 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 included 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 the Dexia financial instruments, the internal rules stipulate that the directors declare the following to the Group Compliance Officer:

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

Before any transaction involving the Dexia financial instruments, the directors inform the Chief Compliance Officer of the transaction that they are planning to execute.
In any event, directors refrain from carrying out:

• any transaction on Dexia financial instruments for a period of 1 month prior to the publication of the financial results ("statutory restriction period");
• any transaction on Dexia financial instruments 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");
• during positive intervention periods, any transaction in the opposite direction to a transaction which they might previously have carried out within a period of six months of it, except the transfer of shares upon the exercise of options.

Board members also agree to hold the Dexia financial instruments 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 rules and restrictions relating to transactions on Dexia financial instruments described above are applicable to directors and to persons closely associated with them. They also apply to observers as defined in the articles of association of Dexia SA.
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 with financial instruments 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 2008 financial year

Attendance by Board members

The Board of Directors met twenty times in 2008. The directors' attendance rate at Board meetings was 86%.

ATTENDANCE RATE OF EACH DIRECTOR AT MEETINGS OF THE BOARD OF DIRECTORS

Jean-Luc Dehaene	100% (1)
Pierre Mariani	100% (1)
Gilles Benoist	100%
Bruno Bézard	100% (2)
Augustin de Romanet de Beaune	75%
Denis Kessler	85%
Catherine Kopp	79% (3)
Serge Kubla	85%
André Levy-Lang	95%
Bernard Lux	80%
Alain Quinet	33% (2)
Jan Renders	100%
Francine Swiggers	100%
Marc Tinant	100%
Brian Unwin	100%
Koen Van Loo	100% (2)
Francis Vermeiren	45% (4)

(1) In a total of 5 meetings.
(2) In a total of 3 meetings.
(3) In a total of 19 meetings.
(4) Francis Vermeiren was absent from 11 meetings due to ill health.

Activities of the Board of Directors

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

• evolution of the Dexia share price;

• Dexia Group budget for 2008;
• plan to acquire the Istrobanka bank in Slovakia;
• "Memorandum of Governance" established in accordance with the circular from the Banking, Finance and Insurance Commission relating to the proper governance of financial institutions;
• development of the activities of DenizBank two years after its acquisition;
• surveillance of dealing rooms;
• directors' independence criteria;
• composition of the Board of Directors and of specialist subcommittees within the Board;
• 2008 Dexia strategic review;
• discussion and consideration of the internal audit report in 2007 and approval of the audit plan for the year 2008;
• 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 2007;
• consideration of the report on risk assessment and surveillance in 2007;
• 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;
• shareholding plan for Group members of staff, as well as the stock option plan for 2008;
• strategy concerning the buyback program of own shares;
• strategy and development of Personal Financial Services activities;
• policy of Dexia concerning the implementation of Basel II norms and the capital ratios of Dexia under Basel II;
• minutes of meetings of specialist committees;
• financial crisis associated with subprimes on the US markets, evolution of the general environment of the financial markets and their impact on the activities of FSA and Dexia;
• capital increase on October 3, 2008 within the authorized capital;
• Dexia Group transformation plan, in particular the sale of FSA.

Conflicts of interest in 2008

As indicated previously, if a director has a financial 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 February 28, 2008, the Board considered the amount of compensation to be paid to members of the Management Board. Since Axel Miller and Jacques Guerber were at that time Chairman and Vice-Chairman of the Management Board respectively, they refrained (in compliance with Article 523 of the Company Code) from participating in the deliberations and vote by the Board of Directors on their own compensation.

At the meeting held on November 13, 2008, the Board looked into fixing the compensation of Jean-Luc Dehaene, Chairman of the Board of Directors, and Pierre Mariani, Chief Executive Officer and Chairman of the Management Board, who refrained (in accordance with Article 523 of the Company Code) from participating in the deliberations and vote by the Board of Directors on their own compensation.

Extracts from the minutes relating to the items on the agenda dealing, on the one hand, with Axel Miller and Jacques Guerber and, on the other hand, with Jean-Luc Dehaene and Pierre Mariani are reproduced below.

Extract from the minutes of the meeting of the Board of Directors of Dexia SA held on February 28, 2008

Report by the Compensation Committee

In the absence of Denis Kessler, Guy Burton presents the report from the Compensation Committee which met on February 22, 2008 in the presence of Denis Kessler, Pierre Richard, Brian Unwin, Axel Miller (except on the items relating to him) and Guy Burton. Also present were Nicolas Meire, Head of Human Resources of Dexia and, for part of the meeting, Marcel Rottiers, representing Towers Perrin.

[...]

Decisions relating to Axel Miller and Jacques Guerber

After discussion and considering the proposals drawn up by the Compensation Committee, the Board of Directors unanimously decides (without Axel Miller and Jacques Guerber regarding the items relating to them who declare their conflict of interests, and who do not take part in the deliberations or the vote in relation thereto) as follows.

Variable compensation of Axel Miller and Jacques Guerber for 2007

The Board of Directors decides to attribute Axel Miller and Jacques Guerber a variable compensation for the year 2007 as follows:

	Average % of the 3 components	*Maximum extent*	*Variable compensation 2007*
Axel Miller	*56%*	*EUR 1,856,250*	*EUR 1,039,500*
Jacques Guerber	*59.33%*	*EUR 1,024,000*	*EUR 607,573*

Fixed compensation of Axel Miller and Jacques Guerber for 2008

The Board of Directors decides not to alter the fixed compensation of Axel Miller and Jacques Guerber.

	Fixed compensation 2008
Axel Miller	*EUR 825,000*
Jacques Guerber	*EUR 640,000*

Principles of the variable compensation of Axel Miller and Jacques Guerber for 2008

Regarding the variable compensation of members of the Management Board, on March 1, 2007 the Board of Directors approved the principles of calculation based on 3 components, considering each 1/3 of the total result.

To recall:

- *a first Group component based on a formula associated with the results achieved by Dexia (gross operating income, underlying net income and total net income), likewise the relative evolution of the Price Earnings multiple of Dexia compared to banks in the EuroStoxx Banks Index;*
- *a second individual component based on the achievement of targets specific to each member of the Management Board in relation to their responsibilities;*
- *a third individual component based on the achievement of leadership and management targets, also specific to each member of the Management Board.*

For the Chief Executive Officer and the Vice-Chairman of the Management Board, the Group formula is applied to the first two components of their variable compensation.

2008 options

In line with the benchmark established by Towers Perrin, the Compensation Committee proposes that the Board of Directors authorizes the creation of performance options, each of the members of the Management Board being attributed a number of performance options equal to 20% of the number of classic options attributed to them for 2008 (except the Chief Executive Officer, for whom the Compensation Committee proposes a percentage equal to 30%).

As a consequence the Board of Directors decides to attribute the following number of options to Axel Miller and Jacques Guerber under the 2008 option plan:

	Number of classic options 2008	*Number of performance options 2008*
Axel Miller	*150,000*	*50,000*
Jacques Guerber	*70,000*	*14,000*

Extract from the minutes of the meeting of the Board of Directors of Dexia SA held on November 13, 2008

Report from the Compensation Committee

Denis Kessler presents the report from the Compensation Committee which met on November 10, 2008.

In application of Article 523 (1) of the Belgian Company Code, Jean-Luc Dehaene and Pierre Mariani declare their conflict of interests regarding the part of the report relating to them and refrain from taking part in the deliberations and vote in relation to their own compensation.

[...]

Decisions relating to Jean-Luc Dehaene and Pierre Mariani

The Board of Directors unanimously decides, less the abstention of Jean-Luc Dehaene who does not vote, that the compensation of the Chairman of the Board of Directors will be equal to double the compensation of another director, both in terms of fixed and of variable compensation in relation to attendance at Board meetings as well as its different specialist committees; Jean-Luc Dehaene will receive no percentage fee for his mandates within other entities of the Dexia Group.

The Board of Directors unanimously decides, less the abstention of Pierre Mariani who does not vote, to accept the proposals of the Compensation Committee in relation to Pierre Mariani as a member and Chairman of the Management Board of Dexia, namely:

- *fixed compensation of EUR 1,000,000 gross;*
- *variable compensation up to 225% of the fixed compensation with a core rate at 50% of 225%.*

Pierre Mariani will receive no percentage fees for his mandates within the other entities of the Dexia Group.

[...]

Compensation of the directors of Dexia SA for 2008

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 2008.
For that part of the Dexia transformation plan dedicated to cost control, the directors decided to reduce their compensation for 2009. At its meeting on January 29, 2009, the Board of Directors decided to grant each director a fixed annual amount of EUR 10,000 (= EUR 2,500 instead of EUR 5,000 per quarter, fixed compensation), and directors' fees (variable compensation) of EUR 2,000 per meeting of the Board of Directors or one of the specialist committees. These principles apply as from January 1, 2009.

Compensation paid to the Chairman of the Board of Directors

On November 13, 2008, the Board of Directors fixed the gross compensation of the Chairman of the Board on a proposal from the compensation committee on November 10, 2008. The emoluments of the Chairman of the Board of Directors will represent double the emoluments of another director, both for fixed and for variable compensation in relation to attendances at meetings of the Board of Directors and the different specialist committees. The Chairman will not receive fees for his mandates in other entities of the Dexia Group. This total amount is included in the aforementioned global compensation of directors.

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

(gross amounts in EUR)	BoD (fix. comp.)	BoD (var. comp.)	Strategy Committee	Audit Committee	Compensation Committee	Appointment Committee	Total 2008	Total 2007	Other Group entities 2008	Other Group entities 2007
P. Richard	300,000	0	0	0	0	0	300,000	400,000	0	0
J.-L. Dehaene	10,000	20,000	0	0	4,000	4,000	38,000	n.a.	0	0
A. Miller	0	0	0	0	0	0	0	0	0	0
P. Mariani	0	0	0	0	0	0	0	n.a.	0	0
G. Benoist	20,000	38,000	0	16,000	0	0	74,000	44,000	0	0
B. Bézard	0	0	0	0	0	0	0 (1)	n.a.	0	0
G. Burton	15,000	16,000	0	0	2,000	0	33,000	34,000	0	0
A. de Romanet de Beaune	0	0	0	0	0	0	0 (2)	0	0	0
J. Guerber	0	0	0	0	0	0	0	0	0	0
A.-M. Idrac	0	0	0	0	0	0	0	22,000	0	0
F. Innocenzi	20,000	22,000	0	0	0	0	42,000	26,000	0	0
D. Kessler	20,000	32,000	0	0	4,000	4,000	60,000	32,000	0	0
C. Kopp	20,000	28,000	0	0	0	0	48,000	n.a.	0	0
S. Kubla	20,000	32,000	0	0	0	0	52,000	34,000	22,500 (3)	16,875 (3)
A. Levy-Lang	20,000	36,000	2,000	14,000	0	0	72,000	38,000	0	0
B. Lux	20,000	30,000	0	0	0	0	50,000	30,000	22,500 (3)	22,500 (3)
D. Marcel	0	0	0	0	0	0	0 (2)	0	6,429 (4)	20,000 (4)
A. Quinet	0	0	0	0	0	0	0 (2)	n.a.	0	0
J. Renders	20,000	38,000	0	0	0	0	58,000	28,000	0	0
G. Schwertzer	10,000	6,000	0	0	0	0	16,000	34,000	61,973.38 (5)	61,973.38 (5)
F. Swiggers	20,000	38,000	2,000	0	0	4,000	64,000	7,000	14,143 (4)	19,500 (4)
M. Tinant	20,000	38,000	0	16,000	0	0	74,000	42,000	0	0
B. Unwin	20,000	38,000	0	0	4,000	0	62,000	38,000	0	0
K. Van Loo	5,000	6,000	0	0	0	0	11,000	n.a.	0	0
F. Vermeiren	20,000	16,000	2,000	0	0	4,000	42,000	38,000	0	0

(1) In accordance with Article 139 of the French Law on the new economic regulations, directors' fees for mandates performed by representatives of the French government are to be paid to the French government account. The directors' fees related to the mandate performed in 2008 by Bruno Bézard as a director of Dexia SA, amounting in total to EUR 11,000 (EUR 5,000 fixed compensation and EUR 6,000 variable compensation as a consequence of his participation in meetings of the Board of Directors) were paid to the French government account.
(2) Does not wish to receive directors' and other fees as a director of Dexia SA.
(3) Directors' and other fees obtained by virtue of a director's mandate within Dexia Bank Belgium.
(4) Directors' and other fees obtained by virtue of a director's mandate within Dexia Crédit Local.
(5) Directors' and other fees obtained by virtue of a director's mandate within Dexia Banque Internationale à Luxembourg.

Payment of social security contributions of some directors

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 increased social insurance protection.

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 as well as any new director who meets the required conditions. The amount of the contributions owed for the years 2000 to 2008 and paid by Dexia totaled EUR 121,040.69 in 2005, EUR 119,400.67 in 2006, EUR 54,579.65 in 2007 and EUR 39,177.54 in 2008.

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 make an in-depth examination of the files submitted to it, the Board of Directors created four specialist committees, namely:
- the Appointment and Compensation Committee, the result of the merger of the Compensation Committee and the Appointment Committee on November 13, 2008;
- the Strategy Committee;
- the Audit Committee which since November 13, 2008 has been divided into an Internal Control, Risks and Conformity Committee and an Accounts Committee. These committees are charged with preparing Board decisions, the latter remaining solely its responsibility. 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 eight 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 eight directors, including the Chairman of the Board of Directors, who chairs the committee, and the Chief Executive Officer.
Members of the Strategy Committee are (as of December 31, 2008):
- Jean-Luc Dehaene, Chairman of the Board of Directors, independent director, chairman of the committee (1);
- Pierre Mariani, Chief Executive Officer (2);
- André Levy-Lang, independent director;
- Francine Swiggers, director;
- Francis Vermeiren, director;
- Augustin de Romanet de Beaune, director;
- Koen Van Loo, director (3);
- Bruno Bézard, director (4).

Responsibilities (as of December 31, 2008)

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;

(1) Jean-Luc Dehaene was appointed chairman of the Strategy Committee on November 13, 2008 to replace Pierre Richard.
(2) Pierre Mariani was appointed member of the Strategy Committee on November 13, 2008 to replace Axel Miller.
(3) Koen Van Loo was appointed member of the Strategy Committee on November 13, 2008.
(4) Bruno Bézard was appointed member of the Strategy Committee on November 13, 2008.

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

Operation and activities in 2008

The Strategy Committee met once in 2008.

Attendance of each individual director at meetings of the Strategy Committee

The individual attendance rate of directors at meetings of this committee was 100% in 2008 except for Augustin de Romanet de Beaune and Axel Miller who were excused for the meeting on June 24, 2008.

Audit Committee

At its meeting on November 13, 2008 the Board of Directors decided to change the operation of the Audit Committee in order in particular to strengthen governance and risk monitoring. The committee was therefore split into two specialist committees: the Accounts Committee and the Internal Control, Risks and Conformity Committee. These two committees, which together form the Audit Committee, in accordance with the Law of December 17, 2008 in particular establishing an audit committee in listed companies and financial institutions, meet once a year. The Audit Committee consists exclusively of non-executive directors among which at least one independent director and a director competent in accounting and audit matters.

• The Accounts Committee

Composition

The Accounts Committee consists of three to five directors, all non-executive, including at least one independent director.

The Chairman of the Board of Directors may attend meetings of the Accounts Committee. The Chief Executive Officer may attend, but may not be a member of the Accounts Committee.

Members of the Accounts Committee are (as of December 31, 2008):

• Gilles Benoist, independent director and chairman of the committee;

• André Levy-Lang, independent director;

• Marc Tinant, director.

Responsibilities (as of December 31, 2008)

Regarding accounts and financial information

The Accounts Committee examines draft annual, half-yearly and quarterly social and consolidated financial statements of the Group, which must then be presented, adopted and published by the Board of Directors.

It examines all questions relating to those accounts and the financial statements and in particular, from the documents submitted to it, it checks the conditions of the establishment, the choice of accounting references, provisions, observance of prudential norms, the pertinence and consistency of the accounting principles and methods applied and the adequacy of the consolidation scope adopted.

It advises the Board of Directors regarding the financial communication of the quarterly results and regarding delicate and sensitive matters which might have a significant impact on the accounts.

Regarding external audit

The Accounts Committee ensures the adequacy of the external audit for the needs of the Group, and in that regard it ensures observance of the policy of independence of the auditors.

The Accounts Committee meets at least four times a year. Two of these meetings take place prior to the Board of Directors' meetings called to approve the annual and half-yearly and quarterly financial statements. The committee may meet at the request of one of its members, or the Chairman of the Board of Directors. The competences and the mode of operation of the Accounts Committee are described in the internal rules of that committee.

• The Internal Control, Risks and Conformity Committee

Composition

The committee consists of three to five directors, all non-executive, including at least one independent director. The Chairman of the Board of Directors may attend the Internal Control, Risks and Conformity Committee. The Chief Executive Officer may attend but may not be a member of the Internal Control, Risks and Conformity Committee.

Members of the Internal Control, Risks and Conformity Committee are (as of December 31, 2008):

• Gilles Benoist, independent director and chairman of the committee;

• Marc Tinant, director;

• Koen Van Loo, director;

• Bruno Bézard, director;

• Alain Quinet, director.

Responsibilities (as of December 31, 2008)

Regarding internal audit and risk management

The committee has the task of supervising the performance of the internal control system put in place by the Management Board and the risk management system regarding the risks to which the entire Group is exposed by virtue of its activities.

Regarding internal audit

The committee ensures the performance and the independence of the operations of the internal audit department, both for Dexia SA and the Group as a whole.

Regarding compliance

The committee ensures the performance and the independence of the operations of the compliance department.

The competences and operating mode of the Internal Control, Risks and Conformity Committee are described in the internal rules of that committee.

Operation and activities of the Audit Committee in 2008

The Audit Committee met eight times in 2008. In particular it dealt with the following subjects:

• the evolution of the financial markets crisis and its impact on Dexia and FSA;

• the Compliance Report 2007 and the compliance action plan 2008;

• the annual report on internal control 2007 and the audit plan 2008;

• the report on the operations of dealing rooms;

• the examination of the results for the fourth quarter and the full year 2007 and for the first, second and third quarters 2008;

• the state of implementation of the 2007 audit plan;

• reporting the activities of the Compliance activity line;

• the choice of accounting references.

Attendance of each individual director at meetings of the Audit Committee

The individual attendance rate of directors at meetings of this committee was 100% in 2008, except for André Levy-Lang whose attendance rate was 88%.

The Appointment and Compensation Committee

Composition

The Appointment and Compensation Committee consists of three to five non-executive directors including the Chairman of the Board of Directors and at least one independent director. The Chief Executive Officer may also attend meetings, but he may not be a member (since he is not a non-executive director).

The members of the Appointment and Compensation Committee are (as of December 31, 2008):

• Jean-Luc Dehaene, Chairman of the Board of Directors, independent director and chairman of the Committee [1];

• Denis Kessler, independent director;

• Francine Swiggers, director;

• Augustin de Romanet de Beaune, director;

• Francis Vermeiren, director.

Responsibilities (as of December 31, 2008)

Regarding compensation

The Committee proposes:

• 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.

It is consulted moreover on the policy of compensation and incentives to executives of the Group, as well as the policy regarding employee share plans. It also makes recommendations on the fees paid to directors and the allocation of those fees to directors.

In performing its tasks, the Committee conforms to the recommendations of the Belgian Code of Corporate Governance and the French Companies Code, and in particular to the recommendations of the AFEP (Association française des entreprises privées) and MEDEF (Mouvement des entreprises de France) published in October 2008 on the compensation of executives, social representatives of listed companies in France.

Regarding appointment

The Appointment 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 the independence criteria 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 operating mode of the Management Board of Dexia SA;

• amendments to the internal rules of the Board of Directors.

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

(1) Jean-Luc Dehaene was appointed Chairman of the Appointment and Compensation Committee on November 13, 2008 to replace Pierre Richard.

Operation and activities in 2008

The *Compensation Committee* met three times in 2008. In particular, it dealt with the following subjects:
- compensation of the Group's executives;
- publication in the annual report of information relating to the compensation of Group executives, in accordance with the Belgian Code of corporate governance;
- 2008 employee share plan;
- 2008 stock option plan.

The *Appointment Committee* met four times in 2008. In particular, it dealt with the following subjects:
- composition of the Board of Directors
- composition of the Management Board;
- composition of the specialist committees;
- qualification of independent directors;
- amendments to the internal rules of the Board of Directors.

Attendance of each individual director at meetings of the Compensation Committee and of the Appointment Committee

The individual attendance rate of directors at meetings of these committees was 100% in 2008.

THE MANAGEMENT BOARD OF DEXIA SA

Major changes occurred in the composition of the Management Board and in the mandates exercised by its members within the Group following decisions taken by the Board of Directors on November 13, 2008, in particular to simplify the decision-making process and to reduce the management team from ten to five members.

Composition

On December 31, 2008, the Management Board has five members and 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. 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.

Philippe Rucheton
Pascal Poupelle
Pierre Mariani
Stefaan Decraene
Claude Piret

COMPOSITION AS OF DECEMBER 31, 2008
Pierre MARIANI Chairman of the Management Board Chief Executive Officer
Stefaan DECRAENE Head of Retail and Commercial Banking Chairman of the Management Board of Dexia Bank Belgium SA
Pascal POUPELLE Head of Public and Wholesale Banking Chairman of the Management Board of Dexia Crédit Local SA
Philippe RUCHETON Chief Financial Officer
Claude PIRET Chief Risk Officer

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, it 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.

• Rules relating to the 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.

• Rules relating to 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 members of the Management Board is fixed by the Board of Directors of Dexia SA on proposals from the Compensation Committee. Their compensation is subject to periodic study by the Compensation Committee with the support of a specialist external consultant.

The compensation of members of the Management Board consists of a fixed and a variable portion.

The fixed compensation is determined considering the nature and importance of the responsibilities assumed by each (and taking account of market references for comparable positions).

The variable compensation of members of the Management Board, with the exception of the Chief Executive Officer, has three component parts.

• A first **Group** component based on a formula associated with the results achieved by Dexia SA, applicable identically to all those persons concerned in the Dexia Group. The formula is based on four indicators (underlying gross operating income, underlying net income, total net income and 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** component specific to each member of the Management Board in relation to their responsibilities. This component is assessed within the context of the performance management system by which a management contract is established for each member of the Management Board (except the Chief Executive Officer). This management contract fixes a series of tasks and targets to be achieved for the year 2008. Quarterly or half-yearly meetings are planned, as the case may be, between the Chief Executive Officer and the persons concerned to assess the achievement of those targets. In the majority of cases, the achievement of targets is measured in relation to performance indicators included in the management contract.

• A third **individual** component based on the achievement of personal targets specific to each member of the Management Board. These personal targets are fixed in relation to the internal Dexia leadership model. These targets are fixed and assessed by the Chief Executive Officer.

The variable compensation of the Chief Executive Officer has two component parts.

• A first **Group** component based on a formula associated with the results achieved by Dexia SA (as described above).

• A second **individual** component based on the achievement of personal targets. These personal targets are fixed in relation to the internal Dexia leadership model. For the Chief Executive Officer these targets are fixed and assessed by the Compensation Committee.

Each of these components gives rise to the application of a percentage, the target rate of which is situated at one half. A maximum extent of the variable compensation is fixed for each member of the Management Board, which means that each component represents between 0% and X% maximum of the fixed compensation.

For the year 2008, the members of the Management Board have proposed that they do not receive any variable compensation.

This proposal was accepted by the Compensation Committee and the Board of Directors on January 29, 2009.

The fixed and variable compensation of members of the Management Board constitutes a whole from which is deducted any directors' fee or percentage paid to a member of the Management Board by a company in the Dexia Group or by a third party company in which a mandate is exercised in the name or on behalf of Dexia.

From 2009 onwards, Dexia will conform to the criteria of decree No. 2009-348 which was approved in France on March 30, 2009, as well as to the regulations with regard to corporate governance that apply in France and Belgium.

Extralegal pensions

Some members of the Management Board receive a supplementary extralegal pension put in place by Dexia. Various schemes are applicable to each of these members:

• Claude Piret and Stefaan Decraene are entitled, subject to certain conditions, in particular a minimum career of 35 years, to a benefit equal to an annual retirement annuity, if they enter retirement, to an amount of 80% of a capped fixed compensation. In 2007, Dexia decided to close this supplementary extralegal pension scheme whilst maintaining the acquired and future rights of the persons affiliated prior to December 31, 2007.

• Pierre Mariani and Philippe Rucheton benefit from the new scheme of the extralegal pension plan for members of the Management Board under Belgian contracts. At the time of retirement, they will be entitled to the capital constituted by the capitalization of annual contributions. These represent a fixed percentage of a capped annual fixed compensation.

COMPENSATION AND OTHER BENEFITS RECEIVED BY CURRENT MEMBERS OF THE MANAGEMENT BOARD FOR THE YEAR 2008

(in thousands of EUR)	Gross fixed compensation (A) 2007	Gross fixed compensation (A) 2008	Gross variable compensation 2007	Gross variable compensation 2008	Pension plan (B)	Cover for death, disability, medical treatment	Other (C)
Pierre Mariani (as from October 7, 2008)	-	229.17	-	0	32.8	(D)	1.44 (E)
Stefaan Decraene (year 2008)	450	450	400.5	0	120.82	(D)	6.09 (E)
Pascal Poupelle (as from November 13, 2008)	-	62.50	-	0	-	(D)	-
Claude Piret (year 2008)	470	480	408.90	0	121.5	(D)	6.32 (E)
Philippe Rucheton (I) (as from December 15, 2008)	-	20.83	-	0	3.5	(D)	0.52 (E)

COMPENSATION AND OTHER BENEFITS RECEIVED BY FORMER MEMBERS OF THE MANAGEMENT BOARD WHO WERE NOT IN OFFICE ON DECEMBER 31, 2008 OR NO LONGER MEMBERS OF THE DEXIA MANAGEMENT BOARD SINCE NOVEMBER 13, 2008

(in thousands of EUR)	Gross fixed compensation (A) 2007	Gross fixed compensation (A) 2008	Gross variable compensation 2007	Gross variable compensation 2008	Pension plan (B)	Cover for death, disability, medical treatment	Other (C)
Axel Miller (until October 8, 2008)	825	636.50	1,039.50	0	192.2	(D)	24.71 (F) 825 (G)
Bruno Deletré (until July 3, 2008)	450	250	443.70	0	225 (H)	(D)	500 (G)
Dirk Bruneel	560	560	403.20	0	964.10	(D)	6.32 (E)
Xavier de Walque	500	500	485.00	0	109.2	(D)	6.32 (E)
Benoît Debroise	150	262.50	250	0	33.76	(D)	6.19 (E)
Alain Delouis	430	500	326.51	0	-	(D)	-
Marc Huybrechts	425	450	391.00	0	82.0	(D)	6.32 (E)
Rembert von Lowis	500	500	360.00	0	(B1)	(D)	-
Jacques Guerber	640	640	607.57	0	(B1)	(D)	-
Hugo Lasat	450	480	430.95	0	82.0	(D)	6.32 (E)

(A) For Pascal Poupelle, Jacques Guerber, Rembert von Lowis, Bruno Deletré and Alain Delouis "employer's" social contributions were paid, in addition to the amounts indicated in this section, by the Dexia Group. For the other members, no "employer's" social contribution was paid.
(B) Amount borne by Dexia in 2008 for the supplementary pension plans. B1: a total amount of EUR 2,181,422 was paid as supplementary extralegal pension. This contribution does not constitute an acquired benefit and relates to persons other than members of the Management Board.
(C) A company car is provided to each of the members of the Management Board for professional and private use. The associated costs are not included in the amounts indicated in this section.
(D) Annual collective premiums of EUR 262,352 were paid in 2008 in favor of Belgian members of the Management Board for additional cover for death, permanent disability and the costs of medical treatment and EUR 37,285.44 in favor of French members of the Board for obligatory and supplementary cover for death, permanent invalidity and medical costs.
(E) Lump-sum annual indemnity for costs of representation.
(F) Lump-sum annual indemnity for costs of representation and hire of a car for private use.
(G) The leaving indemnity to Axel Miller corresponds to a year of fixed salary. The leaving indemnity to Bruno Deletré corresponds to a year of fixed salary.
(H) This amount was paid to Bruno Deletré when he left Dexia and is aimed at compensating the absence of a supplementary pension plan for members of the Management Board who took up their posts on January 1, 2007.
(I) The Compensation Committee and the Board of Directors decided to grant Philippe Rucheton compensation for the loss of earnings resulting from his leaving his previous position at the end of the year. That compensation will be paid in 2009 up to an amount of EUR 500,000.

Stock option plan

Since its unification, the Dexia Group has each year put a stock option plan in place in favor of certain members of staff. The options issued for the plan are subscription rights giving the entitlement, during a limited exercise period, to acquire a new Dexia share at an exercise price equal to the value of the Dexia share at the time when the options are granted.
The members of the Management Board received Dexia options in the 2008 plan [1].

OPTIONS GRANTED TO THE CURRENT MEMBERS OF THE MANAGEMENT BOARD IN 2008

	2008						
	Date of offer	Nature of options	Number of options granted	Exercise price [2]	Start of exercise period	End of exercise period	Valuation
Pierre Mariani		Subscription options	0				
Stefaan Decraene	30/06/2008	Subscription options	50,000	10.09	01/01/2012	29/06/2018	1.72
Pascal Poupelle		Subscription options	0				
Claude Piret	30/06/2008	Subscription options	72,000 [3]	10.09	01/01/2012	29/06/2018	1.72
Philippe Rucheton		Subscription options	0				

OPTIONS GRANTED IN 2008 TO FORMER MEMBERS OF THE MANAGEMENT BOARD NO LONGER IN OFFICE ON DECEMBER 31, 2008 OR NO LONGER MEMBERS OF THE DEXIA MANAGEMENT BOARD SINCE NOVEMBER 13, 2008

	2008						
	Date of offer	Nature of options	Number of options granted	Exercise price [2]	Start of exercise period	End of exercise period	Valuation
Axel Miller	30/06/2008	Subscription options	200,000 [3]	10.09	01/01/2012	29/06/2018	1.72
Jacques Guerber	30/06/2008	Subscription options	84,000 [3]	12.65	30/06/2012	29/06/2018	0.8968
Dirk Bruneel	30/06/2008	Subscription options	60,000 [3]	10.09	01/01/2012	29/06/2018	1.72
Xavier de Walque	30/06/2008	Subscription options	84,000 [3]	10.09	01/01/2012	29/06/2018	1.72
Benoît Debroise	30/06/2008	Subscription options	30,000	10.09	01/01/2012	29/06/2018	1.72
Bruno Deletré	30/06/2008	Subscription options	70,000	12.65	30/06/2012	29/06/2018	0.8968
Alain Delouis	30/06/2008	Subscription options	84,000 [3]	12.65	30/06/2012	29/06/2018	0.8968
Marc Huybrechts	30/06/2008	Subscription options	72,000 [3]	10.09	01/01/2012	29/06/2018	1.72
Hugo Lasat	30/06/2008	Subscription options	84,000 [3]	10.09	01/01/2012	29/06/2018	1.72
Rembert von Lowis	30/06/2008	Subscription options	60,000 [3]	12.65	30/06/2012	29/06/2018	0.8968

(1) These are issued by the Board of Directors within the limits of the authorized capital. Dexia demonstrates the greatest transparency concerning the compensation of members of the Management Board and including the long-term profit-sharing schemes from which they benefit. Furthermore, the decisions taken by the Board of Directors in this regard are based on the competences devolved legally to the Board of Directors and the Shareholders' Meeting. As a consequence, in contrast to the recommendation of the Belgian code of corporate governance, Dexia does not think it necessary to submit to a prior vote by shareholders any long-term profit-sharing schemes from which members of the Management Board benefit, to the extent that the objectives of that recommendation are achieved by the procedure followed by Dexia.

(2) In Belgium, the exercise price is equal either to the closing price of the Dexia share on Euronext Brussels on the trading day preceding the offer or the average of the closing prices of the Dexia share on the Eurolist of Euronext Brussels during the thirty trading days preceding the offer.

In France, the exercise price may not be less than 95% of the average of the opening prices of the Dexia share on the Eurolist of Euronext Brussels during the twenty trading days preceding the offer.

(3) In 2008, performance options were introduced in addition to the so-called "classic" options (number of performance options is equal to 20% of the classic options).

Performance options will be definitively acquired on June 30, 2011 if and only if (i) the average Total Shareholder Return ("TSR") of Dexia is equal to or higher than the average TSR of the EuroStoxx Bank Index during the period from June 30, 2008 and June 30, 2011 and (ii) the beneficiary is still in office on that date.

The TSR corresponds to the return obtained by a shareholder who purchased the share at the beginning of a period (at a market value MVt) and resold it at the end of the period (at a market value MVt') in the meantime receiving dividends (D). The TSR measures the performance over the period in question and is one of the market indicators of value creation.

Employee shareholding plan

Since 2000, each year Dexia has put an employee shareholding plan in place. The plan is offered to all Group members of staff and enables them to subscribe to new Dexia shares at a discount of 20%, with a lock-up period of five years.
At its meeting on October 20, 2008, considering market conditions, Dexia's Board of Directors decided to defer implementation of the shareholding plan to a later date.

Conditions relating to departure

If Dexia terminates the contract binding him to Dexia, Pierre Mariani will be entitled to a single lump-sum amount of compensation to be determined in relation to the AFEP-MEDEF rules in force.
If Dexia terminates the contract binding them to Dexia, Stefaan Decraene and Claude Piret will be entitled to an amount of compensation equal to the fixed and variable compensation and other benefits corresponding to a period of 24 months.
If Dexia terminates the contract binding him to Dexia, Pascal Poupelle will be entitled to an amount of compensation calculated on the basis of agreements applicable within the company.
If Dexia terminates the contract binding him to Dexia, within twelve months of a change of control, Philippe Rucheton will be entitled to an amount of compensation equal to the fixed and variable compensation corresponding to a period of 18 months, notwithstanding the rules of Common Law which might 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 AUDIT

Internal Audit is an independent and objective activity with the task of giving the Dexia Group an assurance as to the degree of control of its operations, providing advice on improvements and contributing to the creation of added value. In accordance with the highest standards and consistently for all Dexia activities and entities, Internal Audit ensures the performance and effective application of the system of internal control in force.
Within that context, in particular Internal Audit assesses in its work whether the risks run by the Dexia Group in its various activities and in all its entities are adequately covered and that residual risks are in line with management's perception of them.
The strategy, the level of requirement and the operating rules of the Dexia Group Internal Audit are fixed by the Management Board of Dexia SA, within a framework approved by the Audit Committee(1) of the Board of Directors of Dexia SA which takes account of the requirements of legislations and local regulations or instructions from prudential control authorities.
The heads of audit departments in subsidiaries report hierarchically either to the Chairman of the local executive or to the Board of Directors, to the Supervisory Board or to the Audit Committee of the entity, and operationally to the General Auditor of Dexia SA.

The audit departments of the branches report hierarchically to the General Auditors of the entities to which they are attached.
Since January 1, 2007, the organizational structure of Internal Audit has been aligned to the organization by business lines and support functions of the Group in order:
• to offer a transversal view of risks, to ensure consistency of approach/theme and to create a network of key specialist contacts (correspondents) of a business line or support function;
• to proceed towards greater integration of existing audit teams and optimum management of means, to promote exchanges and the sharing of experiences.
To that end, a single audit plan was put in place and audits are now monitored by segment transversally for the entire Group. There are five of these segments and their heads were chosen in different entities of the Group.

(1) Consisting since November 13, 2008 of an Internal Control, Risks and Conformity Committee on the one hand, and an Accounts Committee on the other.

This single audit plan also facilitates the establishment of transversal tasks which give Group management a better view of the way in which it is organized.

This organization, by transversal segments, is superimposed on the pre-existing one, by entities, so as to retain the global view of risks per entity. Indeed, the General Auditors of Dexia SA, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg and Dexia Crédit Local continue to play a vital role as local interface with management and local regulators. They continue to ensure the adequate cover of all risks generated by the activities of their respective entities, their subsidiaries and branches. They are also associated with guiding the Dexia Group audit line, and they provide the human means necessary to perform audit tasks as the auditors remain employees of their respective entities.

In order to ensure the management and guidance of this integrated line, two structures, the Internal Audit Management Committee (IAMC) and the Internal Audit Executive Committee (IAEC), provide strategic supervision of the audit line.

Composed of the General Auditor of Dexia SA, its chairman and the General Auditors of Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg, the IAMC defines the methodology of the internal audit applicable in the Dexia Group, draws up the Group's global audit plan, defines the means, defines the segments and appoints segment heads.

The IAEC consists of the General Auditor of Dexia SA, its chairman, the General Auditors of Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg and the five segment heads as well as the head of Audit Process Management and Organization (formerly Planning, Tools and Reporting). This committee defines the scope of the audit and regularly updates it, validates the risk map prepared by each segment head, proposes the Group's global audit plan, sees to the optimum planning of the audit tasks, proposes the developments necessary in terms of means of the audit line, methodology and tools, defines the training policy for the audit teams, analyzes the results of the monitoring of the performance of the line and validates internal and external reporting.

The Audit Process Management and Organization unit, established within Dexia SA and the operating entities, has the role of providing support for the audit line. Its objectives are therefore to define and update methodology and the audit process, to manage audit planning, to prepare activity reports to management, to implement and maintain the tools necessary for the good operation of the audit line, to coordinate work with operational risk and compliance teams, to produce task performance indicators and to organize the auditor training plan and quality reviews in order to ensure the correct application of the audit method and processes.

2008 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 operating entities: Dexia Crédit Local, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg and DenizBank, as well as in certain of their subsidiaries/branches, depending upon the subjects tackled.

A good proportion of these tasks have been dedicated to various subjects associated with the adequacy of the internal control systems to market activities and in particular the correct supervision of dealing rooms following the fraud discovered at Société Générale in France.

Other transversal tasks relate to organization, risk management and control mechanisms providing the framework for the lines of activity of the principal business lines. Support functions (accounting, management control, IT, human resources) are subject to regular tasks under the ongoing year-on-year audit plan.

Finally, the financial crisis and the difficulties encountered by the Dexia Group resulted in the demand by Dexia management for a series of tasks outside the plan which were therefore added to the 2008 audit plan.

Moreover, as in 2007, almost 400 man-days, from Dexia SA and the operating entities, were allocated to tasks performed jointly with the auditors of DenizBank, in that entity and some of its subsidiaries.

The audit tasks performed in 2008 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.

COMPLIANCE

The Compliance Function is an independent and objective activity. It carries on its activities without influence, interference or restriction likely to affect its independence, its integrity, its impartiality and its objectivity.

The role and fields covered by the Compliance Function as well as the principles of governance undying the approach adopted by Dexia with regard to compliance are included in the Compliance Policy. The appearance of new regulations, the development of best practices and the evolution of the Dexia Group led to the updating of this Policy in 2008. The Policy, as amended, must be validated by the Board of Directors.

The compliance fields are as follows:
• the fight against money laundering and the financing of terrorism;
• market abuse and personal transactions;
• the integrity of the markets in financial instruments;
• integrity towards clients in all Dexia activities;
• data protection and professional secrecy;
• prevention of conflicts of interest;
• external mandates;
• the independence of the auditors;
• whistleblowing;
• prevention with regard to specific mechanisms (policy aimed at preventing specific mechanisms put in place for the purposes of tax evasion as provided, if such should be the case, by the applicable law);
• any other field indicated by the Management Board or the Board of Directors.

In the fields of competence listed above, the Compliance Function performs the following tasks.
• It analyzes legal and regulatory developments in order to anticipate and to assess possible consequences on Dexia activities. It ensures the correct interpretation of national and international legislation and regulations. It is also a first point of contact with the regulators.
• It identifies, analyzes and measures non-compliance risks and reputation risks which might arise from activities and financial products, in particular:
- existing activities and products;
- new activities/services;
- new products/segmentations;
- new entities;
- any new geographic perimeter.
• It provides assistance to business lines in the development and implementation of compliance procedures and other documents, for example compliance manuals, internal codes of conduct and practical guides. It assists and advises in order to ensure the correct interpretation and implementation as well as the observance of these procedures and other documents.
• It develops and provides compliance training programs, adapted to the needs of business lines, promoting an appropriate compliance culture and an awareness and understanding of standards, procedures and lines of conduct.
• It checks the fulfillment of compliance obligations, in particular taking account of risks incurred.
• To the extent that it is required by local regulations, it communicates with the financial regulators or any other competent authority about any suspect incident or transaction.
• It reports regularly to the respective management boards and audit committees on its activities and the status of any major failure.

Organization and positioning

The Compliance department at Dexia SA is divided into three sub-departments.
• *ALM and CTF Data Confidentiality and New Entities* is in charge, for the Compliance line, of defining and implementing the policies/procedures and tools necessary to counter money laundering and the financing of terrorism.
It is responsible for the gradual integration of the DenizBank Group into the Compliance line.
A Data Protection and Professional Secrecy Officer joined this team in 2008.
• The *Reporting, Tools and Methodologies* division provides methodological support to the entire line, and implements and manages the tools necessary for its operation (e-Room and the future integrated risk management tool). It prepares documents for monitoring/guiding the line for management (activity reports, action plans, Compliance risk maps).
• *TFM and Market Integrity* is responsible for transversal coordination of the prevention and monitoring of Compliance risks inherent in the Treasury and Financial Markets activity and is in charge of preventing market abuse, including the monitoring of transactions on Dexia and non-Dexia financial instruments for members of staff of Dexia SA. This division reviews fundamental documents (such as Compliance Policy and the Code of Professional Ethics) and draws up and implements policies/procedures relating to Compliance fields.
Finally, this unit manages (implements and monitors) Compliance projects relating to MiFID topics.
The Group Head of Compliance is responsible vis-à-vis the Management Board and reports directly to the Chairman of that Board. Since November 14, 2008, Compliance has been reported to the member of the Executive Committee of Dexia SA, in charge of Legal, Tax and Compliance functions.
Each Head of Compliance of an entity reports either operationally or hierarchically (depending upon the status – subsidiary or branch – of the entity) to the Head of Compliance for the level directly above and to the Chairman of the Management Board of his entity.

Guiding

The Dexia Group has a Compliance Committee the tasks of which are:
• to distribute competences within the Group in compliance within business lines and competence centers;
• to ensure an integrated approach is adopted.
Its composition reflects all the activities and/or business lines within Dexia.
Furthermore, there is periodic reporting by each Group subsidiary. A consolidated report is then drawn up and submitted to the Audit Committee.

Measures taken in 2008

During 2008, the field of intervention of the Compliance Function was subject to a detailed review in concert with key actors of the Internal Control mechanism of Dexia (Risk Management, Legal and Tax and Internal Audit).
Within this context, Compliance Policy and the Code of Professional Ethics were reviewed.
The new draft Compliance Policy was presented to and ratified by the Executive Committee of Dexia SA in July 2008. The following ratifying phases are in progress.
Moreover, an exercise was launched to map compliance risks. Its aim is to update the results of the map made in 2006 and to adapt the methodology to evolutions of the Group on the one hand, and compliance on the other. The exercise involves all the entities of the Group, business lines and local management. The results and conclusions of this mapping will serve as the basis for definition of the Compliance action plan for 2009.
Several activity lines of the Dexia Group involved in risk management have expressed the desire to be given tools (or to have existing tools replaced) for managing risks, monitoring action plans and recommendations, recovering incidents, Key Risk Indicators…
A coordinated project was implemented by the different activity lines concerned in 2008 and the objects of the solution retained are:

- optimizing the global process for managing the risks facing the Dexia Group on the exercise of its activities;
- improving the guidance of all risks by the departments concerned (link between recommendations and actions arising from them);
- improving transversal collaboration between these different actors through the implementation of an integrated tool to provide a view of all the recommendations made per entity, business line…;
- reporting adaptable to the recipient concerned.

A monitoring program on the themes introduced by the MiFID Directive was drawn up in line with a risk-based approach. To that end, a risk map was made on the principal MiFID themes, as follows.

- *Know your customer:* appropriate character, adequacy, client classification, investment profile.
- *Inform your customer*: management mandate contracts, financial and commercial promotion.
- Policy of best execution/best selection.

It is agreed that the methodology will be reviewed each year in the light of possible changes occurring in the organization/systems/processes.
The results (including those from monitoring "personal transactions") thus obtained will be consolidated from 2009 in ad hoc reporting.
As for guidance of the network of subsidiaries, the DenizBank action plan was progressively implemented by local teams and with the considerable involvement of Compliance teams from Dexia.

EXTERNAL CONTROL

Statutory Auditor

In accordance with Article 14 of the 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 shareholders' meeting for a maximum of three years on the recommendation of the Board of Directors.
Since January 1, 2008, the function of legal audit of the financial statements of Dexia SA has been performed by Deloitte – Reviseurs d'entreprises SC s.f.d. SCRL, a company represented by Messrs B. De Meulemeester and F. Verhaegen, Statutory Auditors, mandated to replace the previous auditors, for a term of three years, closing at the end of the Ordinary Shareholders' Meeting in May 2011.

Compensation of the Statutory Auditor

This table gives a summary of the compensation paid to the Statutory Auditor for its services in 2008 at Dexia SA and at the level of the whole Group.

DELOITTE (in EUR)	Services rendered to Dexia SA	Services rendered to the Dexia Group (consolidated amounts)
a) Audits of the financial statements	180,000	7,530,961 (1)
b) Certification work	297,200	355,227
c) Tax advice	94,500	180,382
d) Due diligence	-	12,650
e) Other work (not certification)	-	524,258
TOTAL	**571,700**	**8,603,478**

(1) This amount includes EUR 1,056,310 in fees relating to additional non-budgeted tasks.

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 reported 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 Comité des établissements de crédit et des entreprises d'investissement (France) and the Commission de surveillance du secteur financier (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 consolidated control of the Dexia Group. A copy of the protocol may be obtained from the company's corporate offices. The text of the protocol, which was slightly modified in 2003, is also available on the Dexia website (*www.dexia.com*).

Shareholder information

STOCK MARKET EVOLUTION IN 2008

2008 will go down in stock market annals as a very bad year. The S&P 500, the index most representative of the US stock market, posted its worst annual performance since 1931 (-38.5%).
For the Dexia share, 2008 began rather well, with the share outperforming the sector until mid-June, in part as a result of the well-received 2007 results. The results for the first quarter 2008, affected by the first FSA losses on US residential real estate, started to arouse doubts among investors. From June the share also suffered from the negative analysis of certain alternative managers regarding the future of FSA. Short-selling accentuated the phenomenon with daily exchanges reaching unprecedented levels.
Over the second half-year, the share suffered from the poor performances of FSA, the negative effect of the mark-to-market valuation of bond portfolios and from sector events. In fact, over the second half of September, several financial establishments disappeared from the board, creating a risk and liquidity situation particularly damaging to the Dexia share.
Against this negative background, the EuroStoxx Banks closed 2008 down almost 64%, the CAC 40 42.7% and the BEL20 53.8%. The Dexia share lost more than 80% in 2008.

The single order book

On January 14, 2009, Euronext introduced the single order book. As a consequence, the liquidity will be concentrated on one single trading line for all securities listed on its Amsterdam, Brussels and Paris cash markets.
The single order book introduces the concept of a "market of reference" for each security, for which objective criteria were developed in consultation with issuers and approved by Regulators. In the case of securities with a multiple listing within these markets, trading will take place on a single trading line, the designated market of reference. Although there will only be a single line, issuers may still choose to be listed on more than one Euronext marketplace in order to enhance their visibility, qualify for inclusion in local indices or have trading volumes and prices published in the national press.
The main benefits of a single order book for investors, issuers and customers are expected to result from an increase in the efficiency, size and liquidity of the market. In addition, cross-border trading will be easier and simpler as the markets are harmonized.

Following this reform, the market of reference for the Dexia share became Euronext Brussels. However the share is still listed on Euronext Brussels, Euronext Paris and on the Luxembourg Stock Exchange. This in no way alters Dexia's position in the CAC 40 index.

STOCK MARKET DATA

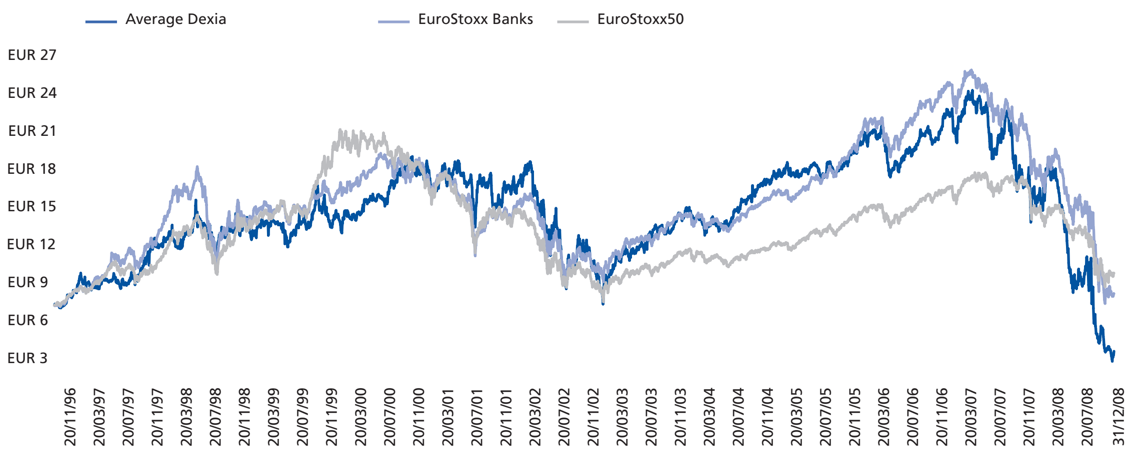
	December 31, 2007	December 31, 2008
Share price [1] (in EUR)	17.22	3.200
Stock market capitalization (in millions of EUR)	20,295	5,640

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

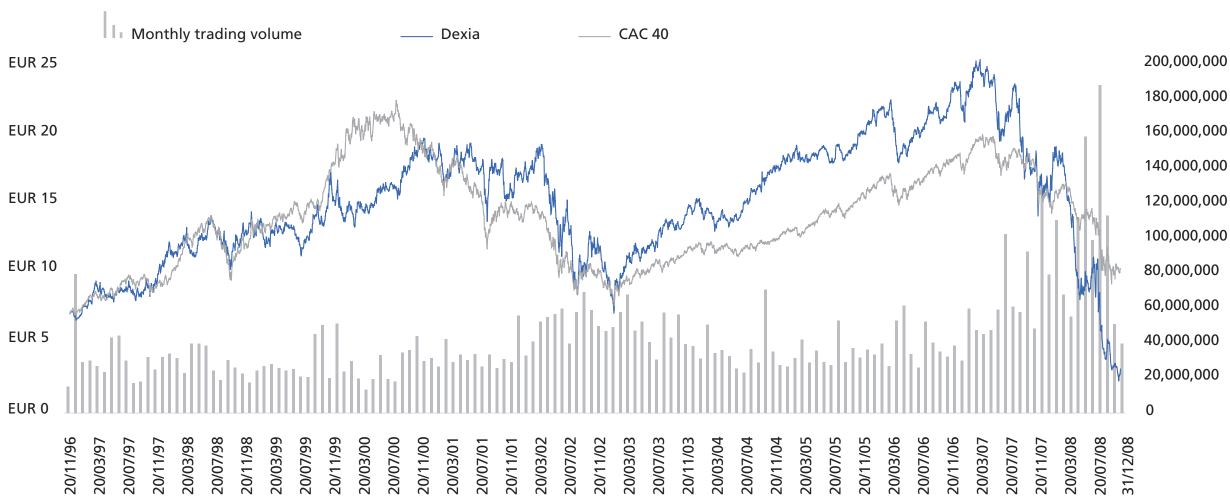
DEXIA'S STOCK MARKET PERFORMANCE

	Brussels	Paris
Share price as of Dec. 31, 2007 (in EUR)	17.23	17.21
Share price as of Dec. 31, 2008 (in EUR)	3.200	3.200
Highest price/Lowest price (in EUR)	18.86/2.261	18.86/2.275
Average daily trading volume (in millions of EUR)	67.004	54.603
Average daily trading volume (in thousands of shares)	5,712	4,762

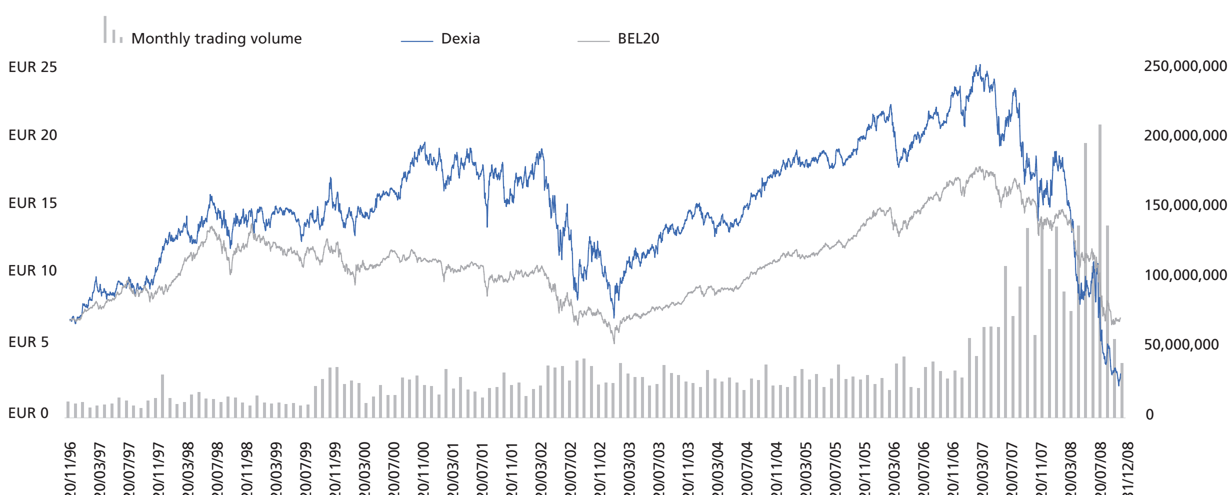
DEXIA'S STOCK MARKET PERFORMANCE (FROM NOVEMBER 1996 TO THE END OF DECEMBER 2008)



DEXIA'S STOCK MARKET PERFORMANCE IN PARIS AND TRADING VOLUMES EXCHANGED (FROM NOVEMBER 1996 TO THE END OF DECEMBER 2008)



DEXIA'S STOCK MARKET PERFORMANCE IN BRUSSELS AND TRADING VOLUMES (FROM NOVEMBER 1996 TO THE END OF DECEMBER 2008)



DEXIA'S POSITION IN THE MAIN EUROPEAN INDICES (AS OF DECEMBER 31, 2008)

	Weighting in index	Position
BEL20 (1)	3.8 %	9
CAC 40 (1)	0.31 %	40
Euronext 100	0.30 %	73
FTSE EuroTop 100	0.14 %	96
Dow Jones EuroStoxx Banks	0.70 %	24

(1) Calculated on the free float.

EVOLUTION OF THE NUMBER OF SHARES

	31/12/2004	31/12/2005	31/12/2006	31/12/2007	31/12/2008
Number of shares	1,145,261,366	1,107,469,030	1,163,184,325	1,178,576,763	1,762,478,783
of which own shares	*40,050,935*	*20,550,020*	*490,607*	*8,932,736*	*293,570*
Subscription rights (warrants)	50,684,800	55,903,030	58,697,872	62,817,843	71,787,214
Total number of current/potential future shares and subscription rights (1)	1,195,946,166	1,163,372,060	1,221,882,197	1,241,394,606	1,834,559,567

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

DATA PER SHARE

	31/12/2004	31/12/2005	31/12/2006	31/12/2007	31/12/2008
Earnings per share – EPS (in EUR)					
- basic under Dexia GAAP (1)	1.58				
- basic under EU GAAP (1)	1.63	1.87	2.49	2.18	(2.54)
- diluted under EU GAAP (2)	1.62	1.85	2.45	2.15	(2.54)
Average weighted number of shares					
- basic (3)	1,118,723,767	1,091,316,100	1,104,950,054	1,162,666,262	1,309,993,150
- diluted (3)	1,124,050,279	1,103,413,861	1,120,893,987	1,179,329,735	1,309,993,150
Net assets per share (in EUR) (4)					
- under Dexia GAAP (5)	9.95				
- related to core shareholders' equity (6)	8.87 (8)	9.86	11.60	12.87	9.92
- related to total shareholders' equity (7)	10.32 (8)	12.25	13.21	11.51	2.22
Dividend (in EUR)					
Gross dividend	0.62	0.71	0.81	0.91	- (9)
Net dividend (10)	0.47	0.53	0.61	0.68	- (9)
Net dividend for shares with a VVPR strip (11)	0.53	0.60	0.69	0.77	- (9)

(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 average weighted diluted number of shares.
(3) Excluding own shares.
(4) The ratio between the shareholders' equity and the number of shares (after deduction of own 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) The Board of Directors decided to propose to the Shareholders' Meeting on May 13, 2009 that exceptionally no dividend be paid for 2008.
(10) After deduction of a 25% Belgian withholding tax.
(11) After deduction of a 15% Belgian withholding tax (as the deduction is reduced to 15% for securities with a VVPR strip).

PRINCIPAL DEXIA SHAREHOLDERS	Percentage of existing shares held as of December 31, 2008
Caisse des dépôts et consignations	17.61%
Holding Communal	14.34%
Arco Group	13.92%
French Government	5.73%
Belgian Federal Government	5.73%
Ethias Group	5.04%
CNP Assurances	2.97%
Flemish Region through Vlaams Toekomstfonds	2.87%
Walloon Region	2.01%
Brussels - Capital Region	0.86%
Employee shareholding	2.06%
Other institutional and individual shareholders	26.86%

STOCK MARKET RATIOS	2004	2005	2006	2007	2008
Pay-out ratio (in %) (1)					
- under Dexia GAAP	38.7				
- under EU GAAP	37.6	37.9	34.3	42.0	-
Price-earnings ratio (2)	10.7x	10.4x	8.3x	7.9x	n.a.(3)
Price to book ratio (4)	1.7x	2.0x	1.8x	1.3x	0.3x
Annual yield (in %) (5)	3.7	3.6	3.9	5.3	- (3)

(1) The ratio between the total dividend and the net income Group share.
(2) The ratio between the average share price as of December 31 and the earnings per share for the year.
(3) The Board of Directors decided to propose to the Shareholders' Meeting on May 13, 2009 that exceptionally no dividend be paid for 2008.
(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 as from 2005).
(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 pages 14-15).

Shareholders' calendar in 2009

Wednesday May 13	Brussels	Ordinary and Extraordinary Shareholders' Meetings
Thursday May 14	Paris – Espace Grande Arche	Under the chairmanship of Pierre Mariani
Friday November 20 – Saturday November 21	Paris – Palais des Congrès	Actionaria convention

Human resources

HUMAN RESOURCES AND THE FINANCIAL CRISIS

The consequences of the financial crisis have altered the tasks and priorities of the Human Resources teams of the Dexia Group.

Teams have concentrated much of their action on assisting members of staff and on the construction of a transformation plan intended to adapt Dexia to its new environment.

The impact of the financial crisis on Dexia was sudden. Members of staff believed the company was protected from the difficulties and able to overcome the surrounding crisis. The fact that it found itself in a situation almost of insolvency in just a few days, being recapitalized as a matter of urgency and changing its governance in a few weeks, was extremely traumatic.

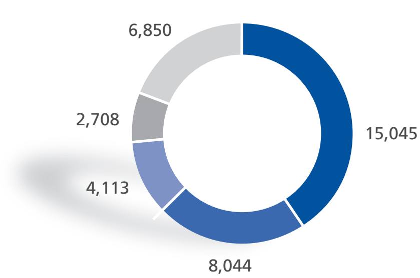
Against that background, for the first time Human Resources had the task of reassuring members of staff who were racked by uncertainty, of providing the support and means to managers to answer questions from those members of staff, of supporting commercial teams in their exchanges with our clients, and of regularly informing social partners of the situation.

In the second place, Human Resources teams were mobilized, with management, to prepare the fundamental actions which will transform Dexia.
All competences will be mobilized in 2009 to succeed in the transformation of Dexia and to limit the impacts on teams as much as possible. Solutions will be sought via social dialogue and in line with Dexia's Principles of Social Management.

At the end of 2008, Dexia had 36,760 members of staff, of 85 different nationalities, in 40 countries (including RBC Dexia Investor Services and the independent networks in Belgium).

KEY FIGURES

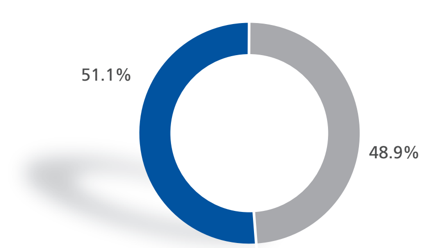
- Seniority – More than 63% of members of staff joined the Group less than ten years ago and the average length of service of Group members of staff is 10.5 years.
- Age – Group members of staff are young: in total, 43.1% are less than 35 and 59.6% less than 40 years of age. The average age is 39 for men and 36 for women, while the overall average age is 38.
- Men/women – The overall division of workforce between men and women is well balanced, at 51.1% and 48.9% respectively.
- Turnover – 9.1% of workforce on indefinite-term contracts.
- Part-time – 14.4% of Group members of staff work part time.
- Training days – The average number of days of training per member of staff is 1.8 per year.



MEMBERS OF STAFF
as of December 31, 2008 (1)

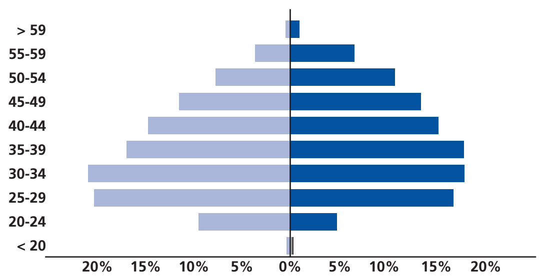
- Belgium
- Turkey
- Luxembourg
- France
- Other countries

(1) Including independent networks and RBC Dexia Investor Services.



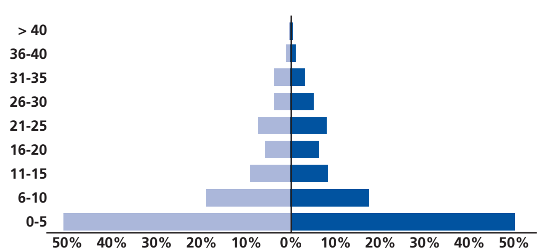
GENDER BREAKDOWN

- Male
- Female



AGE PYRAMID

Female Male



SENIORITY PYRAMID

Female Male

HR integration of DenizBank

The development of DenizBank was well sustained in 2008 with a structure counting 400 branches and more than 8,000 employees at the end of 2008. Great significance is given to internal promotion and mobility with almost 70% of managers being promoted internally and almost 3,500 people changing posts in 2008. Integration with Dexia was strengthened in particular with the local implementation of the *Performance Development Program.*

RECRUITMENT, TALENT MANAGEMENT AND MOBILITY

Considering the particular context of the banking world in 2008 and the deterioration of the Group's economic and financial situation, Dexia rapidly took the decision to slow or even to suspend recruitment in the Group's main operating entities.

This evolution of the situation increased the need for precise management and monitoring of the key competences of the Group. That monitoring task was performed by career management teams relying on mapping tools such as the Talent Review (detecting the performances and potential of members of staff) in order to achieve the best possible alignment of individual desires and skills to the needs of the company.

To assist in internal promotion and mobility, almost 100 executives took part in a development center program, with individualized monitoring of their personal evolution (assessment center, training programs, coaching, mentoring etc.).

TRAINING

The year 2008 was marked by the consolidation of the role of the Dexia Corporate University in the implementation of an apprenticeship offer common to the entire Dexia Group.

In close collaboration with the training departments of the main entities, the Dexia Personal Training Path was defined, common to the Group as a whole and adapted to major phases in the careers of members of staff.

In all, there were 2,450 participants in at least one of the 151 sessions organized by the Dexia Corporate University in 2008.

As from October 2008, specific programs such as Crisis, Uncertainty and Change Management training were also developed to enable Human Resources teams to assist Group members of staff fully to cope with the period of uncertainty and change in which Dexia finds itself. As a complement, Dexia has established a team of internal coaches whose aim is to respond to the needs of managers in terms of individual and team coaching.

At the end of 2008 and in line with the general cost-saving principles embodied in the transformation plan, the activities of the Dexia Corporate University are being aligned exclusively to core business line programs and the accompaniment of change.

DIVERSITY

Dexia has always attributed great importance to diversity, and that commitment was reaffirmed in 2008. The actions taken by Dexia in matters of diversity were aimed at enabling each individual to give the best of themselves, to optimize and to develop their competences whatever their gender, nationality, beliefs or disability.
The principal lines of action in 2008 were:

- the promotion of women in the company and their place in executive functions,
- the management of seniors and more broadly the maintenance of employability throughout the professional career,
- the integration and promotion of people with disabilities,
- the integration and promotion of people from diverse nationalities.

COMPENSATION

The tasks assumed by the People Reward team in terms of managing compensation policies are for the most part projects spread throughout the year. As a consequence and given what has been said about the financial crisis, the beginning of 2008 was marked by the launch of works to prepare the 2008 shareholding plan, the stock option plan, exit from the 2003-2008 shareholding plan and so on.
The crisis forced Dexia to alter its approach and to review working methods. Indeed, considering the fall of the market price of the Dexia share, the shareholding plan was suspended and deferred to a later date after reservation by members of staff for the said offer. An extraordinary meeting of the Supervisory Board was organized in order to provide social partners with the appropriate information.
Information to members of staff, regarding exit from the 2003-2008 plan, was also increased in order to respond to the many questions they were asking.
In addition to these matters, Dexia continued to organize mobility in line with the Dexia Passport (mobility charter) to respond to the demands of the various business lines and support functions.
Finally, Dexia also evolved its remuneration policy in various fields, particularly in the orientation of a more responsible policy with regard to company cars. Several provisions were introduced to encourage members of staff receiving this benefit to move towards more ecologically sound and less polluting vehicles.

SOCIAL DIALOGUE

The European Works Council (EWC) at Dexia is composed of 30 permanent members from 13 different entities of the Group. This social body is competent to discuss with management any major question of a transnational nature.
Considering what has happened, the year was particularly full and numerous meetings were organized (7 meetings of the EWC, 11 meetings of the ECW Board in particular) to provide regular information to staff representatives on how the situation was evolving.
Indeed, an Extraordinary European Works Council was organized on September 30, 2008 to discuss the government recapitalization of Dexia with social partners. This body met again at the end of the year to hear about the lines of the transformation plan being considered by management.
At a local level, social dialogue remained extremely active throughout the year in the various entities of the Group, with 36 collective agreements or accords concluded within entities with a staff representation structure and a participation rate of 77% in the social elections in the entities.
The transformation plan being implemented by management will lead to numerous social consultations and negotiations both at Group and at entity level, marking the way in which the year 2009 will evolve.

Sustainable development

The Dexia sustainable development report 2008

ORIENTATION OF THE 2008 REPORT

In order to discuss its sustainable development policy and the manner in which the bank communicates to stakeholders on the subject, Dexia met a panel of non-government organizations and extra-financial rating agencies in June 2008 for an exchange in particular on the content of its sustainable development report.
Among the points raised for improvement, an increase of the information available on the impacts associated with Dexia's commercial activities was one of the main wishes of panel members.
From this perspective, the structure of the 2008 report has been revised to present more of this information. It has been oriented to a thematic and transverse approach, placing the emphasis in particular on the actions developed by Dexia with its clients as well as those involved in the fight against climate change.
Eager to limit its direct environmental impact, Dexia has done away with all paper printing of the 2008 sustainable development report, adopting an exclusively non-material and interactive support, available on its internet site at *www.dexia.com.*

PRINCIPAL THEMES

Identity and strategy

Highlights 2008

Key issues

• **Fight against climate change**
- Accompanying our clients in their processes
- Measuring the impacts of our financing
- Towards carbon neutrality

• **Promoting accessibility to services**
- Developing products responding to our clients' specific expectations
- Providing global solutions to our clients

• **Adopting a transparent approach**
- Implementing a policy of transparency of information
- Effectively managing client relations

• **Involving members of staff in sustainable development**
- Encouraging innovation
- Associating members of staff with considered consumables
- Integrating sustainable development in our business lines

Measure of our performance

• Reporting process
• Performance indicators
• Auditors' report

To learn more: *www.dexia.com*

Defining the guidelines for the energy sector

In line with the objectives of its sustainable development action plan, on November 4, 2008 Dexia adopted new guidelines regarding the financings granted by the Group for the construction of infrastructures in the energy field.

The guidelines apply to project finance activities and "corporate" finance, the object of which is known and allied to the project finance, as well as the financial guarantees relating to the loans granted for project finance.
The text places particular emphasis on the climatic impact of the projects financed in the energy field. Thanks to the adoption of these guidelines, Dexia becomes the first bank in the world to set itself a quantitative target in relation to the carbon intensity (1) of its project finance portfolio for the energy sector.

The bank undertakes that this will be 30% less than the recommendations of the International Energy Agency, which recommends a reduction of the carbon intensity of the global portfolio of electricity and heat production projects of 3.5% per annum, from its 2005 level (or 0.6 tonne of CO_2 per MWh).
The provisions of the International Energy Agency have the aim by 2030 of cutting the concentration of CO_2 in the atmosphere to a maximum of 450 parts per million.

These guidelines impose financing criteria revolving around:
• general principles applicable to all projects in the energy sector with regard to respect for human rights and the preservation of biodiversity;
• specific criteria for each of the following subsectors: oil and gas, biofuels, transformation of fossil fuels, production of electricity and heat from thermal, hydraulic or nuclear sources, and the transmission and distribution of electricity.

To learn more about these guidelines: www.dexia.com.

(1) Quantity of CO_2 emitted in the production of one unit of energy.

Risk management

Credit risks

MANAGEMENT OF THE RISK

Credit risk is the potential loss (decrease of asset value or default of payment) Dexia may incur due to the deterioration of the solvency of a counterpart. Dexia manages its credit risk by measuring, controlling and optimizing the credit risk underwritten by the Group.
Dexia Risk Management oversees Dexia's credit risks under the supervision of the Management Board and of specialist risk committees. Its role is to establish the credit risk policies and guidelines, including the credit decision and delegation framework, and to supervise the analysis/rating processes and the exposure surveillance functions.

Credit risk limits are defined to manage the general risk profile and limit concentration. A theoretical limit is assigned to each counterpart in line within the credit risk policies.
The theoretical limit represents the maximum credit risk exposure Dexia is willing to accept on a counterpart. Effective limits are then consequently set within this theoretical limit. In addition, limits by economic sector and product limits may be set.
Operating entities are in charge of the day-to-day monitoring of limits although reporting to Dexia Risk Management at Group level.
In order to take the most recent events into account, specific limits can be frozen at any time by Risk Management.

The Dexia Group has implemented a set of internal rating systems in line with the Basel II framework.
Credit risk analysts are responsible for assigning a rating to all counterparts. Each rating corresponds to an assessment of the risk level of the counterpart, expressed through an internal rating scale.
Without justified exception, the rating assigned to a counterpart takes account of the risk of the country in which the counterpart is established.
Ratings are reviewed on a yearly basis in accordance with the Group's guidelines. This monitoring includes the possibility of placing the counterpart on a watch list or, when necessary, qualifying it as a default counterpart.
In addition to this counterpart rating which determines its probability of default, each transaction is attributed a loss given default parameter, representing an estimation of the losses Dexia might face in case of default by the related counterpart (after taking account of credit risk mitigants) – and a credit conversion factor for off-balance-sheet commitments.
To ensure the quality and consistency of the overall rating process assignment and the quality of the rating assigned, Credit Risk has set up the Quality Control function. This function is one of the three essential Basel II control functions, which are Validation, Model Management and Quality Control. Its main objectives are to ensure that the internal rating systems are appropriately used, that they are operationally effective and that the audit trail is maintained in the rating process. This function reports to the Rating Committees.

The 2008 financial year has been extremely difficult with the near collapse of the financial sector in the USA and in Europe and the setting-up of dramatic rescue plans by the governments. In this perspective, Dexia was hit by a number of significant defaults on US and Icelandic banks.
A global overview of the financial crisis impacts on Dexia's results is given in the chapter Financial results on page 71 of this report.
On the other hand, no significant credit deterioration has been observed up to now in the other credit portfolios.
Measures were taken to reduce credit risk including a substantial restriction of lending activities outside the core markets and a downsizing of credit activities to institutional counterparts. Dexia applies more stringent underwriting criteria and policies including lower lending limits and guidelines for a number of financial instruments.
Borrowers presenting a lower financial profile were identified and exposures more closely monitored and reduced where possible. The assessment of potential liquidity problems as a consequence of the current financial crisis is part of this review with a focus on the most sensitive economic sectors.
In this perspective, a number of sectorial and portfolio reviews were performed further assessing the quality of the credit portfolios.
Collective impairments were posted for loan portfolios being considered as the most sensitive as loan losses might increase over the next years.
Rating migrations in the loan portfolios were much related to the turmoil in the banking industry (mainly in the USA and Spain) and the stress on the Eastern and Central European Sovereign names. However, Dexia has no major areas of concern relating to these rating migrations provided the still acceptable rating levels following these downgrades.
Investments in asset backed-securities were frozen and existing positions are monitored on a quarterly basis.

ORGANIZATION AND CONTROL

In addition to the Management Board, several specialist committees dealing with credit risk management are operational at Group level.
The *Risk Policy Committee* approves the credit risk assignment rules, which are documented in the credit risk policies.
The decision-taking process for transactions is organized through a cascade of *Credit Committees*. The Group Credit Committee approves transactions not delegated to business

lines or entities. Credit delegations are based on specific delegation rules, considering the type of counterpart, rating levels and the credit risk exposure. Subcommittees have been set up within the Group (the entities, subsidiaries and branches) to deal with credit delegations. Furthermore, in the public sector with generally lower credit risk as compared to the private sector, commercial teams also have a delegation power that is strictly defined. Each file presented to a credit committee contains an independent analysis issued by the risk management department.

The *Management Credit Committee* is the ultimate decision-taker for large files or credit files with an increased credit risk.

The *Group and Entity Watch-List Committees* monitor sensitive assets.

The *Group and Entity Default Committees* define and monitor counterparts in default according to Basel II by application of rules prevailing within Dexia.

The *Group and Entity Rating Committees* ensure 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).

DEXIA'S CREDIT RISK EXPOSURE

The credit risk exposure is:

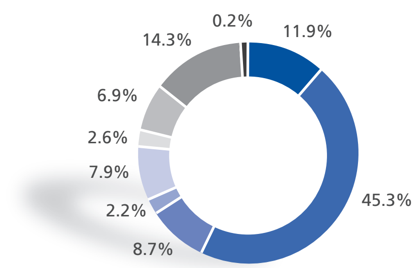
- the net carrying amount for balance-sheet assets other than derivative contracts (i.e. accounting value after deduction of the specific provision);
- the net carrying amount (i.e. mark-to-market value) for derivative contracts [1] .
- the full committed amount for off-balance-sheet commitments. The full commitment is either the undrawn portion of liquidity facilities or the maximum amount Dexia is committed to pay for the guarantees granted to third parties. When credit risk exposure is guaranteed by a third party with a lower risk weight, the substitution principle is applied.

Credit risk exposure includes the fully-consolidated subsidiaries of Dexia Group and 50% of the joint venture RBC Dexia Investor Services.

Since Dexia entered into a sale and purchase agreement with Assured Guaranty regarding the sale of FSA Holdings in November 2008, Dexia's credit exposure does no longer include FSA's exposure. The Financial Products portfolio, which was excluded from the scope of the sale, is included in Dexia's credit exposure.

The Group's total exposure [2] amounted to EUR 660,011 million as of December 31, 2008.

The mix of counterpart in Dexia's portfolio is very stable. Half of the exposure is on the local public sector.

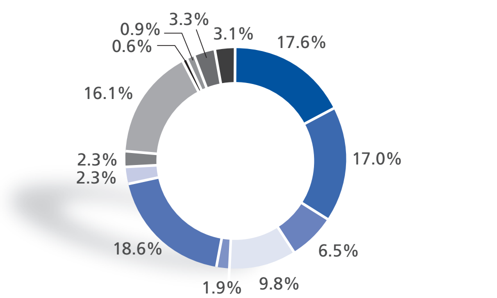


DEXIA GROUP EXPOSURE BY CATEGORY OF COUNTERPART [2]
as of December 31, 2008

(1) The 2007 exposure for derivative products was based on the net carrying amount increased by an add-on factor. As from 2008, credit risk exposure relating to derivative products is defined in compliance with IFRS 7 requirements.

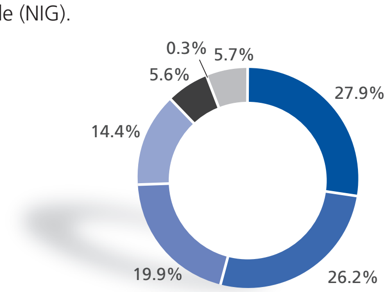
(2) Excluding FSA insurance activities.

As of December 31, 2008, the Group's exposure was mainly concentrated in the European Union (71.1%, EUR 471.7 billion at year-end 2008), particularly in France (17.0%) and Belgium (17.6%). Group's exposure in the United States and Canada represented 16.1% of total exposure as of December 31, 2008, much lower than a year earlier as FSA Insurance's exposure left the scope.



DEXIA GROUP EXPOSURE BY GEOGRAPHICAL REGION [(1)]
as of December 31, 2008

As of December 31, 2008, more of half of Dexia's exposure was rated AAA or AA. Only 5.6% was rated Non Investment Grade (NIG).



DEXIA GROUP EXPOSURE BY RATING CLASS [(1)]
as of December 31, 2008

(1) Excluding FSA insurance activities.

FSA risk management

IMPORTANT NOTICE

On November 14, 2008, Dexia entered into a sale and purchase agreement with Assured Guaranty Ltd relative to the sale of FSA Holdings.
The Financial Products portfolio, which primarily comprises the guaranteed investment contract business and the net interest margin of Global Funding, is excluded from the scope of the sale of FSA Holdings. This activity will thus be carved out of the transaction and be put into run-off, under the responsibility of Dexia, which already provides its liquidity (the USD 5 billion facility set up in 2008 has been increased by USD 3 billion in 2009). The Belgian and French States have agreed to provide a guarantee on the Financial Products assets. This guarantee was approved by the European Commission on March 13, 2009 and provides that Dexia will cover the first loss of USD 4.5 billion of which an amount of about USD 2 billion has already been reserved as of December 31, 2008 (about USD 1.5 billion on the Financial Products portfolio and a USD 420 million collective impairment on US RMBS). If the losses exceed USD 4.5 billion, the States will be entitled to receive Dexia ordinary shares or profit sharing certificates. This mechanism will be submitted for approval to a Dexia extraordinary shareholders' meeting.

CREDIT RISK

The most significant credit risk is related to the asset-backed securities (ABS) portfolio.
Even though it was not exposed to the most toxic types of ABS, FSA experienced a significant deterioration of its US RMBS (residential mortgage-backed securities) portfolio in 2008 due to the depreciation of the US real estate market, the continuous rise in delinquencies and in severity rates.
FSA had to pay claims on its HELOC (home equity lines of credit) portfolio and expects potential losses in all segments of this RMBS portfolio.
As regards Pooled Corporate exposures, except for one main non-performing transaction, no significant losses are expected at this stage even if downgrades might occur due to the economic recession and upcoming corporate defaults. Most of these transactions were structured at a high attachment level and still benefit at the end of 2008 from an AAA rating. The activity of insuring ABS transactions was stopped in 2008.
The Municipal portfolio has a much lower credit risk profile. Before insuring a municipal revenue bond, FSA typically requires a pledge of tax revenues or a claim on a dedicated revenue stream for essential public services. More generally, all transactions underwritten must be at least investment-

grade quality at inception, meeting FSA's legal and structuring requirements and fit within single and aggregate risk limits.
In the Financial Products portfolio, the assets are highly concentrated on US RMBS (nearly 70% of the total portfolio) and suffered from the current mortgage crisis in the United States. Further credit losses are expected on this portfolio and have been provisioned.
The Investment portfolio (insurance premiums from FSA insurance activity are invested through this portfolio) shows a high granularity and is mainly invested in US municipal bonds.

LIQUIDITY RISK

FSA's liquidity risk is mainly in the Financial Products portfolio. This risk arises in case of early termination of the Guaranteed Investment Contracts (GICs) on the liability side or in case of higher collateral requirement from GIC providers. This risk is closely monitored by Dexia and FSA risk management teams and is mitigated by maintaining a cushion of liquid assets and recourse to a liquidity line from Dexia. The Insurance portfolio is less exposed to liquidity as FSA has generally to pay losses to policy holders only at the time the loss event occurs, without acceleration for FSA.

MARKET RISK

Market risk is limited and mainly to be found in the Financial Products portfolio. Assets and liabilities bearing an interest rate risk are hedged with derivatives. The residual interest rate risk is very low and is monitored through sensitivity limits.

The Basel II framework

Since January 1, 2008, the Dexia Group has been using the AIRBA – Advanced Internal Rating Based Approach – method to calculate its requirements in terms of capital and reserves and its solvency ratios. Indeed, according to the Belgian Banking, Finance and Insurance Commission decision of December 18, 2007, Dexia was the first Belgian bank to be authorized to use that very demanding method both at conceptual and operational level.

That authorization was subsequent to recommendations, which were the focus of special attention throughout the year. The schedule for meeting them was strictly respected.

The new COREP (Common Reporting) is produced thanks to close collaboration between the various entities of the Group and is a highly complex and painstaking process in terms of data quality and technical resources that is made even more difficult by the wide variety of national formats. Deadlines for producing the data were gradually reduced over the year; however a further shortening of those deadlines to conform to European harmonization is seen as a major new challenge.
The Basel II reform is not restricted to the calculation of the statutory capital in relation to credit risk, market risk and operational risk, since Pillar 2, which has been applicable in Belgium from December 31, 2008, requires the banks to demonstrate to their regulators that they have put in place a capital adequacy process which ensures that their risk profile is matched by adequate capital. This means that they must, among other things, have established internal systems for calculating and managing their risks and be capable of providing a valid estimate of their needs in terms of economic capital (ICAAP – Internal Capital Adequacy Assessment Process). Dexia has thus identified all the types of risks it encounters, has developed a methodology for measuring them and has calculated the amount of Economic Capital it requires for the Group as a whole. Taking account of the advantages of diversification, that total has been allocated among each of the leading entities and their subsidiaries.
An inter-Group project team was set up to ensure compliance with Pillar 2 requirements. A preliminary Pillar 2 application file required by Circular PPB-2007-15-CPB-CPA has been submitted to the Belgian Banking, Finance and Insurance Commission in accordance with the schedule laid down. The Pillar 2 approach is integrated in the management of the bank (and more particularly in the decision-taking process on risks, the reporting, the commercial strategy and financial plans). The budgeting process for 2009 is thus founded on the notion of risk appetite which constitutes one of its major constraints. The Board of Directors and Management Board of Dexia SA have been kept closely informed of the developments related to Pillar 2.
Pillar 3, which defines the qualitative and quantitative information to be given to the market, applies only at consolidated level. It has been part of Dexia SA external communication since 2008.
Lastly, Dexia is closely involved in the consultations being held at national and international level on the amendments to the Capital Requirement Directive, in particular with respect to the reform on large exposure and the reinforcement of European supervision. Dexia supports this reform and believes that operational contact should be maintained with local regulators, that the role of the Committee of European Banking Supervisors should be strengthened by giving it mandatory powers at European level and that close links should be established between that future authority and the European Central Bank.

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 others) and stems 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.

The Dexia Group adopted the VaR measurement methodology as one of the leading risk indicators. The VaR 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 accurately to measure the market risk inherent in the different portfolios.

• General interest rate and 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 other risk measures based on their capacity to grasp the risks related to the different activity lines (nominal, maturity and authorized market limits, sensitivity limits and Greeks and scenario analysis).

The credit spread portfolio on the banking books is not subject to VaR limits, given its different investment horizon. Following the Dexia transformation plan, this portfolio is in run-off.

Dexia uses its internal VaR model for the regulatory capital requirement calculus on foreign exchange risk and general interest rate risk within the trading scope.

An additional internal model approval for equity risk has been introduced to the Banking, Finance and Insurance Commission.

The back testing results by major risk factor remained good, given the market volatility, resulting in 2008 in six exceptions for interest rate & forex risks, four exceptions for equity risk and five exceptions for credit spread risk.

ORGANIZATION AND CONTROL

Dexia's Management Board 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 entities.

The Risk Management department defines the calculation methods to be applied at Group level as to statement of income 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 and consolidated at Group level to ensure overall consistency and the quality of risk control within the entire Group.

The Market Risk and Guidelines Committee meets at least on a monthly basis and deals with all the topics related to market risk. 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 and standards or risk concepts and measurement methodology.

Value at Risk

The detailed VaR usage of Treasury and Financial Markets (TFM) is disclosed in the table below. Average Value at Risk (including DenizBank) amounted to EUR 126.6 million (as compared to EUR 66.5 million in 2007), reflecting the increased volatility on the financial markets in all major risk factors.
However, in line with the Dexia strategic reorientation, important limit reductions have been implemented.
Reclassification under IAS 39, applied as of October 1, 2008 allowed a reduction of the volatility of some ex trading books, both in terms of VaR and statement of income.

Sensitivity of the credit spread portfolio and the public finance bond denominated exposure (banking book)

Dexia manages a credit spread portfolio amounting to EUR 77.3 billion as of December 31, 2008 (of which EUR 29.1 billion accounted in Loans and Receivables following reclassification). Main asset classes are banks, covered bonds, MBS and ABS. Average rating was AA- as of December 31, 2008.
Public finance bond exposure (banking book) amounted to EUR 88.1 billion as of December 31, 2008 (of which EUR 57.3 billion accounted in Loans and Receivables following reclassification). Main asset classes are local authorities and public sector related bodies. Average rating was A as of December 31, 2008.

Interest rate sensitivity
The interest rate risk of the Credit Spread Portfolio is very limited as interest rate risk is hedged.

Credit spread sensitivity
As of December 31, 2008 the sensitivity in fair value after a basis point spread increase amounted to EUR -38.5 million for the (banking) credit spread portfolio and EUR -83.0 million for the (banking) public finance bond denominated exposure.

Banking Portfolio Valuation

Given the illiquidity of markets and the reduced observability of prices/spreads in the valuation process, a development of mark-to-model valuations was performed for end-of-year 2008.

Bonds reclassified in Loans and Receivables
The amortized AFS reserve based on September 30, 2008 is used for AFS reserve calculation. However the Mark to Model used for Loans and Receivables in French local GAAP and IFRS notes to the financial statements is based on an adjusted market price methodology with different parameters depending on the type of asset class and market sector. These adjusted market prices are capped line by line in order not to show any prices above the June 30, 2008 situation.

TFM'S VALUE AT RISK [1]

(in millions of EUR)		2007				2008			
	VaR (10 days, 99%)	IR [2] & FX [3] (Trading and Banking) [4]	EQT [5] Trading	Spread Trading	Other (Inflation, CO_2, commodities)	IR [2] & FX [3] (Trading and Banking) [4]	EQT [5] Trading	Spread Trading	Other (Inflation, CO_2, commodities)
Individual	Avg	34.1	7.0	25.2	0.4	43.6	7.3	73.3	2.3
	Max	58.0	16.0	57.4	2.8	90.6	14.4	116.0	5.9
Global	Avg	66.5				126.6			
	Max	100.3				179.1			
	End Quarter VaR	99.8				127.5			
	Limit	142.0				178 (end 2008: 130)			

(1) DenizBank included.
(2) IR: interest rate.
(3) FX: Forex.
(4) Without Assets and Liabilities Management (ALM) Non-Delegated, Dynamic and Equity.
(5) EQT: equity.

Bonds classified in AFS and valued by model
The credit spreads providing the Mark-to-Model AFS are based on stressed Basel II probability of default and loss given default plus a liquidity cost. These valuation prices are capped line by line in order not to show any prices above the September 30, 2008 situation.

Bonds classified in AFS and valued in fair value
Prices are calculated as usual (based on market prices) to obtain the Fair Value AFS.

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) and Cash and Liquidity Management captured by a market risk management driven approach (VaR limits and triggers, sensitivity limits, daily follow-up...);
• long-term ALM falls under the direct decision and control authority of the ALCO Group (ALM Committee) meeting on a monthly basis.
Measurement of balance-sheet risks is harmonized among the Group's various entities.
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 and second order sensitivity and behavioral risk.

Equity

The 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) Forex

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.

Insurance companies and pension funds

Specific reports on insurance companies and pension funds are presented to the ALCO. Ad-hoc processes and committees are in place at both levels. Interest rate, inflation and equity risk factors are reported to the Group ALCO. Risk indicators are calculated on the basis of a specific but harmonized risk methodology.

ORGANIZATION AND 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 amounted to EUR -198 million as of December 31, 2008 (against EUR -116 million as of December 31, 2007), excluding insurance companies and pension funds.

LISTED SHARES SENSITIVITY – BANKING COMPANIES PORTFOLIO (1) (in millions of EUR)	Market value	VaR	% VaR/MV (2)	EaR
December 31, 2007	1,105	97	8.7%	(11)
March 31, 2008	895	94	10.5%	(57)
June 30, 2008	822	96	11.7%	(94)
September 30, 2008	599	76	12.7%	(129)
December 31, 2008	396	66	16.7%	(69)

(1) DenizBank not included.
(2) % 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
December 31, 2007	2,451	170	6.9%	(36)
March 31, 2008	2,635	237	9.0%	(153)
June 30, 2008	2,397	205	8.6%	(369)
September 30, 2008	1,985	190	9.6%	(440)
December 31, 2008	1,601	225	14.1%	(307)

(1) % VaR/MV represents the percentage loss that can be experienced on the market value, not considering risk mitigation (risk shared by insurance company and insured person) through profit sharing.

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 statement of income 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.
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.
60% of the down-side risk on the quoted equity exposure is hedged by means of a collar strategy at the insurance side.

LIQUIDITY

Liquidity crisis

Dexia's liquidity management was seriously challenged during the 2007-2008 financial turmoil, particularly after the Lehman Brothers debacle.

The severe drying-up of wholesale money and capital markets (both unsecured and secured, with the exception of repos against high-quality collateral) at the outset of the crisis did not spare Dexia. However, thanks to the joint support of the Belgian, French and Luxembourg States as well as to its substantial reserves of high-quality assets, Dexia was able to overcome this severe liquidity squeeze.
Since October 9, 2008, Dexia has benefited from the combined guarantee of the States of Belgium, France and Luxembourg on many of its funding sources. This guarantee relates to a total maximum amount of EUR 150 billion (as of December 31, 2008, the outstanding of guaranteed funding amounted to EUR 59 billion) and covers Dexia's liabilities towards credit institutions and institutional counterparts, as well as bonds and other debt securities issued for the same counterparts, provided that these liabilities, bonds or securities fall due before October 31, 2011 and have been contracted, issued or renewed between October 9, 2008, and October 31, 2009.
In a still challenging environment, the Group's liquidity has gradually improved from the difficult situation prevailing late September and early October 2008 thanks to the above mentioned States guarantee. This support allowed Dexia to issue three public transactions for a total amount of EUR 8.5 billion in the first quarter 2009 and has facilitated the access to funding markets and the stabilization of the deposit

base. This improvement was also possible due to an intended reduction in new loan production outside the core markets and by a decrease of the draws on committed lines in the US. Going forward, Dexia will take advantage of all market opportunities to lengthen the maturity of its funding source. Some limited outflows were witnessed on Dexia's retail deposits at the beginning of October 2008 but this trend was short-lived and never jeopardized our overall liquidity position.
This crisis shook the very foundations of liquidity risk management. Dexia responded to these changes by amending its liquidity risk management framework and by entering into a thorough review of its current balance sheet and future business plans so as to reduce its funding needs substantially.
As many other financial institutions, Dexia's liquidity position depends on the reopening of the wholesale money and capital markets and/or the continued support of the combined guarantee of the States of Belgium, France and Luxembourg.

Liquidity Risk Management framework

Dexia's approach to liquidity risk management has been reviewed in the light of the current financial and liquidity crisis. Overall policy is that its future funding needs should never exceed its proven secured funding capacity.
Its future funding needs are assessed dynamically and comprehensively, taking into consideration the liquidity needs arising from its current and future on and off-balance-sheet transactions. Its secured funding capacity is determined conservatively; taking into consideration the very last lessons from the current crisis. The adequacy of Dexia's future liquidity needs with its secured funding capacity is tested under an ongoing scenario as well as under a variety of severe stress scenarios including bank-specific and market stresses or even a combination of both.
This surveillance of short-term funding needs is performed on a daily basis. Longer-term funding needs (up to 3 years) are supervised on a monthly basis. More generally, liquidity risk management is at the heart of the definition of Dexia's triennial financial plan.
This framework is back-tested and updated on a regular basis which makes it compliant with the latest regulatory recommendations and best practices.
On top of the constraints set by its internal liquidity risk management framework, Dexia takes all local regulatory constraints into consideration.
A global liquidity contingency plan is part of the guidelines and is tested on a regular basis.
The diversity of Dexia's funding sources is a key mitigant of its liquidity risk. Dexia's most important funding sources are:
• covered bonds (mainly Dexia Municipal Agency's Obligations Foncières or Dexia Kommunalbank Deutschland's *Pfandbriefe*);
• unsecured bonds (of which bonds distributed via its own networks);
• as from 2009, bonds and CP's guaranteed by the States of Belgium, France and Luxembourg;
• retail deposits (mainly in Belgium, Luxembourg and Turkey);
• central bank tender operations;
• bilateral and tri-party repo transactions;
• a variety of wholesale short-term unsecured funding sources: central bank deposits, CP/CD's, fiduciary deposits, interbank and non-bank deposits of which several are benefitting from the States guarantee.

Dexia's liquidity risk is managed using a centralized approach. Although the local liquidity positions are managed by the different entities of the Dexia Group, Dexia's cash and liquidity activity line ensures that a common strategy is applied throughout the Group. Dexia also revisited its internal transfer pricing system in 2008 in order to reflect the rapidly changing cost of its main funding sources more clearly. This change aims at providing the right incentive to the various business lines in order to achieve a sound balance between the lending and the funding capacities.

Operational risks

The operational risk management framework relies mainly on the following elements.

• Clear governance with clearly defined roles and responsibilities
The Management Board regularly reviews the evolution of the risk profile of the different Group's activities and takes the required decisions.
The *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 and Security Committee*, chaired by the Head of Group Operational Risk, ensures the development of a consistent Group-wide operational risk framework integrating Business Continuity and 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 and Control Self-Assessment.

• **Operational risk event data collection**
The Dexia Group has continued for the fifth 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.

• **Risk and control self-assessment**
The risk and control self-assessment exercises cover all major Dexia activities, and focus on the identification and assessment of the main risks and controls, which can lead to the definition of mitigating actions. These risk and control self-assesments are updated on a regular basis. Furthermore, within the area of Information Risk and Business Continuity, Group guidelines have been issued in order to ensure the same level of risk mitigation across the Group.

• **Definition and follow-up of action plans**
Corrective actions linked to major events detected or to key risks identified are defined by the Line Management, and followed regularly. This follow-up is included in the quarterly reporting produced for all activities.

• **Calculation of regulatory capital requirements**
Dexia applies the standardized approach to calculate the regulatory capital for operational risk in 2008.

Economic capital

The economic capital framework covers all risk factors. Assessment is performed at a high severity level (99.97%, one-year).
Dexia's economic capital (excluding FSA) amounted to EUR 13,746 million at the end of 2008.
Credit risk includes solvency and spread risk and represents more than the half of the economic capital use.
Market risk is the second risk factor and includes interest rate risk, currency risk and price risk.
Operating risk (business and operational risk) is the third risk factor.
Public and Wholesale Banking activities are the main contributors to economic capital, followed by the Personal Financial Services activities.
Available financial resources remain in excess of the total economic capital needed by the business lines to cover unexpected losses of extreme severities.

Weighted risks, capital adequacy, asset quality and ratings

WEIGHTED RISKS

From January 1, 2008 onwards, Dexia uses the Basel II framework to calculate the capital requirements for credit risks and to publish its solvency ratios. More information is available in the section "The Basel II framework" of this chapter.
At year-end, Dexia's total weighted risks amounted to EUR 152.8 billion as compared to EUR 159.4 billion at the end of 2007. The switch to Basel II as of January 1, 2008 allowed for a EUR 42 billion weighted risk relief.
The increase observed in the second part of the year is the consequence of the following elements:
• an increase of **weighted credit risks** following the migration of DenizBank to Basel II in the third quarter of 2008 and the inclusion of FSA's Financial Products portfolio into Dexia's banking book (EUR +24.5 billion) in the fourth quarter.
• a decrease of **weighted market risks**, due to the IAS 39 reclassification of financial assets which was performed at year-end 2008.
• an increase of **weighted operational risks** as of December 31, 2008 as a result of the calculation mode under the Basel II standard method (based on the average recurrent revenues of the last three years).

WEIGHTED RISKS	Basel I	Basel II			
(in millions of EUR)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008
Weighted credit risks	153,504	105,094	106,884	114,580	139,495
Weighted market risks	5,879	5,923	5,690	5,724	3,073
Weighted operational risks	n.a.	9,096	9,096	9,096	10,269
TOTAL	**159,383**	**120,113**	**121,670**	**129,400**	**152,837**

CAPITAL ADEQUACY

At the end of 2008, Tier 1 capital amounted to EUR 16,126 million, a 11% increase due to the EUR 6.0 billion capital increase of October 3, 2008 tempered by the net loss of the year. The capital was injected due to a significant deterioration of the business and of the market environment and to the financial distress. Another EUR 0.4 billion Tier 1 capital contribution by the Luxembourg State is not yet included in core shareholders' equity.

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 this annual report.

The Tier 1 ratio increased from 9.1% at the end of 2007 to 10.6% as of December 31, 2008 with a peak at 14.5% at the end of September 2008 as capital was reinforced with EUR 6.0 billion. In the fourth quarter of 2008, the regulatory treatment from the ongoing sale of the insurance activities of FSA and the containment of the Financial Products portfolio were taken into account (i.e. a EUR 1.7 billion loss related to the sale of FSA and EUR 24.5 billion weighted risks linked to the Financial Products portfolio). This had a negative impact of 350 basis points on the solvency ratio.

The contribution of hybrid instruments to the Tier 1 ratio at the end of 2008 was relatively low (i.e. 9%). The Core Tier 1 amounted to 9.6% at the same date.

These ratios are above the regulatory requirements.

ASSET QUALITY

Further to the increase of the Loans and Receivables outstanding due to the reclassification of assets as of October 1, 2008 (application of IAS 39 amendment), impaired loans rose significantly in the fourth quarter of 2008. In addition, portfolio impairments are impacted by the impaired assets of the Financial Products portfolio which was fully transferred in Loans and Receivables.

As a result, asset quality and coverage ratios are respectively 0.99% and 58.9% at the end of the year.

CAPITAL ADEQUACY	Basel I	Basel II			
(in millions of EUR, except where indicated)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008
Tier 1 capital	14,549	13,483	13,843	18,741	16,126
Total regulatory capital	15,345	14,533	14,997	19,747	18,077
Weighted risks	159,383	120,113	121,670	129,400	152,837
Tier 1 ratio	9.1%	11.2%	11.4%	14.5%	10.6%
Capital adequacy ratio	9.6%	12.1%	12.3%	15.3%	11.8%

For the calculation of the solvency ratios in 2007, the treatment of qualified participations in banking and insurance institutions is the deduction of total regulatory capital.

QUALITY OF RISKS					
(in millions of EUR, except where indicated)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008
Impaired loans to customers	1,218	1,170	1,227	1,329	3,535
Portfolio impairments (1)	818	789	810	853	2,083
Assets quality ratio (2)	0.50%	0.48%	0.47%	0.38%	0.99%
Coverage ratio (3)	67.2%	67.4%	66.0%	64.2%	58.9%

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

RATINGS

The Group's principal banking entities – Dexia Bank Belgium, Dexia Crédit Local and Dexia BIL – are rated AA- with stable outlook by Fitch (September 30, 2008), A1 with negative outlook by Moody's (January 19, 2009), A with stable outlook by Standard & Poor's (December 19, 2008) and AA (low) with negative trend by DBRS (November 17, 2008).
The triple-A rating of Dexia Municipal Agency was affirmed by Fitch (October 1, 2008), Moody's (January 23, 2009) and Standard & Poor's (October 7, 2008).

RATINGS	Long-term	Outlook	Short-term
Fitch			
Dexia Bank Belgium	AA-	Stable outlook	F1+
Dexia Crédit Local	AA-	Stable outlook	F1+
Dexia Banque Internationale à Luxembourg	AA-	Stable outlook	F1+
Dexia Municipal Agency	AAA	-	
Moody's			
Dexia Bank Belgium	A1	Negative outlook	P-1
Dexia Crédit Local	A1	Negative outlook	P-1
Dexia Banque Internationale à Luxembourg	A1	Negative outlook	P-1
Dexia Municipal Agency	Aaa	-	
Standard & Poor's			
Dexia Bank Belgium	A	Stable outlook	A-1
Dexia Crédit Local	A	Stable outlook	A-1
Dexia Banque Internationale à Luxembourg	A	Stable outlook	A-1
Dexia Municipal Agency	AAA	-	
DBRS			
Dexia Bank Belgium	AA (low)	Negative trend	R-1 (middle)
Dexia Crédit Local	AA (low)	Negative trend	R-1 (middle)
Dexia Banque Internationale à Luxembourg	AA (low)	Negative trend	R-1 (middle)

Financial results

PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in the scope of consolidation

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 Banque Internationale à Luxembourg, is fully consolidated as from July 1, 2007. Dexia LdG Banque SA's principal activity is 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.

In 2008

• As from the fourth quarter, Dexia exited from Kommunalkredit Austria AG (previously 49% owned by Dexia) and took full ownership of Dexia Kommunalkredit Bank AG (previously 51% owned by Dexia).

• On November 14, 2008 Dexia signed a binding agreement to sell FSA Holdings to Assured Guaranty Ltd, a bond insurer listed on the New York Stock Exchange. Financial Products activity is excluded from the scope of the transaction. On January 20, 2009 the US anti-trust authorities gave their authorization for the sale of FSA insurance activities to Assured Guaranty. Dexia has recorded all the accounting and prudential impacts of the sale of FSA in the fourth quarter of 2008.

Analytical treatment

The impacts of the changes in scope of consolidation were very limited. In absolute figures, the difference between the reported and pro forma 2007 net income Group share is EUR +2 million (income lower by EUR 20 million; costs lower by EUR 15 million; cost of risk lower by EUR 4 million; taxes lower by EUR 3 million).
The scope of the various business lines and transfer prices within the Group was maintained for the purpose of full-year reporting. The results of Public and Wholesale Banking still include the Public Finance Bond Portfolio and are based on transfer prices which do not properly reflect increasing funding costs.

IAS 39 reclassification

The consolidated financial statements are prepared in accordance with all IFRSs as adopted by the EU. Dexia used the reclassification amendments to IAS 39 and IFRS 7 whereby some non-derivative assets can be transferred if specific conditions are met. Dexia reclassified part of its Available-For-Sale (AFS) and trading assets for a total amount of EUR 100 billion, with effect from October 1, 2008. If these reclassifications had not been made, the net impact from value movements and impairments on full year 2008 statement of income would have been limited and the AFS reserve would have been EUR 1.3 billion lower at the end of December 2008.

Impact of the financial crisis

An in-depth review of the risks related to the impacts of the financial crisis is provided within the "Fourth quarter and full-year 2008 presentation for analysts and investors". This presentation is available on Dexia's website: *www.dexia.com.*

CONSOLIDATED STATEMENT OF INCOME

2008 was characterized by an exceptionally severe financial crisis creating major disruptions to overall market liquidity, securities markets and specific RMBS and bank credit risks. In the fourth quarter of 2008 the financial crisis worsened significantly. The decline of equity markets accelerated with a fall of the EuroStoxx 50 by 44% for the full year and 19% for the fourth quarter of 2008 only.
Against this background, Dexia was hit in various ways through fair value adjustments, impairments or losses. In 2008, Dexia also booked all the accounting consequences of the ongoing sale of FSA Insurance, announced on November 14, 2008.

Net income Group share

During the year 2008 Dexia reported a net loss of EUR 3,326 million against a net profit of EUR 2,533 million in 2007. Overall, the financial crisis significantly impacted the Group's 2008 results with a charge of EUR 5,868 million, of which impacts purely related to FSA amounted to EUR 3,139 million. Excluding crisis impacts, the net income Group share amounted to EUR 2,543 million, down 12.1% compared to 2007.
Excluding crisis all the commercial business lines posted positive results: EUR 1,126 million in Public and Wholesale Banking (excluding FSA); EUR 338 million for FSA; EUR 581 million in Personal Financial Services; EUR 69 million in Asset Management; EUR 81 million in Investor Services and EUR 715 million in Treasury and Financial Markets.

CONSOLIDATED STATEMENT OF INCOME (in millions of EUR)	2007	2008	Variation
Income [1]	**6,896**	**3,556**	**-48.4%**
Expenses	(3,834)	(4,119)	+7.4%
Gross operating income	**3,062**	**(563)**	**n.s.**
Cost of risk	(163)	(3,292)	x20.2
Impairment on (in)tangible assets	(7)	(22)	x3.1
Pretax income	**2,892**	**(3,877)**	**n.s.**
Tax expense	**(256)**	**629**	**n.s.**
Net income	2,636	(3,248)	n.s.
Minority interests	(103)	(78)	-24.3%
Net income – Group share	**2,533**	**(3,326)**	**n.a.**
of which Impact financial crisis	*(358)*	*(5,868)*	*x16.4*
of which Net income excl. financial crisis	*2,894*	*2,543*	*-12.1%*
Earnings per share (in EUR)	2.18	(2.54)	

(1) Income = interests, fees and commissions, trading and other income; also mentioned as revenues.

Impact of the financial crisis in 2008

Dexia was hit in various ways by fair value adjustments, impairments or losses:

• All consequences of the ongoing sale of FSA Insurance operations to Assured Guaranty were booked in the fourth quarter of 2008 for a total amount, after tax, of EUR -1,655 million. They include not only the capital loss but also a number of related effects like the write-down of deferred tax assets and the partial reversal of own credit risk positive value adjustments.

• FSA's Financial Products (for an amount after tax of EUR 676 million) and FSA Insurance (for an amount after tax of EUR 810 million) were both directly affected by the US mortgage and market crisis. Both realized substantial impairments on their exposure to residential mortgage-backed securities (mainly on HELOC, Alt-A, Subprime and Option ARMs exposures). FSA's Financial Products crisis impact includes a EUR 300 million collective impairment (no tax impact) on the US RMBS sector, in the light of the continued deterioration of the US mortgage market and with the aim of maintaining a cautious approach.

• In its own Insurance operations, Dexia booked a number of impairments on investment portfolios, mainly financial bonds and shares, for a total amount after tax of EUR 597 million. Taking realized gains and losses into account, the estimated impact of the financial crisis is EUR -594 million, after tax.

• Dexia's investment portfolios were affected by the value deterioration and losses in some bank counterparties and investments for a total amount, after tax, of EUR 810 million, mainly booked in the third quarter of 2008. Largest components were: EUR 473 million on Lehman Brothers; EUR 174 million on Icelandic banks; EUR 57 million on Washington Mutual. In addition to smaller items, impairments and losses on bank shares and Tier 1 subordinated bonds amounted to EUR 60 million and EUR 30 million respectively, after tax.

• Dexia booked collective impairments, for credit risks, for a total amount of EUR 386 million, after tax. Reduced visibility and adverse credit risk factors led Dexia to adopt a cautious approach.

• Impairments on Dexia's exposure to monolines amounted to EUR 320 million, after tax. Impairments and credit value adjustments on Dexia's exposure (mainly indirect through assets guaranteed by monolines) amounted to EUR 472 million (before tax) at the end of 2008 after considering a differentiated recovery rate for each monoline.

• "Other value adjustments" (EUR 98 million) includes a number of fair value movements on other exposures within Dexia's trading books.

• The "Other" category includes a number of atypical items related to the financial crisis for a total amount of EUR 604 million. The main components are:
- a charge after tax of EUR 199 million related to the transaction by which Dexia exits from Kommunalkredit Austria AG and takes full ownership of Dexia Kommunalkredit Bank;
- a client-related forex loss of EUR 59 million via the Group's Slovakian subsidiary;
- impairments on funds for EUR 101 million, after tax;
- impairments on Madoff exposure for an after tax impact of EUR 86 million;
- a number of smaller negative impacts were also identified as a direct consequence of this exceptional financial crisis for EUR 159 million, after tax.

IMPACT OF THE FINANCIAL CRISIS IN 2008

(in millions of EUR)	Revenues (before tax)	Cost of risk (before tax)	Net income
FSA	**(2,060)**	**(1,665)**	**(3,139)**
FSA Financial Products	(344)	(339)	(676)
FSA Insurance	(452)	(884)	(810)
Sale of FSA Insurance	(1,264)	(442)	(1,655)
Impairments and other	**(2,114)**	**(1,187)**	**(2,729)**
Impairments & losses – insurance activities	(649)	-	(594)
Impairments & losses – banking counterparts (1)	(613)	(368)	(810)
Collective impairments	-	(500)	(386)
Monolines	(381)	(91)	(320)
Other value adjustments	(169)	-	(98)
Other	(420)	(228)	(604)
Own credit risk (excl. FSA)	118	-	83
TOTAL	**(4,173)**	**(2,852)**	**(5,868)**

(1) Excluding banking counterparts within insurance activities.

Income

Total income in 2008 amounted to EUR 3,556 million, and almost halved (-48.4%) against the previous period, due to the consequences of the financial crisis. Revenues were negatively impacted for an amount of EUR 4,173 million of which EUR 2,060 million were directly linked to FSA. The remaining EUR 2,114 million principally came from:

- impairments and losses in insurance activities (EUR 649 million) and in Dexia's investment portfolios (EUR 613 million);
- impairments on Dexia's exposure to monolines (EUR 381 million);
- charges related to the situation in Central Europe (EUR 177 million);
- impairments on funds (EUR 127 million).

Excluding financial crisis, revenues rose by 3.9% year-on-year. Excluding crisis impacts and FSA, revenues at Public and Wholesale Banking were up by 14%, due to higher outstanding commitments. At Personal Financial Services, revenues (excluding crisis impacts) decreased by 1% year-on-year as savings deposit volumes and margins, and fees generated on savings products were under pressure.

Costs

Expenses stood at EUR 4,119 million in 2008, up 7% or EUR +285 million compared to 2007. Exceptional charges related to Dexia's transformation plan of EUR 229 million (before tax) explain most of 2008 cost growth. Excluding these charges, costs were up by 2% year-on-year.

Due to the impact of the financial crisis on revenues, the cost-income ratio was 115.8% in 2008, compared to 55.6% in 2007. Excluding the financial crisis and the exceptional charges related to Dexia's transformation plan, the cost-income ratio was 50.3% in 2008 against 51.3% in 2007.

Gross operating income

Gross operating income was heavily affected by the consequences of the financial crisis. It amounted to EUR -563 million in 2008 versus EUR 3,062 million in 2007. Excluding crisis impacts, gross operating income stabilized at EUR 3,611 million (-0.3% versus 2007).

Cost of risk

The cost of risk amounted to EUR 3,292 million in 2008, compared to EUR 163 million one year earlier. Within cost of risk, EUR 2,852 million (before tax) were related to the financial crisis, of which EUR 1,665 million were directly linked to FSA. This amount includes a EUR 300 million collective impairment on the US RMBS portfolio, in the light of the continued deterioration of the US mortgage market and with the aim of maintaining a cautious approach. The remaining EUR 1,187 million stems mainly from:

- impairments and losses on Dexia's investment portfolios (EUR 368 million);
- impairments on Dexia's exposure to monolines (EUR 91 million);
- impairments on the Madoff exposure (EUR 122 million);
- a collective impairment for credit risks (EUR 500 million).

Reduced visibility and adverse credit risk factors led Dexia to adopt a cautious approach and build this additional reserve. Excluding financial crisis, the cost of risk was EUR 439 million. Excluding financial crisis, FSA and the cost of risk at Dexia Bank Nederland (EUR 110 million) the cost of risk ratio (net charge as a percentage on average customer loans) for banking activities stood at 10 basis points in 2008.

Taxes

As a consequence of the financial crisis the pretax result amounted to EUR -3,877 million in 2008. A net tax profit of EUR 629 million was recognized in the statement of income essentially due to the booking of deferred tax assets on provisions and fair value adjustments.

Solvency

From January 1, 2008 onwards, Dexia uses the Basel II framework to calculate the capital requirements for credit risks and to publish its solvency ratios. At year-end, Dexia's total weighted risks amounted to EUR 152.8 billion as compared to EUR 159.4 billion at the end of 2007. The switch to Basel II as of January 1, 2008 allowed for a EUR 42 billion weighted risk relief. Weighted risks at the end of 2008 increased by 18% (EUR +24.5 billion) during the fourth quarter of 2008 mainly due to the inclusion of FSA's Financial Products portfolio (FP) into Dexia's banking book. Excluding FP, weighted risks decreased by 1% during the fourth quarter of 2008.
Dexia's capital situation benefited in 2008 from the EUR 6.0 billion capital increase announced on September 30, 2008 and underwritten by the Belgian and French States and by Dexia's main shareholders.
Dexia's Tier 1 ratio reached 10.6% at the end of 2008, including a core Tier 1 ratio of 9.6%. It included all consequences from the ongoing sale of FSA Insurance and the prudential consolidation of FSA's Financial Products activities which, together, had a negative impact of around 350 basis points as announced on November 14, 2008.
With the guarantee from the Belgian and French governments on Financial Products assets, approved by the European Commission on March 13, 2009, Dexia's solvency ratios are protected against potential further Financial Products losses.
The Tier 1 ratio at the end of December 2008 did not include the EUR 0.4 billion capital contribution from the government of Luxembourg which was announced on September 30, 2008.

Earnings per share

Earnings per share for 2008 (EUR -2.54) were calculated on the basis of 1,310 million shares (average weighted number). Diluted earnings per share for 2008 stood at EUR -2.54.

Proposed dividend

The Board of Directors has decided to propose to the General Shareholders' Meeting of May 13, 2009 that exceptionally no dividend should be paid for the financial year 2008.

CONSOLIDATED BALANCE SHEET

The consolidated balance sheet total was EUR 651 billion as of December 31, 2008, up EUR 46.4 billion or +7.7% compared to December 31, 2007.
As the policy of Dexia is to limit exposure to interest rates changes, Dexia hedges its assets and liabilities with derivatives. The overall balance sheet increase is partly due to the decrease of interest rates in comparison with December 31, 2007 leading to the increase of the fair value of derivatives, the fair value revaluation of portfolio hedges (both on assets and liabilities sides) and the hedged items (being customer loans and available for sale on the assets side). It has a limited impact on net income.

Total equity

Total shareholders' equity is composed of core shareholders' equity (capital, additional paid-in capital, reserves, result for the year before allocation less treasury shares) and gains and losses not recognized in the statement of income (or Other Comprehensive Income).
Total shareholders' equity of the Dexia Group amounted to EUR 3.9 billion as of December 31, 2008 compared to EUR 14.5 billion as of December 31, 2007, i.e. a EUR 10.6 billion decrease. The financial crisis led to a number of fair value adjustments, impairments and losses which burdened 2008 net income and had a direct impact on the fair value of financial instruments, with no impact on the statement of income but on Other Comprehensive Income.
Core shareholders' equity increased by 1.4 billion to EUR 17.5 billion. This is the result of:
• the EUR 6 billion capital increase subscribed by the Belgian and French governments as well as by the existing main shareholders;
• the payment of the dividend related to the 2007 results (EUR -1.1 billion);
• the acquisition of treasury shares (EUR -0.2 billion);
• the net loss for the period (EUR -3.3 billion).
The other comprehensive income, which includes the fair value of the Available-For-Sale (AFS) portfolio, the fair value of cash-flow hedge derivatives and the translation reserve, came in at

SOLVENCY

	Dec. 31, 2007	Sept. 30, 2008	Dec. 31, 2008	Variation in 3 months
Tier 1 capital (in millions of EUR) (1)	14,549	18,741	16,126	-14.0%
Total weighted risks (in millions of EUR) (1)	159,383	129,400	152,837	+18.1%
Tier 1 ratio (1)	9.1%	14.5%	10.6%	

(1) Basel I applied as of Dec. 2007; Basel II applied as of Sept. and Dec. 2008.

EUR -13.6 billion, i.e. down EUR 12 billion. This negative variance is explained by:

• EUR -10.4 billion in AFS reserve resulting from the widening of credit market spreads and the fall of the stock markets. In this respect, Dexia decided to apply the amendment to IAS 39 and IFRS 7 and reclassified part of its AFS portfolio to the Loans and Receivables category, with effects from October 1, 2008. The AFS reserve of these reclassified bonds has been frozen at reclassification date and will be amortized on the remaining life of the bonds, without any impact on results. Moreover as some markets became illiquid and inactive in the fourth quarter of 2008, models were applied to value certain non-reclassified AFS assets.

• EUR -1.2 billion in cash-flow hedge reserve, mainly due to the fair value of the derivatives which economically hedge assets now accounted for in Loans and Receivables.

• EUR -0.4 billion of translation reserve due to USD and TRY exchange rate fluctuations.

Minority interests remained stable at EUR 1.7 billion.

Discretionary Participation Features came out to zero as of December 31, 2008 due to the decline in the fair value of assets which had reached a negative amount.

Liabilities

Customer deposits and debt securities (savings bonds, certificates and bonds) stood at EUR 303 billion as of December 31, 2008 (i.e. -8.4%). Their relative share in the balance-sheet total amounted to 47%.

Customer deposits amounted to EUR 114.7 billion, a decrease of 9.4%. Demand deposits and term deposits respectively decreased by EUR 9.1 billion and EUR 8.3 billion partly because of the arbitrage movement from short-term rate-based products towards long-term interest rate-based savings products in a context of decreasing short-term interest rates by the end of 2008. Reverse repurchase agreements increased by EUR 6.3 billion.

Debt securities were down 7.8% to EUR 188.2 billion. This item was also impacted by the reclassification of FSA's insurance activities as Liabilities held for sale.

Financial liabilities at fair value came in at EUR 19.0 billion, a nearly stable evolution (EUR +0.7 billion) including contrasted variations:

• the own credit risk on debt securities at fair value option generated a total amount of EUR -474 million (against EUR -30 million as of December 31, 2007);

• liabilities designated at fair value increased due to new issues of eurobonds for the retail and private banking customers (mainly Dexia Funding Netherlands new issues which are now designated at fair value);

• liabilities at fair value coming from unit-linked products declined in line with the evolution of financial markets.

Subordinated debts came in at EUR 4.4 billion, down 9.8%.

Interbank liabilities increased by 19.3% to EUR 213.2 billion and were marked by an increased recourse to central banks.

Assets

The significant changes within asset categories result from the application of the amendment to IAS 39 and IFRS 7 as of October 1, 2008. Available-For-Sale (AFS) and trading assets were reclassified for a total amount of EUR 100 billion: EUR 10 billion of trading assets were transferred to AFS (EUR 3 billion) and Loans and receivables (EUR 7 billion) while EUR 91 billion of AFS assets were reclassified as Loans and receivables. If these reclassifications had not been made, the AFS reserve would have been EUR 1.3 billion lower at the end of December 2008 and the impact on results would have been limited. This is explained in note 7.7 to the consolidated financial statements.

As a result, financial investments declined by 43.2% to EUR 125 billion at the end of 2008 mainly as a consequence of EUR -88 billion of net transfers from the AFS portfolio to other accounting lines. In addition, EUR 4 billion of assets were transferred to non-current assets held for sale mainly following the announced sale of FSA's insurance activities.

Loans and advances to customers reached EUR 369 billion as of December 31, 2008, a 52% rise or EUR +126 billion of which 77% (or EUR 97 billion) is explained by the reclassification mentioned above. The balance comes mainly from the increase of the public finance outstanding in 2008.

SIMPLIFIED CONSOLIDATED BALANCE SHEET (in millions of EUR)	Dec. 31, 2007	Dec. 31, 2008
TOTAL ASSETS	**604,564**	**651,006**
of which		
Cash and balances with central banks	8,835	2,448
Loans and advances due from banks	54,776	61,864
Loans and advances to customers	242,619	368,845
Financial assets measured at fair value through profit or loss	37,565	16,044
Financial investments	220,290	125,029
Derivatives	29,218	55,213
Fair value revaluation of portfolio hedge	(185)	3,938
Investments in associates	861	682
Tangible fixed assets	2,257	2,353
Intangible assets and goodwill	2,524	2,193
TOTAL LIABILITIES AND EQUITY	**604,564**	**651,006**
Total liabilities	**588,170**	**645,388**
of which		
Due to banks	178,681	213,192
Customer borrowings and deposits	126,680	114,728
Financial liabilities measured at fair value through profit or loss	18,301	18,952
Derivatives	31,365	75,834
Debt securities	204,013	188,120
Subordinated debts	4,885	4,407
Technical provisions of insurance companies	15,071	16,739
Total equity	**16,394**	**5,618**
Core shareholders' equity	16,112	17,488
Gains and losses not recognized in the statement of income	(1,587)	(13,572)
Total shareholders' equity	14,525	3,916

Activity and results of the business lines

Public and Wholesale Banking

ACTIVITY

2008 was marked by a radical change of strategy driven by the liquidity crisis that led to the recapitalization of the Group in October 2008. Indeed, three crises affected seriously the existing Public and Wholesale Banking business model:

- in the context of the liquidity shortage, the portion of Dexia's long-term commitment portfolio refinanced on a short-term basis pushed the Group into a severe liquidity crisis;
- the widening of credit spreads across all asset categories severely affected the market value of the Group's bond portfolios;
- the collapse of the US credit market hurt FSA badly.

In the first half of the year, Dexia had originated large volumes of assets in many countries. In the second half of 2008, considering the events mentioned above, Dexia had to strictly limit its production against a background of scarce liquidity and to refocus on core markets. Overall, the outcome is significantly decreasing production.

Long-term commitments were up by 10% in 2008, to EUR 362.6 billion, and have stabilized since September 2008 after the strategic reorientations. In public banking, commitments recorded a 7% rise on a constant exchange rate. In project finance, commitments increased by 28%, to EUR 42.1 billion. The increase of corporate activity was 30%, to EUR 20.7 billion. As previously mentioned, these increases stem mainly from a very dynamic first half of the year.

Long-term production of loans and other commitments decreased by 18% in 2008 compared to 2007, from EUR 80.9 billion to EUR 66.7 billion. Dexia chose in the second half to reduce its new production drastically, especially in the fourth quarter, when production fell by 73%, to EUR 8 billion. The decrease was particularly marked in "non-core" markets. Over this period, credit spreads increased as a consequence of the financial crisis and the liquidity shortage, while credit risk per se remained generally benign. **Investment in bonds** on the secondary market was stopped at the end of the year, and overall was halved in 2008, to EUR 11.4 billion. The **financial engineering** activity linked to loan outstanding – mainly driven by client needs to hedge their risk exposure – remained at a high level of near EUR 30 billion, although it decreased by 7% compared to 2007.

Deposit-taking services and investment products were slightly down in 2008 by 0.6%, from EUR 42.2 billion to EUR 42.0 billion, out of which EUR 28.5 billion of balance-sheet products. After two quarters of growth, a EUR 1.6 billion fund-drop was observed in the third quarter. Half of this negative outflow was regained at the end of the year thanks to the States' guarantee as well as a targeted and proactive commercial approach.

Relevant regional trends are detailed hereafter.

Core markets

- In **Belgium**, long-term production was sustained in 2008: +8% year-on-year, to EUR 8.4 billion, a trend mainly attributable to the public finance segment, which saw annual growth of +44%. Dexia maintained its market share in 2008 (76%), and increased margins. Long-term commitments at the end of December 2008 were EUR 43.6 billion, up by 13%.
- Long-term production in **France** decreased by 27% in 2008, to EUR 9.8 billion. Public Finance activity was down by 36%, owing to sluggish activity in the first half of the year following local elections. In the second half of the year, despite its own difficulties, Dexia remained one of the most active lenders to French local authorities while other banks were retrenching. Activity was strong in project finance, where Dexia notably arranged nine PPP transactions as Mandated Lead Arranger for a total amount of EUR 700 million, linked to pre-crisis commitments. Long-term commitments were EUR 78 billion at the end of 2008, up by 4% year-on-year.
- In **Spain** and **Portugal** in 2008, originations doubled compared to the previous year, both in public finance and project finance. Long-term commitments at the end of December were EUR 15.6 billion, up by 46%.
- Long-term production in **Italy** decreased by 38% for the full year 2008, as a result both of the difficult conditions prevailing in public finance, with strict balance-sheet restrictions imposed on local authorities by central government and of the Group's decision to focus on pure commercial transactions, which had a negative impact on volumes but allowed margins to improve. Long-term commitments at the end of December 2008 were EUR 38.8 billion, down by 3%.

Other markets

- Long-term production in the **United Kingdom** decreased by 58% in 2008, to EUR 2.7 billion, notably as a result of a drastic reduction of activity in the second part of the year. Project finance production increased by 7% year-on-year. Long-term commitments at the end of December 2008 amounted to EUR 11.6 billion, down 12%.
- Long-term production in **Germany** posted a 31% decrease in 2008, following a contraction of the German market caused by an increase in tax resources for local authorities. Long-term commitments were up 5% at the end of December 2008.
- Long-term production in the **United States and Canada** was EUR 16.2 billion, up 22% in 2008, a figure reflecting the activity outburst observed in the first half of 2008, when Dexia issued large amounts of letters of credit and liquidity guarantees to provide US municipalities with funding solutions following the collapse of the Auction Rate Securities market. Long-term commitments at the end of the year 2008 were up 23% on a constant exchange rate, to EUR 65 billion.
- Long-term production in **Japan** was EUR 5.6 billion in 2008, up 19%. Activity was sharply reduced in the last months of the year (-51% in the fourth quarter), in a context of a reduction of

the bond portfolio and a focus on core markets and the high margins area. Long-term commitments were EUR 13.5 billion at the end of the year.

• Production of loans and other commitments booked in International headquarters were significantly reduced in 2008 (-78%), also due to the drastic reduction of bond activity.

The year 2009 should be characterized by a strong reduction of production, with the implementation of the transformation plan aimed at refocusing the Public and Wholesale Banking activity on markets where the Group has real commercial franchises, access to local long-term funding and a potential for profitable growth. This consideration leads to the following geographical rebalancing:

• discontinuation of activities in Australia, Eastern Europe (excluding Dexia banka Slovensko), Mexico, India and Scandinavia. These activities will be sold or carried out to partners after consultation of the regulatory authorities concerned;
• in Japan, Germany and Switzerland, maintenance of establishments to retain platforms for access to funding sources, in particular the German *Pfandbriefe*, but without any commercial development;
• significant reduction of activities in the United Kingdom and North America;
• strengthening of activity and enlargement of the product spectrum in countries where Dexia enjoys a strong commercial franchise: France, Belgium and Luxembourg, as well as Italy and in the Iberian Peninsula.

LONG-TERM COMMITMENTS AND ORIGINATIONS

(in millions of EUR)	Long-term commitments (1)			Long-term originations (1)		
	December 31, 2007	December 31, 2008	Variation	2007	2008	Variation
Europe	**234,850**	**249,155**	**+6.1%**	**48,404**	**40,708**	**-15.9%**
Belgium	38,788	43,636	+12.5%	7,751	8,388	+8.2%
Central and Eastern Europe	6,727	7,779	+15.6%	1,768	2,050	+15.9%
France	74,927	77,602	+3.6%	13,427	9,834	-26.8%
Germany	36,621	38,341	+4.7%	6,366	4,384	-31.1%
Iberia (Spain & Portugal)	10,671	15,614	+46.3%	2,585	5,333	x2.1
Italy	39,834	38,805	-2.6%	5,144	3,173	-38.3%
Luxembourg	2,376	2,464	+3.7%	496	430	-13.3%
Sweden	3,754	3,614	-3.7%	805	1,032	+28.2%
Switzerland	4,637	5,355	+15.5%	1,362	425	-68.8%
Turkey (2)	3,271	4,345	+32.8%	2,381	2,978	+25.1%
United Kingdom	13,245	11,600	-12.4%	6,319	2,681	-57.6%
Outside Europe	**59,435**	**81,304**	**+36.8%**	**19,564**	**23,097**	**+18.1%**
Australia	1,218	1,267	+4.0%	942	639	-32.1%
Israel	612	794	+29.8%	186	185	-0.1%
Japan	6,252	13,481	x2.2	4,678	5,583	+19.3%
Mexico	1,305	1,196	-8.3%	507	467	-7.8%
United States and Canada	50,048	64,566	+29.0%	13,251	16,222	+22.4%
International headquarters (3)	**34,233**	**32,123**	**-6.2%**	**12,970**	**2,846**	**-78.1%**
Fully consolidated subsidiaries	**328,518**	**362,583**	**+10.4%**	**80,938**	**66,651**	**-17.7%**
of which public sector	*278,890*	*299,773*	*+7.5%*	*58,794*	*49,330*	*-16.1%*
of which project finance	*33,383*	*42,070*	*+26.0%*	*12,335*	*10,156*	*-17.7%*
of which corporate banking	*16,245*	*20,740*	*+27.7%*	*9,809*	*7,165*	*-27.0%*

(1) These amounts are stated at current exchange rate.
(2) To be integrated into Retail and Commercial banking activities from 2009.
(3) "International headquarters" refers to the transactions carried out by the head office in countries where the Group has no direct presence.

DEPOSIT-TAKING SERVICES AND INVESTMENT PRODUCTS (INCLUDING OFF-BALANCE-SHEET PRODUCTS) (in millions of EUR)	December 31, 2007	December 31, 2008	Variation
Balance sheet	26,767	28,500	+6.5%
Off-balance sheet	15,457	13,480	-12.8%
TOTAL	**42,224**	**41,980**	**-0.6%**

FSA

Activity at FSA must be analyzed in the context of the collapse of the credit enhancement market. On November 14, 2008 Dexia announced a binding agreement to sell the insurance business of FSA to Assured Guaranty Ltd.

Municipal activity: FSA booked gross present value (PV) premium of USD 582 million in 2008, down 28% compared to 2007. This decrease is due to:

• a sharp decline of the credit enhancement penetration rate (from 47% in 2007 to 17% in 2008) in a context of growing uncertainties on the main credit enhancers, causing many issuers to choose to issue bonds on their own ratings.

• Moody's decision on July 21, 2008 to place FSA's Aaa rating on review for possible downgrade, which weakened FSA's market position.

ABS activity: Dexia and FSA decided in 2008 to exit the ABS market, causing a 78% decline of gross PV premiums, to USD 83 million. Virtually no new production was realized in the second half of the year.

RESULTS

The Public and Wholesale Banking reported net income Group share amounted to EUR -1,924 million in 2008, compared to EUR 1,025 million in 2007, after taking into account FSA's related losses for a total amount of EUR 2,767 million. All consequences of the ongoing sale of FSA's insurance operations to Assured Guaranty were booked in the fourth quarter of 2008 for a total amount, after tax, of EUR -1,655 million. They include not only the capital loss but also a number of related effects like the write-down of deferred tax assets and the partial reversal of own credit risk positive value adjustments. The financial crisis also had a substantial impact on FSA with FSA's Financial Products (for an amount after tax of EUR 676 million) and FSA Insurance (for an amount after tax of EUR 810 million) both directly affected by the US mortgage and market crisis. Both realized substantial impairments on their exposure to residential mortgage-backed securities (mainly on HELOC, Alt-A, Subprime and Option ARM exposures). FSA's Financial Products crisis impact includes a EUR 300 million collective impairment (no tax impact) on the US RMBS sector.

Excluding FSA, **net income Group share** was EUR 843 million, down 19% year-on-year. It included the impact of the financial crisis for a total negative amount of EUR 283 million post-tax, mainly related to:

• losses related to the Kommunalkredit Austria/Dexia Kommunalkredit Bank transaction in Central Europe;

• impairments on the insurance activity investment portfolio;

• collective impairments for credit risks. Without financial crisis impact, the net income Group share saw a 9% increase compared to 2007.

Total **income** in 2008 without FSA amounted to EUR 2,452 million, up by 9% compared to 2007. Excluding impact from the financial crisis, income would have increased by 14% year-on-year. Revenues benefited from:

• strong volumes with outstanding up 10%, partly due to a sustained level of activity during the first half of 2008;

• relatively stable margins;

• draws on high-margin liquidity lines in the United States at the end of the year.

Expenses without FSA increased by 7%, to EUR 869 million. The growth is due to international developments, now discontinued, which occurred during the first nine months of 2008. The change in strategy decided at the end of the year already led to a decrease in costs during the fourth quarter.

Gross operating income without FSA in 2008 came in at EUR 1,583 million, up by 10% year-on-year. Without financial crisis impact, the gross operating income was EUR 1,695 million, up by 18% compared to 2007.

Cost of risk without FSA increased significantly, to EUR 391 million against EUR 58 million in 2007. This increase is due in particular to EUR 152 million collective impairments for credit risks. Excluding the impact of the financial crisis, cost of risk was EUR 168 million.

Tax expense was EUR 336 million without FSA and impact of the financial crisis for the full year 2008, and represented an 11% increase compared to 2007.

STATEMENT OF INCOME (EXCLUDING FSA) (in millions of EUR, except where indicated)	2007 [1]	2008	Variation
Income	**2,259**	**2,452**	**+8.5%**
Expenses	**(816)**	**(869)**	**+6.6%**
Gross operating income	**1,443**	**1,583**	**+9.7%**
Cost of risk	(58)	(391)	x6.7
Pretax income	**1,385**	**1,184**	**-14.5%**
Tax expense	(297)	(286)	-3.7%
Net income	**1,088**	**898**	**-17.5%**
Minority interests	47	54	+15.0%
Net income Group share	**1,041**	**843**	**-19.0%**
of which impact financial crisis	*8*	*(283)*	*n.s.*
of which net income excl. financial crisis	*1,033*	*1,126*	*+9.0%*
Cost-income ratio	36.2%	35.5%	
Total allocated equity (average)	3,620	5,077	
Weighted risks – Basel I	90,654	-	
Weighted risks – Basel II	-	74,462	

(1) Pro forma.

Personal Financial Services

ACTIVITY

Personal Financial Services activities proved their robustness throughout the crisis and contributed steadily to the overall liquidity of the Group. Total deposits were stable at EUR 69 billion year-on-year and loans were up 10% year-on-year at EUR 42 billion. In Belgium, Luxembourg and Slovakia regular and ad hoc customer communication was organized to cope with the many questions arising from the exceptionally severe financial crisis which marked the year 2008. In Belgium the franchise proved resilient and deposits at the end of the year were back to pre-crisis levels (+1% between end of September and end of December 2008).

In 2009 Dexia will keep developing attractive retail, private and commercial banking franchises in Belgium, Luxembourg, Turkey and Slovakia. These activities as well as Asset Management and Investor Services activities will be included in the new Retail and Commercial Banking business line. The key strategic directions of Retail and Commercial Banking in 2009 are:

- increasing the customer and deposit base;
- improving the relative cost position;
- further exploiting existing network potential, in line with Dexia's transformation plan launched in November 2008. Dexia will also continue to expand further the network in Turkey, to develop the multichannel approach, to promote credit products and meet customer demand in 2009.

Despite the unfortunate confidence crisis resulting from the sudden lack of liquidity starting at the end of September 2008, total **deposits** at the end of 2008 were stable compared to December 2007 (at EUR 69 billion). Nevertheless, considerable shifts were observed in savings and investment flows as customers developed an increasing risk aversion during the year and decreasing short-term interest rates in the fourth quarter triggered an arbitrage movement from short-term rate-based products (like savings bonds and term deposits) towards long-term interest rate-based savings products (like bonds issued by the Group).

More precisely,

- structured bonds issued by the Group recorded a 20% increase (to EUR 12 billion) compared to last year and a 8% growth in the fourth quarter of 2008.
- The year-on-year decrease of the savings accounts outstanding was limited (-6%) thanks to the successful new internet savings account in Belgium, offering a high remuneration, which represented more than EUR 3.3 billion of the outstanding at the end of 2008. End of December, savings accounts outstanding was back to the level of September 2008, to EUR 24 billion. This resilience was particularly observed in Belgium.
- After nine months of sharp rise, savings bonds and term deposits decreased in the fourth quarter and came back to EUR 25 billion at the end of 2008.

Affected by a strong negative market effect, **off-balance-sheet assets** (including life insurance products) declined 22% to EUR 52 billion, including -34% for mutual funds. **Life insurance technical reserves** were stable at EUR 16 billion (or -0.2% versus 2007). The overall decline in off-balance-sheet assets is partly explained by the success of attractive alternative offers, such as term deposits and structured bond products.

Total customer assets stood at EUR 121 billion at the end of December 2008, an 11% reduction mainly due to the decrease of off-balance-sheet assets.

Double-digit growth was recorded in **customer loans** with a 10% increase (to EUR 42 billion) at the end of December 2008 compared to last year. All segments continued to expand at a rapid pace (+15% for business loans, +7% for consumer loans and +10% for mortgages year-on-year). In absolute amounts, Belgium was the main contributor to this growth.

In **Belgium**, Dexia Bank confirmed its multichannel distribution approach and prepared for the launch of its new distribution model. The model focuses on relationship management and specialization in order to meet customer needs better. The innovative open branch concept was introduced in a number of pilot outlets and will be generalized through the 959 branches as from 2009. This concept became feasible through the investment in a new generation of cash recycling ATMs (Automated Teller Machines) which allow cash deposits. Cash handling is concentrated in the self-service banking area of the branch and the classic bank counter disappears. This enables an open space branch environment fully dedicated to customer advice and high value-added services.

Luxembourg as a financial center was more affected by the crisis because of its exposure to private banking activities. Customer assets and portfolios were marked by a strong negative market effect. Dexia however continued to invest in its private banking activities as it opened a new branch in Monaco at the end of October 2008, catering for European high net worth individuals.

In **Turkey,** DenizBank's expansion continued in 2008 with the opening of 80 new branches (bringing the total to 400 branches at the end of the year) and a 21% rise in the number of ATMs. DenizBank now has more than 3 million customers and its renown is constantly growing. At the end of December 2008, customer assets reached TRY 9.3 billion (EUR 4.3 billion), a 28% increase year-on-year. Loan growth was strong (+43% year-on-year) and outstanding reached TRY 7.8 billion at the end of 2008 (EUR 3.7 billion). This excellent performance came from both retail and SME and agriculture loans. Turkey remains a long-term growth platform while carefully monitoring its balance sheet and risks.

In **Slovakia**, Dexia banka Slovensko prepared in 2008 for the shift to the euro-currency which occurred as of January 1, 2009. IT and marketing efforts sustained the success of the operation.

CUSTOMER ASSETS AND LOANS (in billions of EUR)	Dec. 31, 2007	Dec. 31, 2008	Variation
TOTAL CUSTOMER ASSETS AND LOANS	**173.8**	**162.6**	**-6.5%**
Total customer assets	**136.0**	**121.0**	**-11.0%**
Deposits	69.3	68.9	-0.5%
Sight accounts	*8.5*	*7.9*	*-7.9%*
Savings accounts	*25.7*	*24.2*	*-5.7%*
Savings bonds & term deposits	*25.3*	*25.1*	*-0.7%*
Bonds issued by the Group	*9.8*	*11.7*	*+19.9%*
Off-balance sheet assets	50.9	36.3	-28.7%
Mutual funds	*32.4*	*21.3*	*-34.2%*
Direct securities (1)	*18.4*	*15.0*	*-18.9%*
Life insurance technical reserves	15.9	15.9	-0.2%
Total customer loans	**37.8**	**41.5**	**+9.9%**
Mortgage loans	21.5	23.6	+9.8%
Consumer loans	2.4	2.6	+7.1%
Business loans	8.8	10.1	+15.0%
Other loans	5.1	5.2	+2.6%
Retail and SME customer assets and loans	**120.6**	**116.5**	**-3.5%**
Assets	87.2	79.7	-8.5%
Loans	33.5	36.7	+9.6%
Private customer assets and loans	**53.1**	**46.1**	**-13.2%**
Assets	48.9	41.3	-15.4%
Loans	4.3	4.8	+11.9%

(1) Customer financial assets (such as shares, bonds and cooperators' shares) held under custody by the bank.

RESULTS

From a financial perspective, the market environment clearly put pressure on Personal Financial Services performance. For the full year 2008, a **net loss** of EUR 143 million was recorded, mainly due to the impairments and losses on the insurance investment portfolio.

The crisis reduced net earnings by EUR 723 million in 2008, in particular because of:

- EUR 504 million losses and impairments in the insurance portfolios;
- EUR 33 million contribution of Dexia Banque Internationale à Luxembourg to the Deposit Guarantee Association Luxembourg subsequent to the insolvency of Icelandic banks in Luxembourg;
- EUR 56 million collective impairment for credit risks;
- EUR 30 million linked to the excessive currency exposure accumulated by some professional clients at Dexia banka Slovensko;
- EUR 86 million impairments on Madoff exposure.

Moreover some one-off items not linked to the crisis are included in the 2008 results: a restructuring charge of EUR 33 million after tax at Dexia Bank Belgium for its new distribution model as mentioned above, and costs of EUR 7 million after tax related to the downsizing of the Russian consumer finance operations.

Excluding crisis effects, net income Group share amounted to EUR 581 million at the end of 2008, down by 20% (or by 15% if restated without one-off items and crisis effects).

Reported **income** was EUR 2,197 million in 2008 and EUR 2,795 million excluding financial crisis effects, down by 1%. This masks 25% growth at DenizBank (thanks to continued high growth in loan and deposit volumes and in commissions) more than offset by a 4% decline in Belgium and 10% decrease in Luxembourg. In those two countries, revenues were impacted by low deposit volumes and margins as well as by lower fees.

Expenses amounted to EUR 1,997 million, a 6% rise compared to last year. The latter percentage is composed of a 16% increase in Turkey mainly due to network expansion and activity growth (it also includes one-off costs related to Russia), a 3% rise in Belgium and an increase of 8% in Luxembourg. The increase of costs in Belgium reflects expenditure linked to the previously mentioned restructuring charges for its new distribution model. The Luxembourg cost base was influenced by the development of private banking operations in 2008.

Excluding the financial crisis impacts and the one-off items described above, the cost-income ratio stood at 71% in 2008 compared to 67% in 2007.

Cost of risk amounted to EUR 368 million at the end of 2008, largely inflated by the impairments on Madoff exposure and to a lower extent by the general provision for credit risks and the loss experienced at Dexia banka Slovensko. Excluding the financial crisis impact, cost of risk was EUR 114 million in 2008, an increase of EUR 52 million mainly attributable to Turkey (a EUR 35 million increase) following loan volume growth and the deterioration of local risks.

As a result, **pretax income** in 2008 came in at EUR -180 million or EUR 672 million without crisis impact, versus EUR 866 million in 2007.

STATEMENT OF INCOME

(in millions of EUR, except where indicated)	2007 (1)	2008	Variation
Income	**2,820**	**2,197**	**-22.1%**
Expenses	**(1,889)**	**(1,997)**	**+5.7%**
Gross operating income	**931**	**200**	**-78.5%**
Cost of risk	(62)	(368)	x6.0
Pretax income	**866**	**(180)**	**n.s.**
Tax expense	(132)	19	n.s.
Net income	**733**	**(162)**	**n.s.**
Minority interests	5	(19)	n.s.
Net income Group share	**728**	**(143)**	**n.s.**
of which impact financial crisis	*0*	*(723)*	*n.s.*
of which net income excl. financial crisis	*728*	*581*	*-20.3%*
Cost-income ratio	67.0%	90.9%	
Total allocated equity (average)	2,243	2,580	
Weighted risks – Basel I	30,525	-	
Weighted risks – Basel II	-	18,463	

(1) Pro forma.

Asset Management

ACTIVITY

The asset management industry faced a challenging environment in 2008, particularly after the exceptionally severe market disruption which occurred in the last quarter of the year. At the end of December 2008, assets under management amounted to EUR 79.3 billion, down EUR 30.4 billion (or -27.7%), of which EUR 14.4 billion in the fourth quarter. Year-on-year the negative market effect accounted for EUR 14.3 billion (or 47% of the decrease) while net outflows amounted to EUR 16.1 billion, mainly in retail and institutional funds.

Under these circumstances, clients' increasing risk aversion translated into EUR 9.2 billion of net outflows in retail investment funds and private mandates, which were also affected by a negative market effect of EUR 7.8 billion. At the end of the year, total assets managed in retail funds and private mandates were at EUR 32.2 billion.

Institutional investment funds and mandates decreased by 13.3 billion (or -22%) from the beginning of the year, to EUR 47.2 billion. This was explained by a EUR 6.4 billion negative market effect and EUR 6.9 billion net outflows mainly recorded in the last quarter of the year in the fixed income and money market funds (particularly due to the loss of two mandates).

Total assets under management remained well balanced between the different asset classes: 14% in equity funds, 31% in bond funds, 15% in money market funds, 33% in global balanced funds, 7% in alternative and structured funds. Socially Responsible Investment (SRI) funds represented 20% of the total assets.

As of December 31, 2008 institutional assets represented 59% of total assets under management, the remaining (41%) being assets coming from retail and private banking clients.

ASSETS UNDER MANAGEMENT (1) (in billions of EUR)	Dec. 31, 2007	Dec. 31, 2008	Variation
TOTAL	**109.7**	**79.3**	**-27.7%**
By type of management			
Mutual funds	69.5	44.8	-35.5%
Institutional funds	*25.7*	*15.9*	*-38.3%*
Retail funds	*43.7*	*28.9*	*-33.9%*
Private mandates	5.5	3.3	-40.2%
Institutional mandates	34.8	31.3	-10.2%
By type of mutual fund			
Equity funds	14.3	6.8	-52.7%
Bond funds	18.3	12.9	-29.2%
Money market funds	12.4	11.8	-4.9%
Alternative funds	7.8	3.1	-59.9%
Global balanced funds	12.9	8.1	-37.4%
Structured products	3.0	2.0	-33.5%
Other	0.8	0.1	-89.9%

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

RESULTS

Net income Group share was EUR 11 million in 2008. Excluding one-off commercial actions related to the financial crisis booked in the second half of the year (EUR 57 million), net income Group share amounted to EUR 69 million, a 40% decrease compared to 2007 due to lower fees.
Total **income** amounted to EUR 161 million in 2008. Without one-off commercial actions, income was EUR 218 million, down 23% as a result of declining management fees (-20%) and performance fees (-42%), which were affected by the negative market effect on funds as well as by net outflows.
Expenses fell to EUR 143 million (-10% compared to last year) by virtue of the active management of costs and more particularly staff costs, IT and marketing expenses.
Gross operating income for the year amounted to EUR 18 million, or EUR 75 million excluding one-off commercial actions. This compares with EUR 125 million in 2007. The cost-income ratio was 65% in 2008 excluding one-off commercial actions.

STATEMENT OF INCOME

(in millions of EUR, except where indicated)	2007 [1]	2008	Variation
Income	**284**	**161**	**-43.4%**
Expenses	**(158)**	**(143)**	**-9.9%**
Gross operating income	**125**	**18**	**-85.7%**
Cost of risk	0	0	-
Pretax income	**125**	**18**	**-85.7%**
Tax expense	(7)	(2)	-76.5%
Net income	**118**	**16**	**-86.2%**
Minority interests	4	5	+12.5%
Net income Group share	**114**	**11**	**-90.1%**
of which impact financial crisis	*0*	*(57)*	*n.s.*
of which net income excl. financial crisis	*114*	*69*	*-39.8%*
Cost-income ratio	55.8%	88.8%	
Total allocated equity (average)	70	79	
Weighted risks – Basel I	46	-	
Weighted risks – Basel II	-	410	

(1) Pro forma.

Investor Services

ACTIVITY

RBC Dexia Investor Services volumes were impacted by the sharp decline in global market indices in 2008.

As of December 31, 2008, **assets under administration** were USD 1,896 billion, down 34% year-on-year. The decrease is largely due to the negative market value effect. The strong appreciation of the end-of-period USD versus the CAD (+23.4%) and the EUR (+5.1%) also contributed to the fall, given the significant proportion of assets under administration denominated in those currencies.

The **number of funds under administration** rose by 17% (+874 portfolios) compared to December 2007. This growth was driven by newly-acquired clients and organic growth from existing clients.

The **number of transfer agent accounts** also increased, by 6% from 7.6 to 8.1 million units between December 2007 and December 2008.

Among the key mandates won in 2008, Swisscanto chose RBC Dexia Investor Services as provider for a full range of investor services including custody, fund administration, and transfer agency for the company's EUR 16 billion assets of Luxembourg-based funds. Aegon Canada also selected RBC Dexia Investor Services to provide fund accounting and transfer agency services to the company for its 160 funds.

INVESTOR SERVICES	2007	2008	Variation
Assets under administration [1] (in billions of USD)	2,882	1,896	-34.2%
Number of funds under administration	5,134	6,008	+17.0%
Number of shareholder accounts in transfer agent (in thousands)	7,645	8,125	+6.3%

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

RESULTS

Net results for 2008 were impacted by a 6.6% currency depreciation of the average USD against EUR [1], and a similar trend for CAD, and by the overall deterioration of financial markets. At EUR 81 million, 2008 **net income Group share** was down 19% on 2007. On a constant exchange rate, the decrease was 16% year-on-year.

Total **income** of EUR 409 million decreased by 4% year-on-year, and remained unchanged using constant exchange rates. The difficult environment prevailing in financial markets in the second half of 2008 impacted revenues via lower fees related to asset values, lower foreign exchange transaction volumes and decreasing securities lending volumes. This trend accelerated in the fourth quarter of the year.

Expenses in 2008 were EUR 297 million, up 4% compared to the previous year, and 7% on a constant exchange rate. The large-sized new mandates won during the year generated an increase in staff expenses, in addition to increasing IT expenditure. At the end of the year, and with revenues under pressure, cost growth was curbed.

Gross operating income was EUR 112 million for the full year, a decrease of 21% and 18% on a constant exchange rate.

Tax expense amounted to EUR 27 million, compared to EUR 38 million in 2007. The reduction of tax charges resulted from:

- a lower level of taxable income;
- a one-off tax adjustment of EUR 6 million;
- a decrease in the Canadian statutory tax rate.

(1) Exchange rates for activity are calculated on a spot (end-of-the-year) basis, while on an average basis for results. In 2008, USD spot versus EUR appreciated by +5.1% between December 2007 and December 2008, and the average USD versus EUR depreciated by -6.6%.

STATEMENT OF INCOME [1]

(in millions of EUR, except where indicated)	2007 [2]	2008	Variation
Income	**426**	**409**	**-4.1%**
Expenses	**(285)**	**(297)**	**+4.4%**
Gross operating income	**142**	**112**	**-21.2%**
Cost of risk	0	(1)	x2.3
Pretax income	**140**	**111**	**-21.2%**
Tax expense	(38)	(27)	-28.9%
Net income	**102**	**83**	**-18.3%**
Minority interests	2	2	-10.5%
Net income Group share	**100**	**81**	**-18.5%**
of which impact financial crisis	*0*	*0*	*n.s.*
of which net income excl. financial crisis	*100*	*81*	*-18.5%*
Cost-income ratio	66.8%	72.7%	
Total allocated equity (average)	176	178	
Weighted risks – Basel I	2,361	-	
Weighted risks – Basel II	-	2,941	

(1) Dexia's part of RBC Dexia Investor Services.
(2) Pro forma.

Treasury and Financial Markets

ACTIVITY

2008 was characterized by an exceptionally severe financial crisis creating major disruptions on overall market liquidity, securities markets and specific bank credit risks. The downturn in the economy, particularly in the US, and the accelerated dislocation of markets meant further difficulties for monolines and other financial institutions.

Against this background, **Treasury and Financial Markets** activities were significantly affected. In the beginning of the fourth quarter of 2008, the business line initiated a substantial reduction of its risk appetite. Proprietary trading activities were discontinued. Value at Risk limits were halved on other trading activities.

In early October 2008, the Group's access to **liquidity** was severely damaged by the crisis as well as specific uncertainties about Dexia's future. Prompt government support, with the guarantee granted on new unsecured borrowing on October 9, 2008 helped to improve the situation. This support facilitated a stabilization of the deposit base. Combined with the full allotment strategy of central banks, it has also facilitated renewed access to short-term funding. In addition, Dexia issued three guaranteed public transactions for a total amount of EUR 8.5 billion in the first quarter of 2009. The improvement in the Group's liquidity was also possible thanks to the intended reduction of new loan production and by a decrease of the draws on committed lines in the US. Going forward, Dexia will take advantage of all market opportunities to lengthen the maturity of its funding sources.

In 2008, the Group's **Long-Term Funding** activities were active although they have faced more challenging conditions since September. Dexia raised EUR 27.1 billion long-term resources in 2008, compared to EUR 26.4 billion in 2007. Roughly 60% of new issues were made through two of the Group's covered bonds issuers – Dexia Municipal Agency and Dexia Kommunalbank Deutschland. The average funding cost against the Euribor 3 months increased from -1.5 basis point in 2007 to +11.7 basis points in 2008. Throughout the second part of the year, wholesale funding markets including the covered bond markets suffered from the global liquidity crisis and the aftermath of the Lehman Brothers bankruptcy.

The **Fixed Income** segment manages the Credit Spread Portfolio which totaled EUR 71.3 billion as of December 31, 2008. This compares with EUR 74.9 billion as of December 2007. *Trading* activities, for which risk limits were reduced in 2008, coped with the ongoing significant volatility in credit markets. In the *Securitization* business line, business opportunities remained limited.

Within the **Treasury** segment, *Cash & Liquidity Management* reported strong results in 2008, as Dexia was still able to benefit from high spreads between overnight and three-month interest rates. Moreover, results were boosted by interest rate cuts towards the end of 2008.

Market Engineering and Trading brings together the bank's competence 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. In *Personal Financial Services Engineering*, volumes were robust throughout the first half of the year although customers favored plain vanilla products in the second part of 2008, which had a negative impact on margins. Brokerage activities of equities and external funds for retail clients suffered from adverse market conditions. *Public Finance Market Engineering* had a challenging end of the year, due in particular to the impact of high volatility on its trading operations.

RESULTS

Treasury and Financial Markets reported a **net loss Group share** of EUR 789 million in 2008, compared to a net profit of EUR 317 million in 2007. The loss for the year includes a number of atypical elements linked to the financial crisis, for a total net amount of EUR 1,504 million.

- The deterioration in the creditworthiness of some banking counterparties within Treasury and Financial Markets' bond investment portfolios led to impairments amounting to EUR 750 million, after tax. For each problematic counterparty, these adjustments cover losses on bonds, loans and the replacement costs of derivative contracts. This after tax amount breaks down into the following: EUR 473 million on Lehman Brothers; EUR 174 million on Icelandic banks; EUR 57 million on Washington Mutual and EUR 7 million on Hypo Real Estate.
- A total of EUR 320 million in negative adjustments after tax was charged in the 2008 accounts with respect to the Group's exposures to monoline insurers. It included impairments on Dexia's assets guaranteed by monolines. It also included credit value adjustments on intermediation deals between monoline insurers and third-party banks to sell credit protections on specific bonds. Whilst so far credit value adjustments related to this activity (discontinued at the beginning of 2008) had limited impact on Dexia's accounts, the combined effect of rising protection costs on the underlying bonds and higher risks related to monolines led to higher losses, particularly in the second part of 2008.
- Various value adjustments reduced the business line's net income by an overall net amount of EUR 201 million. Dexia's trading books were affected by the unprecedented market turbulence. Widening spreads led to negative mark-to-market adjustments on Treasury and Financial Markets trading portfolios. These negative items were partly offset by a positive adjustment on a securitization related CDS.

- A EUR 177 million collective impairment for credit risks.
- A number of smaller negative impacts were also identified as a direct consequence of the financial crisis for an amount of EUR 114 million, after tax. It included in particular a part of a client-related forex loss at Dexia banka Slovensko.

If these atypical items related to the financial crisis were excluded, net income Group share would have been EUR 715 million in 2008 against EUR 472 million in 2007.

Income in 2008 was EUR 33 million compared to EUR 581 million in 2007. Excluding the above-mentioned atypical elements, income would have been EUR 1,189 million in 2008 compared to EUR 775 million in 2007. This mainly stems from a positive contribution of the Cash and Liquidity Management activity line within the *Treasury* segment.

The *Fixed Income* segment made a negative income contribution, mainly due to the significant impact of atypical items related to the financial crisis.

Market Engineering and Trading revenues increased from EUR 115 million in 2007 to EUR 147 million in 2008, thanks to higher volumes of lending and associated services to institutional customers.

Expenses were up by 14% to EUR 245 million in 2008. A third of the increase is attributable to a restructuring charge on Treasury and Financial Markets activities.

Gross operating income was negative at EUR -212 million compared to EUR +366 million in 2007.

EUR 716 million of **impairments** were booked in 2008 (against EUR 9 million in 2007), virtually all related to the financial crisis. They include replacement costs of derivatives contracts with Lehman, as well as impairments on loans to Icelandic banks, part of the impairments on monoline insurers and the client-related forex loss at Dexia banka Slovensko.

Tax expense was positive (EUR 140 million) due to the various impacts of atypical items linked to the financial crisis.

STATEMENT OF INCOME

(in millions of EUR, except where indicated)	2007 [(1)]	2008	Variation
Income	**581**	**33**	**-94.3%**
Expenses	**(215)**	**(245)**	**+14.0%**
Gross operating income	**366**	**(212)**	**n.s.**
Cost of risk	(9)	(716)	x79.5
Pretax income	**357**	**(930)**	**n.s.**
Tax expense	(37)	140	n.s.
Net income	**320**	**(790)**	**n.s.**
Minority interests	3	0	n.s.
Net income Group share	**317**	**(789)**	**n.s.**
of which impact financial crisis	*(155)*	*(1,504)*	*x9.4*
of which net income excl. financial crisis	*472*	*715*	*+51.4%*
Cost-income ratio	37.0%	741.4%	
Total allocated equity (average)	1,775	1,795	
Weighted risks – Basel I	31,078	-	
Weighted risks – Basel II	-	23,710	

(1) Pro forma.

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 2008 financial year, the Board of Directors made use of the authorized capital on three occasions.

- At its meeting on May 14, 2008, the Board of Directors decided to issue a maximum of 10,664,000 warrants within the context of the 2008 Dexia stock option plan ("ESOP 2008"), with a withdrawal of the shareholders' preferential subscription right in favor of Group members of staff who are beneficiaries of that plan. Of this maximum of 10,664,000 warrants, 10,559,805 have been effectively issued.
- At its meeting on May 14, 2008, the Board of Directors decided to issue a maximum 16,000,000 new shares, without nominal value, in the framework of the 2008 Dexia shareholding plan, with a withdrawal of the shareholders' preferential subscription right in favor of Group members of staff. At its meeting on October 20, 2008, considering market conditions, Dexia's Board of Directors decided to defer implementation of the shareholding plan to a later date.
- At its meeting on October 3, 2008, the Board of Directors unanimously decided on a capital increase within the authorized capital in an amount of EUR 2,781,557,748.66 by the creation of 606,060,606 registered shares [1], without indication of nominal value, bearing the same rights and obligations as existing shares but without VVPR strips, all fully paid up. The preferential subscription right of existing shareholders was removed, the new shares being reserved exclusively for the following: Arcofin SCRL, Holding Communal SA, Caisse des dépôts et consignations, Ethias, CNP Assurances, Société fédérale de participations et d'investissement (Belgian federal Government), Société de prise de participation de l'État (French Government), Vlaams Toekomstfonds, the Walloon Region and the Brussels-Capital Region.

Considering an accounting par of EUR 4.59 per share, the available balance of authorized capital was taken to EUR 1,618,019,243 at the close of these transactions. 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".

(1) The subscription price per share was nine euros ninety cents (EUR 9.90). The proceeds of the paying up were allocated up to an amount of two billion seven hundred and eighty one million five hundred and fifty-seven thousand seven hundred and forty-eight euros sixty-six cents (EUR 2,781,557,748.66) to the "Capital account", and up to an amount of three billion two hundred and eighteen million four hundred and forty-two thousand two hundred and fifty euros seventy four cents (EUR 3,218,442,250.74) to a non-available "Issue premium" account.

2. Acquisition of own shares (Article 624 of the Company Code)

SUMMARY OF OWN SHARE TRANSACTIONS

Period from Dec. 31, 2007 to Dec. 31, 2008	Number of shares in circulation (subscribed capital)	Own shares (Dexia SA and direct subsidiaries)				
		Number of own shares	Accounting par (EUR)	Countervalue per share (EUR)	% in capital	
					as of Dec. 31, 2007	as of Dec. 31, 2008
Situation at the start of the period	**1,178,576,763**	**8,932,736**	**4.59**	**20.199**	**0.04%**	**0.76%**
Acquisitions over the period		+13,631,370	4.59	16.869	0.74%	1.16%
Cancellations over the period		-22,258,236	4.59	18.305	n.s.	1.89%
Transfers over the period		-12,300	4.59	12.680	0.01%	0.00%
Issues over the period	+606,160,256					
Situation at the close of the period	**1,762,478,783**	**293,570**	**4.59**	**9.544**	**0.76%**	**0.02%**

On the basis of the authorizations for the acquisition and disposal of own shares decided by the Extraordinary Shareholders' Meeting on May 9, 2007, the Board of Directors launched on August 30, 2007 a program for the purchase of own shares, the implementation of which was entrusted to Dexia Bank Belgium which, abiding by the budget provided, decides on a discretionary basis on the purchases to be made.
As part of this program to purchase own shares, Dexia SA purchased 13,631,370 own shares between January 4, 2008 and April 11, 2008.
The Extraordinary Shareholders' Meeting held on May 14, 2008 renewed the authorizations for the acquisition and disposal of own shares and decided to cancel all the own shares held by the company and thus destroyed the 22,258,236 own shares held on May 9, 2008, without a capital reduction (an available reserve having been established to that end).
The balance of the portfolio of own shares as of December 31, 2008 corresponds to the number of Dexia shares still held by Dexia Crédit Local (direct subsidiary of Dexia SA under Article 627, § 1 of the Company Code), as part of the share option plan put in place by that subsidiary in 1999. The movements indicated under "Transfers over the period" in the table *Summary of own share transactions* on the previous page result from the exercise of those options.

3. Overview of the direct holdings of Dexia SA as of December 31, 2008

The 13 direct holdings of Dexia SA as of December 31, 2008 are as follows:
- 100% in Dexia Bank SA (Belgium);
- 100% interest in Dexia Crédit Local SA (France);
- 57.68% interest in Dexia Banque Internationale à Luxembourg SA (Luxembourg);
- 100% in Dexia Management Services Ltd (United Kingdom);
- 100% in Dexia Employee Benefits SA (Belgium);
- 99.99% in Dexia Participation Luxembourg SA (Luxembourg), which holds 42.23% of Dexia Banque Internationale à Luxembourg SA;
- 10% in Dexia Holdings Inc., the 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);
- 95.39% in Dexia Participation Belgique SA;
- 99.53% in Associated Dexia Technology Services SA (Luxembourg);
- 1 share in Deniz Faktoring AS, 99.99% being held by DenizBank AS;
- 72 shares in Deniz Leasing AS, 83.62% being held by DenizBank AS and 16.38% by Deniz Factoring AS.

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 2007 (especially on pages 102 to 104) and in the Financial Reports published during the year 2008, which are available on *www.dexia.com*.

Specific litigations

Reference (especially for the Duisenberg Arrangement) is made to the detailed disclosure in the Dexia Annual Report 2007.

On March 28, 2008, the Netherlands Supreme Court rendered a judgment, dismissing the appeal of DBnl in respect of the so-called spouse consent matter. According to this judgment, a securities leasing contract is a form of hire purchase instalment plan falling within article 1:88 of the Netherlands Civil Code, which means that the spouse of the client had to give written consent to his or her partner for entering into such a contract. Therefore, spouses who sent DBnl a so-called nullification letter within the prescription period of three years as from the moment the spouse was aware of the existence of the contract, and who did not accept a settlement (like the Dexia Offer or the Duisenberg Arrangement), can indeed invoke the nullification of the contract of the client. A provision of EUR 32 million for this issue has been recorded in the 2008 results. The provision covers all files for which it is established that the nullification letter has been received in due time. However, as the prescription period will be determined case by case, additional provisions may be needed in a number of cases.

In several judgments, the Courts of Appeal of Amsterdam, Arnhem and Den Bosch have decided that interest paid should not be considered as part of the damage of the client, but the Amsterdam Sub-District Court continued to apply the "standard decisions" of April 2007, using a broader definition of relevant damage. Therefore, DBnl continued to issue more appeals in this respect to the Courts of Appeal. However, on November 25, 2008, the Amsterdam Sub-District Court decided to suspend all equity lease procedures involving duty of care issues. Furthermore, most of the other Sub-District Courts in the Netherlands also decided to suspend all similar equity lease procedures. Duty of care issues, including the correct definition of relevant damage, will be part of judgments by the Netherlands Supreme Court which are expected to be rendered in the first half of 2009. The provisions of DBnl are based on the costs of the Duisenberg Arrangement and not on the "standard decisions" of the Amsterdam Sub-District Court.

On October 14, 2008, the Amsterdam Court of Appeal ruled that the so-called Dexia Offer, a settlement signed by clients in 2003, is a valid settlement-agreement indeed. As a result of this decision, there is no need to change the provisions of DBnl in this respect.

On December 31, 2008, DBnl is still involved in over 2,800 civil court cases, involving more than 3,000 clients. However, the vast majority of these court cases have been suspended. The number of clients in proceedings decreased rapidly in 2008 and will continue to decrease in 2009 because of settlements expected after the judgment of the Supreme Court.

Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Especially in respect of the nature of these disputes, Dexia refers to its earlier annual reports and financial reports. Generally speaking, only the approximately 20,000 clients that have filed a so-called opt-out statement before August 1, 2007, and did not enter into any settlement since then, are still entitled to start or continue proceedings against DBnl.

Dutch Securities Institute (DSI)

At the end of 2008, only twenty cases were still under consideration by the DSI Grievance Committee, and only one case under consideration by the DSI Appeals Committee.

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 2008, settlements with nearly all Depot Lease clients have been reached. DBnl faces a limited number of court cases with Depot Lease clients, but expects to be able to settle a considerable number of them. Adequate provisions have been made.

Provisions as of December 31, 2008

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.

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 and 2007 annual reports. 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 28,963,083.03 (exchange rate USD/EUR 1.3971) – of which EUR 182,354.31 reserved interests –, for which an impairment has been recorded for EUR 24,092,917.71. This claim originates in the share taken by the former Artesia Bank in the syndicated loan of 430,000,000 USD to LHSP on May 5, 2000. Artesia Bank's share amounted to USD 50,000,000.
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

As of December 31, 2008, the Dexia Bank's outstanding claim on Lernout & Hauspie Investment Company (LHIC) amounted to EUR 52,240,144.08 – of which EUR 6,919,585.09 reserved interests. An impairment in the amount of EUR 43,959,626.92 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 en écritures*) 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.

The oral pleadings regarding the criminal aspect of the case were closed on December 19, 2008. The Court of Appeal deliberated on the criminal case on January 30, 2009 and will deliver its decision during the course of 2009. 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, 2008, Dexia Bank was aware of the following relevant claims for damages (only the most important are listed below):
• Around 15,000 individual shareholders (including the shareholders represented by Deminor and Spaarverlies) who claim around EUR 315,000,000.
• The Belgian receivers of LHSP who are claiming EUR 744,128,638.37. Part of this claim duplicates the claims of other parties. In the present state of the analysis by the bank, that duplication is unlikely to be such as to lead to a substantial reduction in the claim by the receivers of LHSP.
• Mercator & Noordstar which is claiming EUR 17,662,724.
• The receivers of The Learning Kernel who are claiming EUR 7,259,107.06.

All the above-mentioned amounts are principal amounts to which interest must be added. The amount of the interest and the date from which it should be calculated are still under discussion.

In the worst case, the interest rate to be applied is the statutory rate of interest which is currently 7%.
With regard to the starting date from which the interest is to be calculated, the civil parties differ in their approach as to whether it should be a particular date (e.g. November 9, 2000, the date on which the LHSP shares were bought, or the date on which LHSP was declared bankrupt in October 2001) or a mean date.

For the following reasons – among others – it remains very difficult to determine the real extent of the damages claimed:
• a number of parties are claiming provisional amounts;
• the rate of interest to be applied and the USD/EUR conversion rate are still under discussion;
• the final number of civil parties is still unknown;
• proving the link between the damage suffered by the investors and the alleged wrong committed by Artesia Bank is a very complicated matter.

It should be noted that the Court of Appeal in Ghent has decided to separate the criminal from the civil aspects of the case; the Court has deferred the handling of the civil aspects indefinitely.

Dexia Bank, in its turn, made a claim as a civil party against Messrs. Lernout, Hauspie, Willaert and Bastiaens and against the company 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 28,963,083.03 owed to it by LHSP under a USD 430 million syndicated credit facility dated May 5, 2000 (see paragraph 4.2.1. above).

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

The only outstanding civil case in the United States, brought by the Litigation Trustee, was terminated in September 2008.

As a result, all the cases brought against Dexia Bank in the United States have been finally terminated in full.

Dexia Bank has not rendered public the settlement amounts in the cases (other than the NASDAQ-class action) since this could seriously harm Dexia Bank's interests.

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.
Dexia Bank vigorously contests the grounds for these applications.

For the sake of completeness, it should be mentioned that the receivers of L&H Holding are also claiming damages from the bank, provisionally estimated at EUR 1, for the participation in LHSP (of around 12,000,000 shares) which is now worthless.

4.2.7. Banque Artesia Nederland

In October 2006, Dexia Bank sold its affiliated company Banque Artesia Nederland (BAN) to General Electric (GE). 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 countervalue 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, 2007 in execution of the aforesaid guarantee in favor of GE (see the first paragraph of this section).

BAN has lodged an appeal against the decision of the Court of Appeal in Luxembourg before the Supreme Court (*cour de cassation*), which will give a decision on April 2, 2009.
Finally, in October 2007, Dexia Bank honored the bank guarantee of USD 10,000,000 in principal issued in favor of BAN (see paragraph 4.2.6. above). 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, 2008, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 81,142,273.06 – of which EUR 7,104,106.89 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 68,052,544.63. Dexia Bank expects to be able to recover the difference in view of the securities provided.

Dexia Bank has not constituted any provisions for the claims made against it in Belgium for the following reasons.

• As things stand at the moment, the bank assesses at less than 50% the likelihood of a court decision ordering it to pay damages. The lawyers of the bank are of the opinion that it has strong arguments to contest the charges brought against it.
• With regard to the civil actions, we note that various claims (Deminor…) make no mention of any precise amount and that often a provisional amount is claimed.
• The number of civil parties and the amounts they claim cannot be estimated for good at the moment.
• Dexia Bank has made extensive submissions and has argued that most of the actions brought by the civil parties are inadmissible and at least unfounded.
The unused provisions constituted for the actions in the American courts were reversed in the third quarter of 2008.

Dexia strongly challenges the validity and the merits of all these claims.

4.3. INHERITANCE DUTIES

The enquiry opened by the judicial authorities on September 28, 1999 against Dexia Bank concerning a possible fraud involving inheritance duties seems to have ended. Four former executives were accused at the end of March 2004. However that accusation does 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 2008.
This file will be submitted in 2009 to the Council Chamber (*chambre du conseil/raadkamer*).

4.4. FINANCIAL SECURITY ASSURANCE (SUBPOENA)

On February 4, 2008, Financial Security Assurance Holdings Ltd (FSA) received a letter from the US Securities and Exchange Commission (SEC), commonly called a “Wells Notice”, indicating that the SEC staff is considering recommending that the SEC authorize commencement of non-criminal proceedings against FSA, alleging violations of certain provisions of the US securities laws in connection with alleged bid rigging of municipal guaranteed investment contracts (GICs) that is also being investigated by the US Department of Justice (DOJ). FSA is in discussions with the DOJ and the SEC regarding a proposal that, if agreed to, would settle the matter with the DOJ, the SEC and the Internal Revenue Service, also with regard to the Wells Notice received in February 2008. FSA is also a defendant in class action and other civil litigation related to the subject matter of the government investigation, including actions on behalf of various states that purchased municipal GICs. The states may elect to participate in the global settlement proposal, which would resolve any civil litigation by the respective states.

5. Agenda of the shareholders’ meetings

The agendas for the Ordinary Shareholders’ Meeting and the Extraordinary Shareholders’ Meeting to be held on Wednesday May 13, 2009 in Brussels are available on the Dexia SA website: *www.dexia.com*.

6. Share capital

6.1. EVOLUTION OF CAPITAL OVER THE 2008 FINANCIAL YEAR

The evolution of capital is presented below in chronological order.

6.1.1. June 30, 2008: capital increase – exercise of subscription rights (“F1998”, “ESOP 2002”, “ESOP 2003” and “ESOP 2004” warrants)

A capital increase by the issue of 94,150 new shares with VVPR strips was observed by notarized deed dated June 30, 2008 and results from the exercise of the following categories of subscription rights:
a) 67,650 subscription rights in the category of “F1998” warrants at a price of EUR 11.27. These options were issued, within the authorized capital, by the Board of Directors of Dexia SA on July 6, 2000 in favor of certain members of staff of the Group (issue of 100,190 “F1998” warrants which may be exercised at a price of EUR 112.67) [(1)].
b) 6,000 subscription rights in the category of “ESOP 2002” warrants were exercised by their beneficiaries at a price of EUR 11.88 (all except French beneficiaries). These options were issued by the Board of Directors of Dexia SA on May 23, 2002 particularly in favor of certain members of staff and executives of the company, its subsidiaries, sub-subsidiaries and branches.

(1) Number and exercise price before the split into 10.

c) 14,500 subscription rights in the category of "ESOP 2003" warrants were exercised by their beneficiaries at a price of EUR 11.37. These options were issued by the Board of Directors of Dexia SA on May 21, 2003 in particular in favor of certain members of staff and executives of the company, its subsidiaries, sub-subsidiaries and branches.
d) 6,000 subscription rights in the category of "ESOP 2004" warrants were exercised by their beneficiaries at a price of EUR 13.56. These options were issued by the Board of Directors of Dexia SA on May 12, 2004 in particular in favor of certain members of staff and executives of the company, its subsidiaries, sub-subsidiaries and branches.
As a consequence of that exercise, the amount of company share capital rose from EUR 5,307,005,111.92 to EUR 5,307,437,260.42 represented by 1,156,412,677 shares.

6.1.2. October 3, 2008: capital increase

A capital increase by the issue of 606,060,606 new registered shares, without indication of nominal value, bearing the same rights and obligations as existing shares, but without VVPR strips, was observed by notarized deed dated October 3, 2008. The subscription price for these shares was EUR 9.90, namely the average closing price of the Dexia share on the NYSE Euronext Brussels for the 30 calendar days prior to September 30, 2008.
As a consequence of that exercise, the amount of company share capital rose from EUR 5,307,437,260.42 to EUR 8,088,995,009.08, represented by 1,762,473,283 shares.

6.1.3. December 29, 2008: capital increase – exercise of subscription rights ("ESOP 2003" warrants)

A capital increase by the issue of 5,500 new shares with VVPR strips was observed by notarized deed dated December 29, 2008 and resulted from the exercise of 5,500 subscription rights in the category of "ESOP 2003" warrants exercised by their beneficiaries at a price of EUR 11.37. These options were issued by the Board of Directors of Dexia SA on May 21, 2003 in particular in favor of certain members of staff and executives of the company, its subsidiaries, sub-subsidiaries and branches.
As a consequence of that exercise, the amount of company share capital rose from EUR 8,088,995,009.08 to EUR 8,089,020,254.08, represented by 1,762,478,783 shares.

6.2. SUMMARY TABLE OF DEXIA SUBSCRIPTION RIGHTS ("WARRANTS") (AS OF DECEMBER 31, 2008)

	Exercise price (in EUR)	Exercise period		Number of subscription rights granted	Number of subscription rights exercised	Number of subscription rights cancelled as void	Number of residual subscription rights before transfer
		from	to				
Warrants granted in 2000							
"ESOP 2000" warrants	14.58	Nov. 30, 2000 (1)	Dec. 31, 2010 (1)	5,915,000	2,831,037		3,083,963
Warrants granted in 2001							
"ESOP 2001" warrants	17.86	June 30, 2004 (1)	Dec. 31, 2011 (1)	8,100,000	2,715,038	115,750	5,269,212
Warrants granted in 2002							
"ESOP 2002" warrants	13.66/11.88 (2)	Sept. 30, 2005 (1)	July 23, 2012 (1)	10,000,000	5,541,057		4,458,943
	13.66						1,118,938
	11.88						3,340,005
Warrants granted in 2003							
"ESOP 2003" warrants	11.37	Sept. 30, 2006 (1)	July 24, 2013 (1)	10,000,000	2,247,878		7,752,122
Warrants granted in 2004							
"ESOP 2004" warrants	13.56	Sept. 30, 2007 (1)	July 24, 2014 (1)	10,000,000	81,250		9,918,750
"Share plan net 2004" warrants	15.77	Oct. 30, 2009	Oct. 30, 2009	184,074	0		184,074
Warrants granted in 2005							
"ESOP 2005" warrants	18.03	June 30, 2008 (1)	June 29, 2015 (1)	9,994,950	15,000	110,100	9,869,850
"Share plan net 2005" warrants	18.20	Oct. 29, 2010	Oct. 29, 2010	189,972	0		189,972
Warrants granted 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
Warrants granted in 2007							
"ESOP 2007" warrants	23.25	June 30, 2010 (1)	June 29, 2017 (1)	10,322,550	0		10,322,550
Warrants granted in 2008							
"ESOP 2008" warrants	10.09	June 30, 2011	June 29, 2018	7,093,355	0		7,093,355
"ESOP 2008" warrants	12.65	June 30, 2012	June 29, 2018	3,466,450	0		3,466,450

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

6.3. SHARE CAPITAL AS OF DECEMBER 31, 2008

As of December 31, 2008, the share capital amounted to EUR 8,089,020,254.08 represented by 1,762,478,783 shares without indication of nominal value, including 853,741,855 registered shares, 890,221,613 dematerialized shares and 18,515,315 (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 May 2, 2007 (the "Law"), relating to the publicity of major holdings in issuers the shares of which are traded on a regulated market, and the Royal Decree executing that Law dated February 14, 2008 which came into force on September 1, 2008, 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, insofar as it reaches a threshold of 3%, then 5% or a multiple of 5%.
Interim provisions state that any person who, on September 1, 2008 has a major holding in an issuer must make a declaration for October 31, 2008 at the latest.

To calculate percentages of holdings, the numerator consists of the number of voting rights attached to shares conferring voting rights or not associated with shares, reduced or increased by the number of voting rights which may be acquired on the exercise of similar financial instruments held by the person making the declaration. The denominator consists of the total of existing voting rights in Dexia SA as published on the website.
Moreover, in application of the "Protocol on the prudential structure of the Dexia Group" (see chapter Corporate Governance on page 47), 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.
Within this context, on October 8, 2008 Dexia SA received a notification from Société de prise de participation de l'État, the holding of which on October 3, 2008 exceeded the threshold of 5% of the capital of Dexia SA.
A declaration was made on the basis of the aforementioned provisions on October 9, 2008 by certain shareholders of Dexia SA (namely Arcopar, 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 shareholders acting in concert in the capital of Dexia SA exceeded a threshold of 50% on September 1, 2008.
On October 9, 2008, those same shareholders indicated that their joint holding in the capital of Dexia SA exceeded the threshold of 55% as of October 3, 2008.
On November 13, 2008, the Société fédérale de participations et d'investissement gave notice that its holding in the capital of Dexia SA was above the threshold of 5% as of October 3, 2008.
These notifications are published in their entirety on the Dexia SA website under the heading "Legal Information/ Transparency Declarations".

6.5. NEW LEGISLATION ON TENDER OFFERS

6.5.1. "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 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 Banking, Finance and Insurance Commission 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 hereafter.
Moreover, in accordance with Article 74, § 8 of the said Law, parties acting in concert must annually notify any change of the holding which occurred since September 1, 2007. On September 2, 2008, Dexia SA received several notifications containing the detail of share transactions carried out between September 1, 2007 and August 29, 2008, the principal elements of which are listed hereafter.

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 as of September 1, 2007	Percentage of voting shares held as of September 1, 2007	Number of voting shares held as of - August 29, 2008 (A) - August 25, 2008 (B)	Percentage of voting shares held as of - August 29, 2008 (A) - August 25, 2008 (B)
Arcofin SCRL	204,751,478	17.57%	209,037,791 (A)	18.08% (A)
Arcopar SCRL	811,886	0.07%	1,327,764 (A)	0.11% (A)
Holding Communal SA	190,564,978	16.35%		
Caisse des dépôts et consignations, special establishment under French Law	137,504,606	11.80%		
Ethias Incendie, mutual insurance association	1,912,000	0.16%		
Ethias Droit Commun, mutual insurance association	14,752,833	1.27%	15,664,833 (B)	1.35% (B)
Ethias Vie, mutual insurance association	43,204,221	3.71%	41,898,721 (B)	3.62% (B)
Ethias Accidents du travail, insurance fund	900,834	0.08%	2,900,834 (B)	0.25% (B)
Bel Ré SA, limited company under Luxembourg Law	11,695,763	1.00%	11,695,763 (B)	1.01% (B)
CNP Assurances SA, 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 as of September 1, 2007	Percentage of voting shares held as of September 1, 2007	Number of voting shares held as of - August 29, 2008 (A) - August 25, 2008 (B)	Percentage of voting shares held as of - August 29, 2008 (A) - August 25, 2008 (B)
Ethias Investment RDT-DBI SA	1,025,000	0.09%	1,330,500 (B)	0.12% (B)
Arcoplus SCRL	111,600	0.01%	267,639 (A)	0.02% (A)
Arcosyn SA	187,000	0.02%	343,039 (A)	0.03% (A)
Auxipar SA	513,363	0.04%	669,402 (A)	0.06% (A)
Nateus SA	192,710	0.02%	192,710 (B)	0.02% (B)

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.

These notifications also report the following changes in the chains of control:

• "Following the merger by absorption of Ethias Incendie by Ethias Droit Commun on May 23, 2008 (with accounting retroactivity to January 1, 2008), the holding of 12.18% held by Ethias Incendie in Bel Ré SA was transferred to Ethias Droit Commun. As of August 25, 2008, Bel Ré SA is therefore controlled by Ethias Droit Commun, Ethias Vie and Ethias Accidents du travail."

• "As of August 25, 2008, Nateus SA is still controlled by Ethias Droit Commun, but the controlling holding of Ethias Droit Commun went from 100% as of September 1, 2007 to 80% on December 27, 2007 following the merger by absorption of Belstar Assurances SA (100% controlled by Ethias Vie) by Nateus SA and a transfer of Nateus SA shares to Ethias Vie by Ethias Droit Commun."

6.5.2. Information relating to the powers of the Board of Directors

In accordance with Articles 607 and 620 of the Company Code, the shareholders' meeting may grant to the Board of Directors certain powers to increase the capital and to purchase own shares. Within this context, the Extraordinary Shareholders' Meeting on May 9, 2007 decided to renew the following authorizations granted to the Board of Directors.

Authorization to increase the capital within the limits of the authorized capital during a public takeover bid

The Extraordinary Shareholders' Meeting on May 9, 2007 expressly authorized the Board of Directors, in accordance with legal provisions, for a period of three years, to increase the capital within the limits of the authorized capital during a public takeover bid on to the shares of the company, by means of contributions in kind or in cash with the possibility of limiting or withdrawing the preferential subscription rights of existing shareholders, provided that the total amount of those capital increases (excluding issuance premium) does not exceed the balance of the authorized capital.

Authorization to acquire own shares in order to avoid serious, imminent prejudice

The Extraordinary Shareholders' Meeting on May 9, 2007 renewed for a period of three years the authorizations granted to the Board of Directors referred to in Article 7, §§ 2 and 3 of the company's articles of association, to acquire and to dispose of own shares in order to avoid serious, imminent prejudice (these authorizations are also valid for direct subsidiaries within the meaning of Article 627, § 1 of the Company Code).

Consolidated financial statements

Consolidated financial statements
as of December 31, 2008

2008

Consolidated balance sheet

ASSETS (in millions of EUR)		Notes	Dec. 31, 2007	Dec. 31, 2008
I.	Cash and balances with central banks	7.2.	8,835	2,448
II.	Loans and advances due from banks	7.3.	54,776	61,864
III.	Loans and advances to customers	7.4.	242,619	368,845
IV.	Financial assets measured at fair value through profit or loss	7.5.	37,565	16,044
V.	Financial investments	7.6.	220,290	125,029
VI.	Derivatives	9.1.	29,218	55,213
VII.	Fair value revaluation of portfolio hedge		(185)	3,938
VIII.	Investments in associates	7.8.	861	682
IX.	Tangible fixed assets	7.9.	2,257	2,353
X.	Intangible assets and goodwill	7.10.	2,524	2,193
XI.	Tax assets	7.11. & 9.2.	1,384 (1)	4,139
XII.	Other assets	7.12. & 9.3.	4,381 (1)	1,998
XIII.	Non current assets held for sale	7.13. & 9.6.	39	6,260
TOTAL ASSETS			**604,564**	**651,006**

(1) An amount of EUR 61 million representing operational taxes is tranferred from XI. "Tax assets" to XII. "Other assets".

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

LIABILITIES

(in millions of EUR)		Notes	Dec. 31, 2007	Dec. 31, 2008
I.	Due to banks	8.1.	178,681	213,192
II.	Customer borrowings and deposits	8.2.	126,680	114,728
III.	Financial liabilities measured at fair value through profit or loss	8.3.	18,301	18,952
IV.	Derivatives	9.1.	31,365	75,834
V.	Fair value revaluation of portfolio hedge		(206)	1,543
VI.	Debt securities	8.4.	204,013	188,120
VII.	Subordinated debts	8.5.	4,885	4,407
VIII.	Technical provisions of insurance companies	9.3.	15,071	16,739
IX.	Provisions and other obligations	8.6.	1,353	1,487
X.	Tax liabilities	8.7. & 9.2.	631 (1)	302
XI.	Other liabilities	8.8.	7,396 (1)	4,393
XII.	Liabilities included in disposal groups held for sale	8.9. & 9.6.	0	5,691
TOTAL LIABILITIES			**588,170**	**645,388**

(1) An amount of EUR 147 million representing operational taxes is transferred from "Tax liabilities" to "Other liabilities".

EQUITY

(in millions of EUR)		Notes	Dec. 31, 2007	Dec. 31, 2008
XIV.	Subscribed capital	9.7.	5,307	8,089
XV.	Additional paid-in capital		10,399	13,618
XVI.	Treasury shares		(176)	(23)
XVII.	Reserves and retained earnings		(1,951)	(870)
XVIII.	Net income for the period		2,533	(3,326)
CORE SHAREHOLDERS' EQUITY			16,112	17,488
XIX.	Gains and losses not recognized in the statement of income		(1,587)	(13,572)
	a) Available for sale reserve on securities		(1,490)	(11,866)
	b) Other reserves		(97)	(1,706)
TOTAL SHAREHOLDERS' EQUITY			14,525	3,916
XX.	Minority interests		1,754	1,702
XXI.	Discretionary participation features of insurance contracts	9.3.	115	0
TOTAL EQUITY			**16,394**	**5,618**
TOTAL LIABILITIES AND EQUITY			**604,564**	**651,006**

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

Consolidated statement of income

(in millions of EUR)		Notes	Dec. 31, 2008	Dec. 31, 2008
I.	Interest income	11.1.	100,136	107,859
II.	Interest expense	11.1.	(95,610)	(101,786)
III.	Dividend income	11.2.	147	171
IV.	Net income from associates	11.3.	108	(1)
V.	Net income from financial instruments at fair value through profit or loss	11.4.	(163)	(614)
VI.	Net income on investments	11.5.	720	(3,515)
VII.	Fee and commission income	11.6.	1,859	1,756
VIII.	Fee and commission expense	11.6.	(357)	(325)
IX.	Premiums and technical income from insurance activities	11.7. & 9.3.	5,013	4,577
X.	Technical expense from insurance activities	11.7. & 9.3.	(5,007)	(4,513)
XI.	Other net income	11.8.	50	(53)
INCOME			6,896	3,556
XII.	Staff expense	11.9.	(1,905)	(2,021)
XIII.	General and administrative expense	11.10.	(1,232)	(1,390)
XIV.	Network costs		(367)	(370)
XV.	Depreciation & amortization	11.11.	(284)	(296)
XVI.	Deferred acquisition costs		(46)	(42)
EXPENSES			(3,834)	(4,119)
GROSS OPERATING INCOME			3,062	(563)
XVII.	Impairment on loans and provisions for credit commitments	11.12.	(163)	(3 292)
XVIII.	Impairment on tangible and intangible assets	11.13.	(3)	(10)
XIX.	Impairment on goodwill	11.14.	(4)	(12)
NET INCOME BEFORE TAX			2,892	(3,877)
XX.	Tax expense	11.15.	(256)	629
NET INCOME			2,636	(3,248)
	Attributable to minority interest		103	78
	Attributable to equity holders of the parent		2,533	(3,326)
(in EUR)				
	Earnings per share	11.16.		
	- basic		2.18	(2.54)
	- diluted		2.15	(2.54)

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

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, 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**

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)		
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)**

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

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, 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**

CORE SHAREHOLDERS' EQUITY (in millions of EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reser-ves and retained Earnings	Net income for the period	Core sharehol-ders' equity
AS OF DEC. 31, 2007	**5,307**	**10,399**	**(176)**	**(1,951)**	**2,533**	**16,112**
Movements of the period						
- Issuance of subscribed capital	2,782	3,219		(6)		5,995
- Acquisition of treasury shares			(231)			(231)
- Trading activities on treasury shares			(24)			(24)
- Sale and cancellation of treasury shares			408	(407)		1
- Transfers to reserves				2,533	(2,533)	0
- Dividends				(1,052)		(1,052)
- Share based payments: value of employee services				23		23
- Variation of scope of consolidation				(4)		(4)
- Other movements				(6)		(6)
- Net income for the period					(3,326)	(3,326)
AS OF DEC. 31, 2008	**8,089**	**13,618**	**(23)**	**(870)**	**(3,326)**	**17,488**

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

GAINS AND LOSSES NOT RECOGNIZED IN THE STATEMENT OF INCOME (in millions of EUR)	Gains and losses not recognized in the statement of income			Cumulative translation adjustments (CTA)	Total gains and losses Group share
	Securities (AFS)	Derivatives (CFH)	Associates (AFS, CFH)		
AS OF DEC. 31, 2007	**(1,490)**	**74**	**(24)**	**(147)**	**(1,587)**
Movements of the period					
- Net change in fair value through equity – Available for sale investments	(11,786)		(120)		(11,906)
- Net change in fair value through equity – Cash flow hedges		(1,194)			(1,194)
- Net change in fair value due to transfers to income – Available for sale investments	1,352				1,352
- Net change in fair value due to transfers to income – Cash Flow hedges		(15)			(15)
- Cancellation of FV following AFS disposals	79				79
- Translation adjustments	(229)	(22)		(398)	(649)
- Variation of scope of consolidation	(21)	1	135	4	119
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	229				229
AS OF DEC. 31, 2008	**(11,866)**	**(1,156)**	**(9)**	**(541)**	**(13,572)**

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, 2007	**1,721**	**33**	**1,754**	**115**
Movements of the period				
- Increase of capital	97		97	
- Dividends	(62)		(62)	
- Net income for the period	78		78	
- Net change in fair value through equity		(118)	(118)	(115)
- Cancellation of FV following AFS disposals		5	5	
- Net change in fair value due to transfers to income		4	4	
- Translation adjustments		4	4	
- Variation of scope of consolidation	(79)	15	(64)	
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended		3	3	
- Others	1		1	
AS OF DEC. 31, 2008	**1,756**	**(54)**	**1,702**	**0**
Core shareholders' equity				17,488
Gains and losses not recognized in the statement of income attributable to equity holders of the parent				(13,572)
Minority interests				1,702
TOTAL EQUITY AS OF DEC. 31, 2008				**5,618**

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in millions of EUR)	Dec. 31, 2007	Dec. 31, 2008
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	2,636	(3,248)
Adjustment for:		
- Depreciation, amortization and other impairment	315	347
- Impairment on bonds, equities, loans and other assets	4	3,215
- Net gains on investments	(630) (1)	1,040 (1)
- Charges for provisions (mainly insurance provision)	3,369	3,980
- Unrealized gains or losses	(101)	(169)
- Income from associates	(108)	1
- Dividends from associates	44	47
- Deferred taxes	(135)	(883)
- Other adjustments	35	22
Changes in operating assets and liabilities	(10,782)	(9,778)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(5,353)**	**(5,426)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(573)	(622)
Sales of fixed assets	216	142
Acquisitions of unconsolidated equity shares	(2,854)	(2,334)
Sales of unconsolidated equity shares	2,356	2,520
Acquisitions of subsidiaries and of business units	(27)	(15)
Sales of subsidiaries and of business units	212	7
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(670)**	**(302)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	254	6,142
Issuance of subordinated debts	1,283	318
Reimbursement of subordinated debts	(672)	(703)
Purchase of treasury shares	(178)	(231)
Sale of treasury shares	2	1
Dividends paid	(1,002)	(1,114)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(313)**	**4,413**
NET CASH PROVIDED	**(6,336)**	**(1,315)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**57,941**	**51,603**
Cash flow from operating activities	(5,353)	(5,426)
Cash flow from investing activities	(670)	(302)
Cash flow from financing activities	(313)	4,413
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	(2)	(573)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**51,603**	**49,715**
ADDITIONAL INFORMATION		
Income tax paid	(498)	(119)
Dividends received	191	218
Interest received	100,515	106,193
Interest paid	(95,539)	(99,980)

(1) 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; 2008: includes EUR 951 million linked to agreement to sell FSA insurance business.

The notes on pages 111 to 214 are an integral part of these consolidated financial statements.

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, 2008. Additional accounting policies and disclosures may be required in order to comply with local laws, accounting standards and stock exchange regulations.

GENERAL INFORMATION

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Dexia provides financial services to the local public sector and is one of the world's largest players in Public and Wholesale Banking. 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 NYSE 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 April 1, 2009.

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. The European Commission issued Regulation EC 1126/2008 on November 3, 2008, which encompasses all standards and interpretations as adopted by the EU until October 15, 2008 in order to simplify Community legislation on accounting standards.
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, 2008, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.
The consolidated financial statements are prepared on a going concern basis. They are stated in million 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 **four revised standards** which will replace existing standards and will be respectively effective for annual reporting periods that begin on or after July 1, 2009 for the three first standards and on or after January 1, 2009 for the last one.

- IFRS 3 "Business combinations", which replaces the standard as issued in 2004.

The revision of this standard impacts Dexia for several reasons:
For new acquisitions, Dexia can no longer capitalize acquisition-related costs as part of the cost of the business acquired.
In case of a step-acquisition, Dexia will first remeasure the existing associate to fair value with recognition of the fair value adjustments to previously recognized assets and liabilities in profit or loss.
For each new investment in a non-controlling interest in an acquired entity, Dexia has the possibility to make an option for the "full goodwill method".
For new acquisitions, an analysis will be required to determine whether or not a contingent liability of the acquiree is a present obligation.

- IAS 27 "Consolidated and separate financial statements".

Changes in a parent's controlling ownership of a subsidiary will have no impact on profit or loss but will impact equity.

- IFRS 1 "First time Adoption of International Financial Reporting Standards", which has no impact at Dexia level, because Dexia is no first time adopter anymore.
- Revised IAS 14 "Segment Reporting".

The IASB issued a revised IAS 14 Segment Reporting in January 2008 that has no major impact for Dexia. IFRS 8 will supersede IAS 14 for annual reporting periods that begin on or after January 1, 2009. It will allow disclosing segment reporting in line with management reporting and external financial communication.
The IASB also issued **five amendments to the existing standards.**

- Amendment to IFRS 2 – "Vesting conditions and cancellations" applicable as from January 1, 2009 which will not have a major impact on Dexia.
- Amendment to IAS 32 and IAS 1 – "Puttable financial instruments and obligations" applicable as from January 1, 2009 as well without any major impact.
- Amendment to IFRS 1 "First Time Adoption of IFRS" and to IAS 27 "Consolidated and separate financial statements", entitled "Cost of an Investment in a Subsidiary, Jointly Controlled

CONSOLIDATED FINANCIAL STATEMENTS

Entity or Associate" also applicable from January 1, 2009 on. The impact is assessed to be immaterial.

• Amendment to IAS 39 "Eligible hedged items" being applicable as from July 1, 2009. This amendment has an impact on only a limited number of hedge transactions.

• Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures permitting the reclassification of some financial instruments". The amended Standards enable companies reporting according to IFRSs to use the reclassification amendments, if they so wish, from July 1, 2008 whereby some non-derivative financial assets can be transferred, if specific conditions are met, out of (i) Held for Trading into Available for Sale or into Loans and Receivables and (ii) Available for Sale into Loans and Receivables. Dexia applied this possibility to reclassify for some financial assets out of (i) Held for Trading to Available for Sale or to Loans and Receivables and (ii) Available for Sale to Loans and Receivables. The impact and further information on Dexia's financial statements is disclosed in appendix 7.7. Reclassification of financial assets.

The International Accounting Standards Board (IASB) issued on May 22, 2008 **"Improvements 2008 to IFRSs"** — a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project.

The amendments issued are presented in two parts:

• Those that involve accounting changes for presentation, recognition or measurement purposes, and

• Those involving terminology or editorial changes with minimal effect on accounting.

Unless otherwise specified the amendments are effective for annual periods beginning on or after January 1, 2009, although entities are permitted to adopt them earlier.

The revision of these standards will mainly impact Dexia in the following ways:

If Dexia is committed to a sale plan involving loss of control of a subsidiary, Dexia will classify all the assets and liabilities of that subsidiary as held for sale, regardless of whether Dexia will retain a non-controlling interest in its former subsidiary after the sale.

The IASB published an amendment to bring "property under construction and development" for future use as an investment property in the scope of IAS 40 and no longer in the scope of IAS 16. Impact is limited to presentation without any consequence on measurement.

The **IFRIC** issued **three interpretations**, which will be respectively effective for annual periods that begin on or after January 1, 2009 for the two first interpretations and on or after July 1, 2009 for the last one:

• IFRIC 15 "Accounting for agreements for the construction of real estate";

• IFRIC 16 "Hedges of a net investment in a foreign operation";

• IFRIC 17 "Distribution of non cash assets to owners".

These interpretations do not have an impact on Dexia.

1.2.2. IASB and IFRIC texts endorsed by the European Commission

The following interpretations or amendments to standards have been endorsed by the European Commission:

• Amendments to IAS 1 "Presentation of Financial Statements: A Revised Presentation";

• IFRIC 14 IAS 19 "The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction";

• Amendment to IFRS 2 "Share-Based Payment: Vesting Conditions and Cancellations";

• Amendment to IAS 23 "Borrowing Costs";

• Amendment to IAS 39 "Financial Instruments: Recognition and measurement and IFRS 7 Financial Instruments: Disclosures".

1.2.3. Changes in presentation

Reclassification of financial assets

Dexia applied the possibility to reclassify for some financial assets out of (i) Held for Trading to Available for Sale or to Loans and Receivables and (ii) Available for Sale to Loans and Receivables. The impact and further information on Dexia's financial statements is disclosed in appendix 7.7. Reclassification of financial assets.

Reclassification of operational taxes

In the consolidated financial statements as of December 31, 2008, operational taxes as of December 31, 2007 were reclassified:

• An amount of EUR 61 million from "Tax assets" (line XI) to "Other assets" (line XII), and

• An amount of EUR 147 million from "Tax liabilities" (line X) to "Other liabilities" (line XI).

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 "Loans and advances 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. Considering the stressed market conditions, Dexia has recalibrated its model to better reflect the impact of the financial crisis on the ratings and the expected losses.
• **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 analyzes all equities that have declined by more than 25% compared to the acquisition price 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 significant or 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 4.3. "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 17, 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 following 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; or
  - 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, Dexia doesn't need 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 built 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

General

Dexia is active in credit enhancement of public finance and asset-backed obligations through Financial Security Assurance Inc. (FSA) located in the US. Some insurance products sold by insurance companies are considered as insurance contracts under IFRS 4. Dexia is applying IFRS 4 as from January 1, 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 trade 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. However, under certain conditions financial assets could be subsequently reclassified.

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 plus 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 and/or bid prices derived from available market spreads or amounts derived from internal valuation models in case of inactive markets. 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:

- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognized asset or liability or a forecasted transaction (cash flow hedge); or
- 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".

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 validated valuation models for which all inputs are market observable, Dexia recognizes 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 recognized 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 unrecognized 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 has 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 on buildings and on other assets given in operating lease are 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 three and five 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 Net income on investments. 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, operational taxes 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
• "Due to banks" or "Customer borrowings and deposits" 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 income from financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value in "Financial liabilities measured at fair value through profit or loss".

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 and IFRS 2.

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 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. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, 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, financial assets held for trading, financial assets available for sale and financial assets of the fair value portfolio.

1.34. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by Dexia and held as treasury shares.
For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

1.35. FAIR VALUE

The principles and policies applied in determining the fair value of financial instruments is explained in section 4.1.

2. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Group is Dexia, incorporated in Belgium. Relations with equity-accounted companies are reported, as well as relations with the directors.

3. SEGMENT REPORTING

A segment is a distinguishable component of Dexia that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10 per cent or more of all the segments 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 and Wholesale Banking;

• Personal Financial Services;
• Asset Management;
• Investor Services;
• Treasury and Financial Markets;
• Non allocated – central assets.

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 and Fund Services) 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 MANAGEMENT POLICIES AND HEDGING ACTIVITIES

This section presents information about Dexia's exposure to, and its management and control of risks, in particular the primary risks associated with its use of financial instruments:
• Market risk is exposure to observable market variables such as interest rates, exchange rates, equity prices and spreads;
• Credit risk is the risk of loss resulting from client or counterpart default or rating migrations 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. 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. Quoted prices on an active market (such as a recognized stock exchange) are used as fair value, as it is the best evidence of the fair value of a financial instrument. Quoted 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 such quoted prices are available, the fair values have been estimated using the bank's proper valuation model and market assumptions, i.e. present value or other estimation and valuation models or techniques (hereafter called models) 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.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. A valuation model reflects what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a forced liquidation or forced sales.

The valuation model should attempt to take into account all factors that market participants would consider when pricing the asset. Measuring the fair-value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial instruments classified as trading assets or liabilities, assets or liabilities designated at fair value through P/L, available for sale and derivatives 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 using either observable and/or unobservable market data. Fair value is equal to the carrying amount for these items.

Financial instruments classified as at fair value through P/L or AFS for which 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 and the market liquidity.

For unquoted and immaterial non-derivative positions, some simplifying hypotheses are applied:

• the carrying amount of financial instruments maturing within 12 months can be assumed to approximate to their fair value;

• 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:

• 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;

• cap, floor and prepayment options are included in determining the fair value of loans and receivables;

• 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.

• For bonds classified in AFS measured via a model

Dexia used a discounted cash flow model, based on a discount spread that incorporates both credit and liquidity risk. The credit spread is estimated starting from the security specific Basel II data, factoring in general market movements based on CDS indices. The liquidity spread is a best estimate of the funding cost for the security depending on eligibility of refinancing (if available) or of a generic market participant that would be willing to buy the asset.

The combined credit spread and liquidity costs provide input to the fair value for the financial asset classified as AFS. However, a cap has been applied to the fair value to the level of the fair value per September 30, 2008. By consequence, the fair value can not result in higher value than the quoted price per September 30, 2008.

• For bonds classified in trading or AFS still quoted on an active market

Prices are calculated based on quoted bid prices and/or bid prices derived from available market spreads to obtain the Fair Value AFS.

• For financial assets reclassified from Trading or AFS to L&R on October 1, 2008

The AFS reserve has been frozen as of September 30, 2008 and will be amortized via a new effective interest rate based on the expected remaining life of the underlying financial assets.

As for some financial assets quoted prices in an active market were no longer available, Dexia decided to reclassify these assets to Loans and Receivables. Since Level 1 and 2 valuation is not possible due to the illiquidity of the markets and the unavailability of observable market data, the fair values disclosed are based on an internal model taking into account available market information observed at different valuation dates weighted based on own assumptions developed in order to reflect the evolution of the illiquidity in that specific market during the year.

4.2. MARKET AND ALM RISK

4.2.1. Market Risk Governance Structure

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, exchange rates and equity prices 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 Risk Policy Committee is informed by RMG of any change in the risk profile at least every three months or more frequently if necessary.

The RPC (Risk Policy Committee) dd. November 7, 2008 decided on an important reduction of the market risk profile of Dexia, following its strategic reorientation: limit reductions have been approved both in the field of TFM under VaR and the ALM sensitivity & VaR limits.

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 utilization 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.

4.2.2. Market Risk Measures

The business activity undertaken by the various TFM or ALM activity lines is captured within a market risk management framework that is commensurate with the size, complexity, nature and orientation of the risks engaged.

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.

4.2.3. 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. 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 (Cash and Liability Management) unit of the Treasury and Financial Markets business line – where it is managed within the VAR and sensitivity market risk limits described in 4.2.2. 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 Basle 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%). Measurement is 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 ALM 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.

4.2.4. 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.

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.

4.2.5. 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 minor player in major equity markets and carries equity risk from its activities in trading.
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.

4.2.6. 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.
Spread risk incurred by trading activities is captured by means of comprehensive limit framework composed of VAR-measures and sensitivity measures, stress-tests and other concentration limits.

4.3. 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. 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 nonperforming 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, 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.

4.4. LIQUIDITY

4.4.1. Liquidity crisis

Dexia's liquidity management was seriously challenged during the 2007-2008 financial turmoil, particularly after the Lehman Brothers debacle.

The severe drying-up of wholesale money and capital markets (both unsecured and secured, with the exception of repos against high-quality collateral) at the outset of the crisis did not spare Dexia. However, thanks to the joint support of the Belgian, French and Luxembourg States as well as to its substantial reserves of high-quality assets, Dexia was able to overcome this severe liquidity squeeze.

Since October 9, 2008 Dexia has benefited from the combined guarantee of the States of Belgium, France and Luxembourg on many of its funding sources for a total allowance of EUR 150 billion (as of December 31, 2008, the outstanding of guaranteed funding amounted to EUR 59 billion) and covers Dexia's liabilities towards credit institutions and institutional counterparts, as well as bonds and other debt securities issued for the same counterparts, provided that these liabilities, bonds or securities fall due before October 31, 2011 and have been contracted, issued or renewed between October 9, 2008 and October 31, 2009.

In a still challenging environment, the Group's liquidity has gradually improved from the difficult situation prevailing late September and early October 2008 thanks to the above mentioned States guarantee. This support allowed Dexia to issue three public transactions for a total amount of EUR 8.5 billion in the first quarter and has facilitated the access to funding markets and the stabilization of the deposit base. This improvement was also possible due to an intended reduction in new loan production outside the core markets and by a decrease of the draws on committed lines in the US. Going forward, Dexia will take advantage of all market opportunities to lengthen the maturity of its funding sources.

Some limited outflows were witnessed on Dexia's retail deposits at the beginning of October but this trend was short-lived and never jeopardized our overall liquidity position.

This crisis shook the very foundations of liquidity risk management. Dexia responded to these changes by amending its liquidity risk management framework and by entering into a thorough review of its current balance sheet and future business plans so as to reduce its funding needs substantially. As many other financial institutions, Dexia's liquidity position depends on the reopening of the wholesale money and capital markets and/or the continued support of the combined guarantee of the States of Belgium, France and Luxemburg.

4.4.2. Liquidity Risk Management framework

Dexia's approach to liquidity risk management has been reviewed in the light of the current financial and liquidity crisis. Overall policy is that its future funding needs should never exceed its proven secured funding capacity.

Its future funding needs are assessed dynamically and comprehensively, taking into consideration the liquidity needs arising from its current and future on and off-balance-sheet transactions. Its secured funding capacity is determined conservatively; taking into consideration the very last lessons from the current crisis. The adequacy of Dexia's future liquidity needs with its secured funding capacity is tested under an ongoing scenario as well as under a variety of severe stress scenarios including bank-specific and market stresses or even a combination of both.

This surveillance of short-term funding needs is performed on a daily basis. Longer-term funding needs (up to 3 years) are supervised on a monthly basis. More generally, liquidity risk management is at the heart of the definition of Dexia's triennial financial plan.

This framework is back-tested and updated on a regular basis which makes it compliant with the latest regulatory recommendations and best practices.

On top of the constraints set by its internal liquidity risk management framework, Dexia takes all local regulatory constraints into consideration.

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

The diversity of Dexia's funding sources is a key mitigant of its liquidity risk. Dexia's most important funding sources are:

- covered bonds (mainly Dexia Municipal Agency's Obligations Foncières or Dexia Kommunalbank Deutschland's Pfandbriefe);
- unsecured bonds (of which bonds distributed via its own networks);
- as from 2009, bonds and CP's guaranteed by the States of Belgium, France and Luxembourg;
- retail deposits (mainly in Belgium, Luxembourg and Turkey);
- central bank tender operations;
- bilateral and tri-party repo transactions;
- a variety of wholesale short-term unsecured funding sources: central bank deposits, CP/CD's, fiduciary deposits, interbank and non-bank deposits, of which several are benefitting from the States guarantee.

Dexia's liquidity risk is managed using a centralized approach. Although the local liquidity positions are managed by the different entities of the Dexia Group, Dexia's cash and liquidity activity line ensures that a common strategy is applied throughout the Group.

Dexia also revisited its internal transfer pricing system in 2008 in order to reflect the rapidly changing cost of its main funding sources more clearly. This change aims at providing the right incentive to the various business lines in order to achieve a sound balance between the lending and the funding capacities.

4.5. 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.

4.5.1. 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.

4.5.2. BIS risk-weighted assets (RWAs)

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 2012.

However, about the solvency ratio publication, Dexia used 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). Until December 31, 2007, Dexia continued to publish its ratios based on the former rule, which allowed deducting participations from total regulatory capital.

As from January 1, 2008, Dexia calculates its capital adequacy according to Basel II regulation and its regulatory capital will be calculated consequently.

Three elements make up total RWAs – credit risk, market risk and operational risk – each of which is described below.

Credit risk is the potential loss (decrease of asset value and default of payment) Dexia may incur due to the deterioration of the credit quality of a counterpart. When assessing credit risk related to a single counterpart, Dexia considers three elements:

• Probability of Default (PD);

• Exposure at Default (EAD);

• Loss Given Default (LGD).

Market risk is the risk of losses due to changes in the levels of market prices, changes as to instrument liquidity, changes in the volatility of market prices, or changes in the correlations between instruments. Market risk deals with changes in the level of the following parameters, taking price volatility (implied volatility) and price correlation into account: interest rates (general and specific), foreign exchange rates, equity prices, commodity prices and liquidity.

Operational risk is the risk of direct and significant indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

Since December 31, 2007 the internal models for market risk on the trading books are applied on all entities of Dexia Group: Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg on IR and FX risks on the trading books. Demands for extension have been submitted to regulators to enlarge the risks covered by the internal model capital calculation method to equity risk.

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 Dexia Group

2.1. SIGNIFICANT CHANGES IN SCOPE OF CONSOLIDATION

As of December 31, 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 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 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.

As of December 31, 2008

Dexia exits from Kommunalkredit Austria AG (KA; previously 49%-owned by Dexia) and takes full ownership of Dexia Kommunalkredit Bank AG (DKB; previously 51%-owned by Dexia). Dexia has signed a binding agreement to sell FSA Holdings to Assured Guaranty Ltd, a bond insurer listed on the NY Stock Exchange. Financial Products activity is excluded from the scope of the transaction. On January 20, 2009 the anti-trust authorities gave their authorization for the sale of FSA Insurance activities to Assured Guaranty. Dexia has recorded all the accounting and prudential impacts of the sale of FSA in the fourth quarter 2008.

2.2. MAIN SUBSIDIARIES AND AFFILIATED ENTERPRISES OF THE GROUP DEXIA (1)

Name	Head Office	% of capital held	consolidation method
DIRECT PARTICIPATIONS OF DEXIA SA			
Associated Dexia Technology Services SA (ADTS)	23, Atrium Business Park z.a. Bourmicht L-8070 Bertrange	100	fully
Dexia Employee Benefits SA	Avenue Livingstone 6 B-1000 Bruxelles	100	fully
Dexia Funding Luxembourg SA	180, rue des Aubépines L-1145 Luxembourg	100	fully
Dexia Management Services Ltd	Shackleton House 4 Battle Bridge Lane UK-London SE1 2RB	100	fully
Dexia Nederland Holding NV	Piet Heinkade 55 NL-1019 GM Amsterdam	100	fully
Dexia Participations Belgique SA	Place Rogier 11 B-1210 Bruxelles	100	fully
Dexia Participations Luxembourg SA	69, route d' Esch L-2953 Luxembourg	100	fully
Group DenizBank AS	Büyükdere Cad. No: 106 T-34394 Esentepe/Istanbul	99.85	fully
Group Dexia Bank Nederland NV	Piet Heinkade 55 NL-1019 GM Amsterdam	100	fully
DEXIA BANK BELGIUM SA: MAIN SUBSIDIARIES AND AFFILIATES			
Crédit du Nord SA	59, boulevard Haussmann F-75008 Paris	10	equity method
Dexia Auto Lease NV	Place Rogier 11 B-1210 Bruxelles	100	fully
Dexia Bank Belgium SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	fully
Dexia Commercial Finance	Place Rogier 11 B-1210 Bruxelles	100	fully
Dexia Crédits Logement SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	fully
Dexia Epargne Pension	79, rue de la Victoire F-75009 Paris	100	fully
Dexia Funding Netherlands NV	Strawinskylaan 3105 NL-1077 ZX Amsterdam	100	fully
Dexia Insurance Belgium SA	Avenue Livingstone 6 B-1000 Bruxelles	99.79	fully
Dexia Insurance Belgium Invest SA	Rue Joseph II 96 B-1000 Bruxelles	100	fully

(1) Complete list available on request.

Name	Head Office	% of capital held	consolidation method
Dexia Investment Company SA	Boulevard Pachéco 44 B-1000 Bruxelles	100	fully
Dexia Investments Ireland SA	6 George's Dock IRL-IFSC Dublin 1	100	fully
Dexia Lease Belgium	Place Rogier 11 B-1210 Bruxelles	100	fully
Dexia Lease Services SA	Place Rogier 11 B-1210 Bruxelles	100	fully
Dexia Life and Pensions SA	2, rue Nicolas Bové L-1253 Luxembourg	100	fully
DIS Finance SA	2, rue Nicolas Bové L-1253 Luxembourg	100	fully
Parfipar SA	180, rue des Aubépines L-1145 Luxembourg	100	fully
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
Dexia Banque Internationale à Luxembourg	69, route d' Esch L-2953 Luxembourg	99.95	fully
Dexia LdG Banque SA	69, route d'Esch L-2953 Luxembourg	100	fully
RBC Dexia Investor Services Ltd	77 Queen Victoria Street UK-London EC4N 4AY	50	proportionally
RBC Dexia Investor Services Bank SA	14, rue Porte de France L-4360 Esch-sur-Alzette	50	proportionally
RBC Dexia Investor Services Trust Ltd	77 King Street West Royal Trust Tower, 35th floor Toronto, ON, Canada M5W-1P9	50	proportionally
DEXIA CRÉDIT LOCAL SA: MAIN SUBSIDIARIES AND AFFILIATES			
Crédit du Nord SA	59, boulevard Haussmann F-75008 Paris	10	equity method
Dexia CLF Banque	1, passerelle des Reflets Tour Dexia -la Défense 2 F-92919 La Défense Cedex (Paris)	80	fully
Dexia Crediop Spa	Via Venti Settembre 30 I-00187 Roma	70	fully
Dexia Crediop Ireland	6 George's Dock IRL-IFSC Dublin 1	100	fully
Dexia Crédit Local SA	1, passerelle des Reflets Tour Dexia - la Défense 2 F-92919 La Défense Cedex (Paris)	100	fully
Dexia Delaware LLC	15 East North Street Delaware 1991 19901 Dover – USA	100	fully
Dexia Holdings Inc.	31 West 52nd street New York NY 10019 – USA	100	fully
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82 D-10969 Berlin	100	fully
Dexia Kommunalkredit Bank AG	Türkenstrasse 9 A-1092 Wien	100	fully
Dexia Municipal Agency SA	1, passerelle des Reflets Tour Dexia - la Défense 2 F-92919 La Défense Cedex (Paris)	100	fully
Dexia Sabadell Banco Local	Paseo de las 12 Estrellas 4 Campo de las Naciones E-28042 Madrid	60	fully
Dexia Sofaxis	Route de Créton F-18110 Vasselay	100	fully
Financial Security Assurance Holdings Ltd	31 West 52nd street New York, NY 10019 – USA	99.34	fully
SISL SA	180, rue des Aubépines L-1145 Luxembourg	100	fully

(1) 49% by Dexia Bank Belgium, 51% by Dexia Banque Internationale à Luxembourg.

3. Business and geographic reporting

Foreword concerning business reporting: the scope of the various divisions as well as transfer prices within the Group were maintained for the purpose of 4Q 2008 and FY 2008 reporting. As they will change in the near future, we will disclose pro-forma historical data.

BUSINESS REPORTING (in millions of EUR)	Public and Wholesale Banking	Personal Financial Services	Asset Management and Investor Services	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 (1)	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 (2)	176,948	81,746	10,089	254,201	1,461	524,445
Other segment information						
Capital expenditures	(123)	0	0	0	(280)	(403)
Depreciation and amortization	(10)	(44)	(2)	0	(228)	(284)
Impairments (3)	(69)	(64)	(2)	(2)	(6)	(143)
Other non cash expenses (4)	(8)	(7)	(5)	(3)	(33)	(56)

To enable comparisons, figures as of December 31, 2007 were restated following changes in the segment reporting as of January 1, 2008. The details about these modifications have been published on April 18, 2008 on www.dexia.com. As from 3Q 2008, the name of "Public/Project Finance and Credit Enhancement" is simplified in "Public and Wholesale Banking".

BUSINESS REPORTING (in millions of EUR)	Public and Wholesale Banking	Personal Financial Services	Asset Management and Investor Services	Treasury and Financial Markets	Non allocated – Central Assets	Dexia
AS OF DEC. 31, 2008						
Income	995	2,197	570	33	(239)	3,556
of which Net income from associates	*(58)*	*41*	*0*	*0*	*16*	*(1)*
Net income before tax	(2,126)	(180)	129	(929)	(771)	(3,877)
Assets						
Subtotal assets (1)	268,428	55,819	5,665	231,455	4,116	565,483
of which investments in associates	*97*	*553*	*0*	*0*	*32*	*682*
Liabilities						
Subtotal liabilities (2)	158,266	68,081	8,660	295,351	2,421	532,779
Other segment information						
Capital expenditures	(130)	0	0	0	(246)	(376)
Depreciation and amortization	(8)	(38)	0	(1)	(249)	(296)
Impairments (3)	(3,185)	(900)	(1)	(1,358)	(389)	(5,833)
Other non cash expenses (4)	0	(44)	(5)	1	(44)	(92)

(1) Includes Due from banks, Loans and advances to customers, Loans and securities held for trading, Loans and securities available for sale, Investments in associates, Other assets specific to insurance companies.
(2) Includes Due to banks, Customer borrowings and deposits, Debt securities, Technical provisions of insurance companies.
(3) Includes Impairments on tangible and other intangible assets, Impairments on securities, Impairments on loans and provisions for credit commitments, Impairments on goodwill.
(4) Includes IFRS2 costs, net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19, capital losses on exchange of assets.

Relations between business lines, and especially between commercial business lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, governed by service level agreements based on normal commercial terms and market conditions. The results of each business line also include:

• The earnings from commercial transformation, including the management costs of this transformation and the Group equity allocated to this activity on the basis of medium and long-term outstanding;

• Interest on economic capital: economic capital is allocated to the business lines for internal purposes and the return on economic capital is used to measure the performance of each business line;

• Funding cost.

Tangible and intangible assets are allocated to "Non allocated - Central Assets" except when they are directly managed by a commercial or financial business line.

GEOGRAPHIC REPORTING (in millions of EUR)	Eurozone[1]	Rest of Europe[2]	USA	Rest of the world	Intra geographical zone transactions	Dexia
AS OF DEC. 31, 2007						
Net income before tax	2,252	343	174	123		2,892
Total assets	554,508	24,360	69,657	26,198	(70,159)	604,564
Capital expenditures	(350)	(39)	(4)	(10)		(403)
AS OF DEC. 31, 2008						
Net income before tax	(788)	206	(3,076)	(219)		(3,877)
Total assets	588,893	26,088	83,885	36,319	(84,179)	651,006
Capital expenditures	(327)	(39)	(2)	(8)		(376)

(1) Countries using the euro currency.

(2) Including Turkey as from reporting 2Q 2008, figures as of December 31, 2007 have therefore been restated.

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 statement of income

Reported amounts are significant and unusual transactions and not only large transactions.

• The financial crisis leads to an increase in credit spread resulting in a negative mark-to-market of the CDS of FSA for a gross amount of EUR 493 million.

Due to the continuous deterioration of the mortgage environment in USA, FSA recognized EUR 996 million impairment on bonds and recorded a net provision of EUR 1,403 million for its insurance activity. Moreover, a positive amount of EUR 308 million was recorded on FSA's liabilities due to its own credit risk deterioration.

As a consequence of the decision to sale FSA Insurance activities, Dexia recorded a loss of EUR 1.7 billion in 4Q result.

• As the rating of some banks of the Group having liabilities designated at fair value has decreased, a positive amount of EUR 118 million was recognized as own credit risk adjustment on these liabilities with embedded derivatives. This takes into account the increase of funding costs.

• Capital losses and impairments were recorded in net income on investments if related to bonds or in cost of risk if related to loans and guarantees. Due to the financial crisis, a net loss of EUR 1,404 million was recognized. The main losses were booked on Lehman Brothers, Washington Mutual, Icelandic Banks.

As a consequence of the deterioration of the general economic situation, additional amounts were recorded in collective impairment for different classes of assets where the credit risk has increased substantially.

• The Dutch Supreme Court has ruled on March 28, 2008 that spouse consent is mandatory to enter into share-leasing agreements. The financial consequences of this final judgment for Dexia are expected to amount to about EUR 32 million which was provided for in 1Q 2008.

• The CDS purchased within the framework of the synthetic securitizations Dublin Oak and Wise lead to a positive mark-to-market gross amount of EUR 431 million.

• Dexia Crediop booked a favorable tax impact thanks to a one-off tax credit of EUR 68 million.

• Dexia exits from Kommunalkredit Austria AG (KA) and takes full ownership of Dexia Kommunalkredit Bank AG (DKB). The transaction lead to a net loss of EUR 105 million.

5. Post-balance sheet events

On January 21, 2009 Dexia announced that the mandatory waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR") for Assured Guaranty Ltd's proposed acquisition of Financial Security Assurance Holdings Ltd ("FSA") expired on January 20, 2009. With the HSR clearance, the transaction is moving ahead as planned. Dexia is still working towards a closing in Spring 2009.

The European Commission has approved on March 13, 2009 the guarantee from the Belgian and French governments granted for the assets in the Financial Products Portfolio of FSA.

After Standard & Poors and Fitch in December 2008, Moody's assigned in January 2009 the rating of the Kingdom of Belgium, Aa+/Aa1, to debt securities to be issued under the guarantee agreement signed between the governments of Belgium, France and Luxembourg and Dexia SA.

Instruments covered by the guarantee are senior unsecured securities and financial instruments as well as interbank deposits raised by Dexia SA, Dexia Banque internationale à Luxembourg, Dexia Bank Belgium, and Dexia Crédit Local and their issuance vehicles under Belgian, French and Luxembourg Law, issued between October 9, 2008 and October 31, 2009 and maturing at the latest on October 31, 2011 and this, up to a total aggregate commitment of EUR 150 billion. Subordinated debts, hybrids and secured instruments are excluded from the scope of the guarantee.

On January 30, 2009 Dexia announced the implementation of the transformation plan i.e.:

- improvement of the Group's risk profile (sale of insurance activities of FSA and in-depth restructuring of trading activities);
- acceleration of the refocusing of public finance activities;
- savings of EUR 200 million from 2009; in this context Dexia submitted to the social partners a plan for the adaptation of workforce numbers to the new activity perimeter through a reduction of the number of full time positions by about 900 in 2009;
- efforts shared by shareholders, management and employees: proposal to cancel dividends exceptionally for the 2008 financial year, lowering of the compensation to Directors for 2009 and no bonus paid to management in respect of 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; 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 2007 (especially on pages 102 to 104) and in the Financial Reports published during the year 2008, which are available on www.dexia.com.

6.1.2. Specific litigations

Reference (especially for the Duisenberg Arrangement) is made to the detailed disclosure in the Dexia Annual Report 2007.

On March 28, 2008, the Netherlands Supreme Court rendered a judgment, dismissing the appeal of DBnl in respect of the so-called spouse consent matter. According to this judgment, a securities leasing contract is a form of hire purchase instalment plan falling within article 1:88 of the Netherlands Civil Code, which means that the spouse of the client had to give written consent to his or her partner for entering into such a contract. Therefore, spouses who sent DBnl a so-called nullification letter within the prescription period of three years as from the moment the spouse was aware of the existence of the contract, and who did not accept a settlement (like the Dexia Offer or the Duisenberg Arrangement), can indeed invoke the nullification of the contract of the client. A provision of EUR 32 million for this issue has been recorded in the 2008 results. The provision covers all files for which it is established that the nullification letter has been received in due time. However, as the prescription period will be determined case by case, additional provisions may be needed in a number of cases.

In several judgments, the Courts of Appeal of Amsterdam, Arnhem and Den Bosch have decided that interest paid should not be considered as part of the damage of the client, but the Amsterdam Sub-District Court continued to apply the "standard decisions" of April 2007, using a broader definition of relevant damage. Therefore, DBnl continued to issue more appeals in this respect to the Courts of Appeal. However, on November 25, 2008, the Amsterdam Sub-District Court decided to suspend all equity lease procedures involving duty of care issues. Furthermore, most of the other Sub-District Courts in the Netherlands also decided to suspend all similar equity lease procedures. Duty of care issues, including the correct definition of relevant damage, will be part of judgments by the Netherlands Supreme Court which are expected to be rendered in the first half of 2009. The provisions of DBnl are based on the costs of the Duisenberg Arrangement and not on the "standard decisions" of the Amsterdam Sub-District Court.

On October 14, 2008, the Amsterdam Court of Appeal ruled that the so-called Dexia Offer, a settlement signed by clients in 2003, is a valid settlement-agreement indeed. As a result of this decision, there is no need to change the provisions of DBnl in this respect.

On December 31, 2008, DBnl is still involved in over 2,800 civil court cases, involving more than 3,000 clients. However, the vast majority of these court cases have been suspended. The number of clients in proceedings decreased rapidly in 2008 and will continue to decrease in 2009 because of settlements expected after the judgment of the Supreme Court.

6.1.3. Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Especially in respect of the nature of these disputes, Dexia refers to its earlier annual reports and financial reports. Generally speaking, only the approximately 20,000 clients that have filed a so-called opt-out statement before August 1, 2007, and did not enter into any settlement since then, are still entitled to start or continue proceedings against DBnl.

6.1.4. Dutch Securities Institute (DSI)

At the end of 2008, only 20 cases were still under consideration by the DSI Grievance Committee, and only one case under consideration by the DSI Appeals Committee.

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 2008, settlements with nearly all Depot Lease clients have been reached. DBnl faces a limited number of court cases with Depot Lease clients, but expects to be able to settle a considerable number of them. Adequate provisions have been made.

6.1.6. Provisions as of December 31, 2008

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.

6.2. 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 and 2007 annual reports. 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 28,963,083.03 (exchange rate USD/EUR 1.3971) – of which EUR 182,354.31 reserved interests –, for which an impairment has been recorded for EUR 24,092,917.71. This claim originates in the share taken by the former Artesia Bank in the syndicated loan of USD 430,000,000 to LHSP on May 5, 2000. Artesia Bank's share amounted to USD 50,000,000.

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

As of December 31, 2008, the Dexia Bank's outstanding claim on Lernout & Hauspie Investment Company (LHIC) amounted to EUR 52,240,144.08 – of which EUR 6,919,585.09 reserved interests. An impairment for EUR 43,959,626.92 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 en écritures) 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.

The oral pleadings regarding the criminal aspect of the case were closed on December 19, 2008. The Court of Appeal deliberated on the criminal case on January 30, 2009 and will deliver its decision during the course of 2009. 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, 2008, Dexia Bank was aware of the following relevant claims for damages (only the most important are listed below):

- Around 15,000 individual shareholders (including the shareholders represented by Deminor and Spaarverlies) who claim around EUR 315,000,000.
- The Belgian receivers of LHSP who are claiming EUR 744,128,638.37. Part of this claim duplicates the claims of other parties. In the present state of the analysis by the bank, that duplication is unlikely to be such as to lead to a substantial reduction in the claim by the receivers of LHSP.
- Mercator & Noordstar which is claiming EUR 17,662,724.
- The receivers of The Learning Kernel who are claiming EUR 7,259,107.06.

All the above-mentioned amounts are principal amounts to which interest must be added. The amount of the interest and the date from which it should be calculated are still under discussion.

In the worst case, the interest rate to be applied is the statutory rate of interest which is currently 7%.

With regard to the starting date from which the interest is to be calculated, the civil parties differ in their approach as to whether it should be a particular date (e.g. November 9, 2000, the date on which the LHSP shares were bought, or the date on which LHSP was declared bankrupt in October 2001) or a mean date.

For the following reasons – among others – it remains very difficult to determine the real extent of the damages claimed:

- a number of parties are claiming provisional amounts;
- the rate of interest to be applied and the USD/EUR conversion rate are still under discussion;
- the final number of civil parties is still unknown;
- proving the link between the damage suffered by the investors and the alleged wrong committed by Artesia Bank is a very complicated matter.

It should be noted that the Court of Appeal in Ghent has decided to separate the criminal from the civil aspects of the case; the Court has deferred the handling of the civil aspects indefinitely.

Dexia Bank, in its turn, made a claim as a civil party against Messrs. Lernout, Hauspie, Willaert and Bastiaens and against the company 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 28,963,083.03 owed to it by LHSP under a USD 430 million syndicated credit facility dated May 5, 2000. (See paragraph 6.2.1 above).

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*.

CONSOLIDATED FINANCIAL STATEMENTS

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

The only outstanding civil case in the United States, brought by the Litigation Trustee, was terminated in September 2008.

As a result, all the cases bought against Dexia Bank in the United States have been finally terminated in full.

Dexia Bank has not rendered public the settlement amounts in the cases (other than the NASDAQ-class action) since this could seriously harm Dexia Bank's interests.

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.

For the sake of completeness, it should be mentioned that the receivers of L&H Holding are also claiming damages from the Bank, provisionally estimated at EUR 1, for the participation in LHSP (of around 12,000,000 shares) which is now worthless.

6.2.7. Banque Artesia Nederland

In October 2006, Dexia Bank sold its affiliated company Banque Artesia Nederland (BAN) to General Electric (GE). 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 countervalue 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, 2007 in execution of the aforesaid guarantee in favor of GE (see the first paragraph of this section).

BAN has lodged an appeal against the decision of the Court of Appeal in Luxembourg before the Supreme Court (cour de cassation), which will give a decision on April 2, 2009.

Finally, in October 2007, Dexia Bank honored the bank guarantee of USD 10,000,000 in principal issued in favor of BAN (see paragraph, 6.2.6 above). 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, 2008, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 81,142,273.06 – of which EUR 7,104,106.89 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 68,052,544.63. Dexia Bank expects to be able to recover the difference in view of the securities provided.

Dexia Bank Belgium has not constituted any provisions for the claims made against it in Belgium for the following reasons.

- As things stand at the moment, the Bank assesses at less than 50% the likelihood of a court decision ordering it to pay damages. The lawyers of the bank are of the opinion that it has strong arguments to contest the charges brought against it.
- With regard to the civil actions, we note that various claims (Deminor…) make no mention of any precise amount and that often a provisional amount is claimed.
- The number of civil parties and the amounts they claim cannot be estimated for good at the moment.
- Dexia Bank has made extensive submissions and has argued that most of the actions brought by the civil parties are inadmissible and at least unfounded.

The unused provisions constituted for the actions in the American courts were reversed in the third quarter of 2008.

Dexia strongly challenges the validity and the merits of all these claims.

6.3. INHERITANCE DUTIES

The enquiry opened by the judicial authorities on September 28, 1999 against Dexia Bank concerning a possible fraud involving inheritance duties seems to have ended. Four former executives were accused at the end of March 2004. However that accusation does 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 2008.

This file will be submitted in 2009 to the Council Chamber (chambre du conseil/raadkamer).

6.4. FINANCIAL SECURITY ASSURANCE (SUBPOENA)

On February 4, 2008, Financial Security Assurance Holdings Ltd (FSA) received a letter from the US Securities and Exchange Commission (SEC), commonly called a "Wells Notice", indicating that the SEC staff is considering recommending that the SEC authorize commencement of non-criminal proceedings against FSA, alleging violations of certain provisions of the US securities laws in connection with alleged bid rigging of municipal guaranteed investment contracts (GICs) that is also being investigated by the US Department of Justice (DOJ). FSA is in discussions with the DOJ and the SEC regarding a proposal that, if agreed to, would settle the matter with the DOJ, the SEC and the Internal Revenue Service, also with regard to the Wells Notice received in February 2008. FSA is also a defendant in class action and other civil litigation related to the subject matter of the government investigation, including actions on behalf of various states that purchased municipal GICs. The states may elect to participate in the global settlement proposal, which would resolve any civil litigation by the respective states.

7. Notes on the assets of the consolidated balance sheet (in millions of EUR)

7.1. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days remaining duration:

A. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Cash and balances with central banks	8,819	2,438
Loans and advances due from banks	37,064	43,700
Available for sale financial assets	5,478	3,195
Financial assets held for trading	211	378
Financial assets designated at fair value	31	4
TOTAL	**51,603**	**49,715**

B. Of which restricted cash

	Dec. 31, 2007	Dec. 31, 2008
Mandatory reserves (1)	7,547	957
Cash Collaterals (2)	6,232	26,421
Other	2	2
TOTAL	**13,781**	**27,380**

(1) Mandatory reserves: minimum reserve deposits credit institutions must have with the European Central Bank or with other central banks.
(2) Figures as of Dec. 31, 2007 have been restated.

CONSOLIDATED FINANCIAL STATEMENTS

7.2. CASH AND BALANCES WITH CENTRAL BANKS

Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Cash in hand	579	714
Balances with central banks other than mandatory reserve deposits	694	768
Mandatory reserve deposits	7,562	966
TOTAL	**8,835**	**2,448**
of which included in cash and cash equivalents	8,819	2,438

7.3. LOANS AND ADVANCES DUE FROM BANKS

A. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Nostro accounts and cash collaterals	11,474	31,447
Reverse repurchase agreements	24,165	9,387
Loans and other advances (1)	18,819	15,210
Debt instruments (1)	318	5,863
Impaired loans	0	111
Impaired debt instruments	0	9
Less:		
Specific impairment on impaired loans or impaired debt instruments	0	(98)
Collective impairment	0	(65)
TOTAL	**54,776**	**61,864**
of which included in cash and cash equivalents	37,064	43,700

(1) Figures as of Dec. 31, 2007 have been restated.

B. Analysis of quality
See note 7.15. 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.

E. Reclassification of financial assets (IAS39 amended)
See note 7.7.

7.4. LOANS AND ADVANCES TO CUSTOMERS

A. Analysis by counterpart

	Dec. 31, 2007	Dec. 31, 2008
Public sector	128,137	196,409
Other	114,500	172,426
Impaired loans	1,219	1,623
Impaired debt instruments	0	1,911
Less:		
Specific impairment on impaired loans or impaired debt instruments (1)	(818)	(2,083)
Collective impairment (2)	(419)	(1,441)
TOTAL	**242,619**	**368,845**
of which included in finance lease	4,320	5,002

(1) Dec. 31, 2007: of which EUR 107 million relating to share leasing of DBnl;
Dec. 31, 2008: of which EUR 78 million relating to share leasing of DBnl and EUR 1,059 million relating to Financial Products activities of FSA.
(2) Dec. 31, 2007: of which EUR 32 million relating to share leasing of DBnl;
Dec. 31, 2008: of which EUR 76 million relating to share leasing of DBnl and EUR 316 million relating to Financial Products activities of FSA.

B. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Reverse repurchase agreements	12,287	4,690
Loans and other advances	226,497	262,691
Debt instruments	3,853	101,454
Impaired loans	1,219	1,623
Impaired debt instruments	0	1,911
Less:		
Specific impairment on impaired loans or impaired debt instruments (1)	(818)	(2,083)
Collective impairment (2)	(419)	(1,441)
TOTAL	**242,619**	**368,845**
of which included in finance lease	4,320	5,002

(1) Dec. 31, 2007: of which EUR 107 million relating to share leasing of DBnl;
Dec. 31, 2008: of which EUR 78 million relating to share leasing of DBnl and EUR 1,059 million relating to Financial Products activities of FSA.
(2) Dec. 31, 2007: of which EUR 32 million relating to share leasing of DBnl;
Dec. 31, 2008: of which EUR 76 million relating to share leasing of DBnl and EUR 316 million relating to Financial Products activities of FSA.

C. Analysis of quality
See note 7.15. Quality of financial assets.

D. Analysis by maturity and interest rate
See notes 12.4., 12.5. and 12.6.

E. Analysis of the fair value
See note 12.1.

F. Reclassification of financial assets (IAS 39 amended)
See note 7.7.

7.5. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Dec. 31, 2007	Dec. 31, 2008
Financial assets held for trading	30,411	10,836
Financial assets designated at fair value	7,154	5,208
TOTAL	37,565	16,044

Financial assets held for trading

A. Analysis by counterpart

	Dec. 31, 2007	Dec. 31, 2008
Public sector	3,381	1,302
Banks	5,266	1,257
Other	21,764	8,277
TOTAL	30,411	10,836
of which included in cash and cash equivalents	211	378

B. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Loans	423	3
Bonds issued by public bodies	1,357	842
Other bonds and fixed-income instruments	28,234	9,834
Equity and variable-income instruments	397	157
TOTAL	30,411	10,836

C. Treasury bills and other eligible bills for refinancing to the central banks

	Dec. 31, 2007	Dec. 31, 2008
Treasury bills and other eligible bills for refinancing to the central banks	47	423

D. Securities pledged under repurchase agreements with other banks

	Dec. 31, 2007 Market value	Dec. 31, 2008 Market value
Included in bonds issued by public bodies	63	6
Included in other bonds and fixed-income instruments	561	907

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.

G. Reclassification of financial assets (IAS 39 amended)

See note 7.7.

Financial assets designated at fair value

A. Analysis by counterpart

	Dec. 31, 2007	Dec. 31, 2008
Public sector	265	190
Banks	2,020	512
Other	4,869	4,506
TOTAL	**7,154**	**5,208**
of which included in cash and cash equivalents	31	4

B. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Loans	337	67
Bonds issued by public bodies	216	184
Other bonds and fixed-income instruments	517	396
Equity and variable-income instruments	44	39
Unit linked products Insurance	6,040	4,522
TOTAL	**7,154**	**5,208**

C. Treasury bills and other eligible bills for refinancing to the central banks

	Dec. 31, 2007	Dec. 31, 2008
Treasury bills and other eligible bills for refinancing to the central banks	30	30

D. Securities pledged under repurchase agreements with other banks

	Dec. 31, 2007 Market value	Dec. 31, 2008 Market value
Included in other bonds and fixed-income instruments	10	1

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) by the insurance business where liabilities contain a not-closely related embedded derivative whereby the return is linked to the investment in a specific pool of insurer's assets (unit-linked products);
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 the 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, 2007	Dec. 31, 2008
Public sector	78,298	53,359
Banks	65,935	55,876
Others	75,649	14,842
Impaired financial investments	599	2,613
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**220,481**	**126,690**
Less:		
Specific and collective impairment on impaired financial investments [1]	(191)	(1,661)
TOTAL	**220,290**	**125,029**
of which included in cash and cash equivalents	5,478	3,195

(1) Several specific impairments were recorded in 2008 , mainly on Lehman Brothers, Icelandic banks and Washington Mutual.

B. Analysis of quality

See note 7.15. 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, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Loans	256	46	0	0	256	46
Bonds issued by public bodies	68,390	46,294	990	1,147	69,380	47,441
Other bonds and fixed-income instruments	144,219	73,761	925	820	145,144	74,581
Equity and variable-income instruments	5,701	4,622	0	0	5,701	4,622
TOTAL	**218,566**	**124,723**	**1,915**	**1,967**	**220,481**	**126,690**

E. Convertible bonds included in the available-for-sale portfolio (position greater than EUR 50 million)

Nil.

F. Transfers between portfolios

	Dec. 31, 2007	Dec. 31, 2008
Securities transferred from the AFS to the HTM portfolio during the year [1]	0	(304)
Impact on equity related to the transfer to the held to maturity portfolio	0	(1)

(1) relating to a reclassification of Turkish government bonds by DenizBank.

G. Analysis of the fair value

See note 12.1.

H. Reclassification of financial assets (IAS39 amended)

See note 7.7.

7.7. RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39 AMENDED)

DATE OF RECLASSIFICATON OCTOBER 1, 2008	From Trading to Loans and Receivables (1)	From Trading to Available for Sale Portfolio (2)	From Available for Sale Portfolio to Loans and Receivables (3)
Carrying amount of assets reclassified at Oct.1, 2008	6,591	2,704	90,784
Carrying amount of reclassified assets at Dec. 31, 2008	6,342	2,655	95,522
Fair value of reclassified assets at Dec. 31, 2008	6,298	2,651	93,399
Fair value adjustment that would have been recognized if the asset had not been reclassified (A)	(16)	7	(2,123)
Amortization of premium/discount in P&L during the year (B)	28	12	n.a.
AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (A) – (B)	**(44)**	**(4)**	**n.a.**
Amount not taken in AFS Reserve (3) due to reclassification	n.a.	n.a.	(2,123)
Tax impact	14	1	779
NET AMOUNT	**(30)**	**(3)**	**(1,344)**
P/D amortization in AFS Reserve during the year	n.a.	n.a.	293

	Dec. 31, 2008
Collective impairment set up during the quarter through profit and loss due to reclassification towards Loans and Receivables.	(42)
Tax impact on collective impairment set up during the quarter via profit and loss due to reclassification towards Loans and Receivables.	9

Some amounts may not add due to roundings.

Dexia decided to apply the amendment of IAS 39 & IFRS 7 – Reclassification of Financial Assets – for some assets. In particular, Dexia considered that after the bankruptcy of Lehman Brothers and the subsequent financial crisis, observable prices for some financial assets did no longer represent "fair value", but distressed prices or indicative broker's prices. Given that rare circumstance, Dexia opted to reclassify certain assets from "Held for Trading" to "Available for Sale – AFS" or "Loans and Receivables – L&R" (provided the definition is met) because they are no longer held for sale in the near term. Moreover, following its change in intent, Dexia reclassified also certain assets from AFS to L&R (provided the definition is met). The reclassification to L&R reflects Dexia's intention and ability to hold these financial assets for the foreseeable future. Reclassifications have been made on October 1, 2008.

Transfer from Held for Trading to Loans and Receivables and Available for Sale

These financial assets were initially recognized as "Held for Trading" as Dexia intended to trade them within a short term. Due to rare circumstances described above, illiquidity in the market, lack of availability of "representative market prices" and inactive markets, Dexia reclassified high credit quality bonds that it no longer holds for selling in the near term and that it has the intention and ability to hold for the foreseeable future. Impacts are mentioned in the table above.

Transfer from Available for Sale (AFS) to Loans and Receivables (L&R)

Dexia has a particular Available for Sale portfolio with a very long maturity, resulting in significant change in value following small shifts in spreads.

Only not impaired financial assets for which no quoted prices on active market were available and for which Dexia has the intention and ability to hold for the foreseeable future were transferred to Loans and Receivables. Collective impairments were recorded on L&R, including reclassified bonds, during 4Q 2008. No specific impairment losses were recognized in 4Q 2008 on these transferred assets.

The only exception is FSA Asset Management (Financial Products activity kept by Dexia) where impaired bonds were reclassified from AFS to L&R. If the reclassification had not taken place, the specific impairment would have been USD 588 million, instead of USD 57 million recorded in 4Q 2008. However, a collective impairment on US RMBS was recorded by Dexia in 4Q 2008 for which the FSA Asset Management part amounts to USD 441 million on reclassified amounts. Therefore, the total impact on results would have been USD -90 million, or USD -59 million net of tax (EUR -40 million).

The change of AFS reserve that would have been recorded if the reclassification had not taken place is calculated based on valuation models taking into account the evolution of liquidity on the different markets as no more representative market prices were available.

Reclassified bonds include fixed-rate bonds (from zero coupon bonds to bonds paying 12.5% nominal coupon and with an effective interest rate varying from 0.48% to 47.7%), however as the interest rate risk of reclassified AFS bonds was hedged and the interest rate risk of reclassified trading portfolios was also hedged, the interest rate risk is mainly a floating rate risk which is part of the ALM sensitivity. Expected cash-flows will therefore depend from the evolution of short term interest rate.

The carrying amount of reclassified AFS assets as of December 31, 2008 (95.5 billion) is higher than carrying amount at reclassification date (90.8 billion) as the L&R are hedged against interest rate risk via fair value hedges.

Therefore, their value increase due to the large decrease of interest rate end of 2008.

Impact on future interest margin

For assets transferred from AFS to L&R, the amortization of the discount on the bond is compensated by the amortization of the frozen AFS reserve,so that the net impact on result is zero.

For assets transferred from trading to AFS and L&R, the expected positive impact on the interest margin for future years coming from amortization of the negative mark-to-market of previous periods can be estimated to EUR 547 million.

This amount will be amortized on the remaining life of the bonds transferred. Expected interest margins are EUR 140 million in 2009 and EUR 107 million in 2010.

7.8. INVESTMENTS IN ASSOCIATES

A. Carrying value

	2007	2008
CARRYING VALUE AS OF JAN. 1	**826**	**861**
- Acquisitions	10	34
- Disposals	0	(5)
- Change in scope of consolidation (out) (1)	0	(41)
- Share of result before tax	147	31
- Share of tax	(39)	(20)
- Dividend paid	(44)	(47)
- Changes in goodwill (see below)	0	(1)
- Share of gains and losses not recognized in the income statement	(41)	(121)
- Translation adjustments	0	2
- Impairment: booked	0	(12)
- Other	2	1
CARRYING VALUE AS OF DEC. 31	**861**	**682**

(1) Mainly Kommunalkredit Austria AG.

B. Positive goodwill included in carrying value

	2007	2008
ACQUISITION COST AS OF JAN. 1	**229**	**229**
- Change in scope of consolidation (out) (1)	0	(19)
ACQUISITION COST AS OF DEC. 31 (A)	**229**	**210**
ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT AS OF JAN. 1	**(46)**	**(46)**
- Booked	0	(12)
- Change in scope of consolidation (out) (1)	0	17
ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT AS OF DEC. 31 (B)	**(46)**	**(41)**
NET CARRYING AMOUNT AS OF DEC. 31 (A)+(B)	**183**	**169**

(1) Mainly Kommunalkredit Austria AG

C. List of major associates

ASSOCIATES	2007 Book value	2007 Fair value of investment	2008 Book value	2008 Fair value of investment	Website
Crédit du Nord	508	820	507	700	www.groupe-credit-du-nord.com
Kommunalkredit Austria	169	397			www.kommunalkredit.at
SLF Finances SA	64	64	64	64	www.slf.be
Popular Banca Privada	45	56	46	58	www.popularbancaprivada.es
TOTAL	**786**	**1,337**	**617**	**822**	

7.9. 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, 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 and cancellations	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-back	12	0	234	0	4	5	255
- Change in scope of consolidation (out)	0	0	3	0	0	0	3
- Transfers and cancellations	(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**

	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, 2008	**1,994**	**3**	**1,134**	**69**	**88**	**929**	**4,217**
- Acquisitions	183	0	126	11	49	7	376
- Subsequent expenditures	11	0	0	0	0	92	103
- Disposals	(123)	0	(22)	0	(12)	(15)	(172)
- Change in scope of consolidation (out)	(15)	0	0	0	0	0	(15)
- Transfers and cancellations	0	0	(85)	0	(1)	(25)	(111)
- Translation adjustments	(4)	0	(15)	(15)	0	0	(34)
ACQUISITION COST AS OF DEC. 31, 2008 (A)	**2,046**	**3**	**1,138**	**65**	**124**	**988**	**4,364**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2008	**(519)**	**0**	**(845)**	**(42)**	**(31)**	**(523)**	**(1,960)**
- Booked	(72)	0	(79)	(8)	(17)	(18)	(194)
- Disposals	1	0	18	0	7	8	34
- Transfers and cancellations	6	0	68	0	0	19	93
- Translation adjustments	1	0	6	9	0	0	16
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2008 (B)	**(583)**	**0**	**(832)**	**(41)**	**(41)**	**(514)**	**(2,011)**
NET BOOK VALUE AS OF DEC. 31, 2008 (A)+(B)	**1,463**	**3**	**306**	**24**	**83**	**474**	**2,353**

B. Fair value

	Dec. 31, 2007	Dec. 31, 2008
Fair value subject to an independent valuation	3	0
Fair value not subject to an independent valuation	446	509
TOTAL	**449**	**509**

C. Expenditures

	Dec. 31, 2007	Dec. 31, 2008
Expenditures capitalized for the construction of property, plant & equipment	43	51

D. Contractual obligations relating to Investment property at the end of the period

Nil.

7.10. INTANGIBLE ASSETS AND GOODWILL

	Positive Goodwill	Internally developed software	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 and cancellations	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
- Disposals	0	0	34	34
- Transfers and cancellations	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.

	Positive Goodwill	Internally developed software	Other intangible assets [1]	Total
ACQUISITION COST AS OF JAN. 1, 2008	**2,276**	**629**	**617**	**3,522**
- Acquisitions	0	91	58	149
- Disposals	0	(2)	(1)	(3)
- Transfers and cancellations	(50)	(3)	(5)	(58)
- Translation adjustments	(290)	(1)	(57)	(348)
ACQUISITION COST AS OF DEC. 31, 2008 (A)	**1,936**	**714**	**612**	**3,262**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF JAN. 1, 2008	**(226)**	**(463)**	**(309)**	**(998)**
- Booked	(12)	(62)	(74)	(148)
- Transfers and cancellations	50	3	6	59
- Translation adjustments	2	0	16	18
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS OF DEC. 31, 2008 (B)	**(186)**	**(522)**	**(361)**	**(1,069)**
NET BOOK VALUE AS OF DEC. 31, 2008 (A)+(B)	**1,750**	**192**	**251**	**2,193**

(1) Other intangible assets include purchased softwares and intangible assets identified in the purchase of DenizBank group.

7.11. TAX ASSETS

	Dec. 31, 2007	Dec. 31, 2008
Current taxes	294	160
Deferred tax assets (see note 9.2.)	1,090	3,979
TOTAL	**1,384**	**4,139**

2007: an amount of EUR 61 million representing operational taxes is tranferred to “Other assets”.

Deferred tax assets (DTA) are constituted for an amount of EUR 3.1 billion by DTA coming from negative AFS reserves on bonds and by DTA on cash flow hedges reserves for EUR 0.2 billion.

Apart from this, it relates to other elements including recoverable tax losses and provisions.

7.12. OTHER ASSETS

	Dec. 31, 2007	Dec. 31, 2008
Other assets[1]	3,121	1,804
Other assets specific to insurance companies[2]	1,260	194
TOTAL	**4,381**	**1,998**

(1) Figures as of December 2007 were restated, they now include operational taxes.
(2) Decrease in 2008 due to classification of the assets of the insurance activity of FSA Holdings in non-current assets held for sale.

A. Other assets

Analysis by nature	Dec. 31, 2007	Dec. 31, 2008
Accrued income	199	106
Deferred expenses	59	89
Other accounts receivables	2,197	1,232
Plan assets [1]	16	17
Long-term construction contracts	1	1
Inventories	4	4
Operational taxes	61	82
Other assets	584	273
TOTAL	**3,121**	**1,804**

(1) See note 8.6.i.

B. Other assets specific to insurance companies

Analysis by nature (acquisition costs and share of reinsurers)	Dec. 31, 2007	Dec. 31, 2008
Share of the reinsurers in the technical reserves	81	87
Receivables resulting from direct insurance transactions	91	64
Premiums still to be issued	1	1
Deferred acquisition costs [1]	236	
Other insurance assets [1]	851	42
Impaired insurance assets	1	1
Less:		
Specific impairment	(1)	(1)
TOTAL	**1,260**	**194**

(1) Decrease in 2008 due to classification of the assets of the insurance activity of FSA Holdings in non current assets held for sale.

7.13. NON CURRENT ASSETS HELD FOR SALE

	Dec. 31, 2007	Dec. 31, 2008
Assets of subsidiaries held for sale [1]	0	6,225
Tangible and intangible assets held for sale	38	33
Other assets	1	2
TOTAL	**39**	**6,260**

(1) See note 9.6.C. "Analysis of group held for sale".

7.14. LEASING

1. Dexia as lessor

A. Finance lease

Gross investment in finance leases:	Dec. 31, 2007	Dec. 31, 2008
Not later than 1 year	872	1,033
Later than 1 year and not later than 5 years	2,124	2,308
Later than 5 years	2,036	2,615
SUBTOTAL (A)	**5,032**	**5,956**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**728**	**962**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**4,304**	**4,994**

The net investment in finance leases may be analyzed as follows:	Dec. 31, 2007	Dec. 31, 2008
Not later than 1 year	739	848
Later than 1 year and not later than 5 years	1,846	1,949
Later than 5 years	1,719	2,197
TOTAL	**4,304**	**4,994**

	Dec. 31, 2007	Dec. 31, 2008
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	8	31
Estimated fair value of finance lease	4,145	4,780
Accumulated allowance for uncollectible minimum lease payments receivable	4	19

B. Operating lease

Future net minimum lease receivables under non-cancelable operating leases are as follows:	Dec. 31, 2007	Dec. 31, 2008
Not later than 1 year	31	36
Later than 1 year and not later than 5 years	88	94
Later than 5 years	68	55
TOTAL	**187**	**185**
Amount of contingent rents recognized in statement of income during the period	0	1

2. Dexia as lessee

A. Finance lease

Amounts involved are immaterial. See note 7.9.

B. Operating lease

Future net minimum lease payments under non-cancelable operating leases are as follows:	Dec. 31, 2007	Dec. 31, 2008
Not later than 1 year	83	99
Later than 1 year and not later than 5 years	308	314
Later than 5 years	282	273
TOTAL	**673**	**686**

	Dec. 31, 2007	Dec. 31, 2008
Amount of future minimum sublease payments expected to be received under non-cancelable subleases at the balance sheet date:	6	10
Lease and sublease payments recognized as an expense during the period:		
- minimum lease payments	124	159
- sublease payments	0	(7)
TOTAL	**124**	**152**

7.15. QUALITY OF FINANCIAL ASSETS

ANALYSIS OF NORMAL LOANS AND SECURITIES	Gross amount (A)	
	Dec. 31, 2007	Dec. 31, 2008
Normal loans and advances due from banks	54,776	61,907
Normal loans and advances to customers	242,637	368,835
Normal held-to-maturity investments	1,915	1,967
Normal available-for-sale financial assets	217,967	122,110
- of which fixed-income instruments	*212,803*	*118,976*
- of which equity instruments	*5,164*	*3,134*
Normal assets from insurance activities	1,260	194
Normal other accounts and receivables	2,195	1,109
Normal other assets	584	354
Collective impairment on not specifically impaired loans (-)	(419)	(1,506)
TOTAL	**520,915**	**554,970**

ANALYSIS OF IMPAIRED LOANS AND SECURITIES	Gross amount (B)		Specific loan loss allowance (C)		Total (B)+(C)	
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Impaired loans and advances due from banks	0	120	0	(98)	0	22
Impaired loans and advances to customers	1,219	3,534	(818)	(2,083)	401	1,451
Impaired available-for-sale financial assets	599	2,613	(191)	(1,661)	408	952
- of which fixed-income instruments	*62*	*1,125*	*(34)*	*(817)*	*28*	*308*
- of which equity instruments	*537*	*1,488*	*(157)*	*(844)*	*380*	*644*
Impaired assets from insurance activities	1	1	(1)	(1)	0	0
Impaired other accounts and receivables	4	328	(2)	(283)	2	45
Impaired other assets	0	1	0	(1)	0	0
TOTAL	**1,823**	**6,597**	**(1,012)**	**(4,127)**	**811**	**2,470**

NORMAL + IMPAIRED	Gross amount (A)+(B)		Specific loan loss allowance (C)		Total (A)+(B)+(C)	
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Loans and advances due from banks	54,776	62,027	0	(98)	54,776	61,929
Loans and advances to customers	243,856	372,369	(818)	(2,083)	243,038	370,286
Held-to-maturity investments	1,915	1,967	0	0	1,915	1,967
Available-for-sale financial assets	218,566	124,723	(191)	(1,661)	218,375	123,062
- of which fixed-income instruments	*212,865*	*120,101*	*(34)*	*(817)*	*212,831*	*119,284*
- of which equity instruments	*5,701*	*4,622*	*(157)*	*(844)*	*5,544*	*3,778*
Assets from insurance activities	1,261	195	(1)	(1)	1,260	194
Other accounts and receivables	2,199	1,437	(2)	(283)	2,197	1,154
Other assets	584	355	0	(1)	584	354
Collective impairment on not impaired loans (-)	(419)	(1,506)	0	0	(419)	(1,506)
TOTAL	**522,738**	**561,567**	**(1,012)**	**(4,127)**	**521,726**	**557,440**

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, 2007	Dec. 31, 2008
On demand	16,371	13,197
Term	76,133	12,393
Repurchase activity	35,755	35,331
Central banks	12,414	120,559
Other borrowings	38,008	31,712
TOTAL	**178,681**	**213,192**

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

	Dec. 31, 2007	Dec. 31, 2008
Demand deposits	39,994	30,874
Savings deposits	26,845	26,072
Term deposits	50,924	42,587
Other customer deposits	2,730	2,807
TOTAL CUSTOMER DEPOSITS	120,493	102,340
Repurchase activity	2,994	9,314
Other borrowings	3,193	3,074
TOTAL CUSTOMER BORROWINGS	6,187	12,388
TOTAL	**126,680**	**114,728**

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, 2007	Dec. 31, 2008
Financial liabilities held for trading	1,995	273
Financial liabilities designated at fair value	16,306	18,679
TOTAL	**18,301**	**18,952**

Financial liabilities held for trading

A. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Bonds issued by public bodies	1,911	216
Other bonds	38	7
Equity instruments	46	50
TOTAL	**1,995**	**273**

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, 2007	Dec. 31, 2008
Non subordinated liabilities	12,007	15,135
Subordinated liabilities (1)	0	347
Unit-linked products	4,299	3,197
TOTAL	**16,306**	**18,679**

(1) List 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.

The "Fair Value Option" (FVO), where financial liabilities is mainly used in the following situations:

1) by the insurance business where financial liabilities contain a not-closely related embedded derivative whereby the return is linked to the investment in 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 was limited as liabilities were AAA-rated until end of 2007 and highly customized. Those debts are guaranteed by FSA Inc. and previous year changes only reflected the changes in liquidity spreads.
In 2008, FSA Inc. rating was downgraded and the liquidity cost continued to increase, leading to the recognition of an increase of own credit risk of EUR -323 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. As the rating of some banks of the Group, having recorded liabilities in FVO, has decreased in 2008, an income of EUR 118 million was recorded to take into account the downgrade of rating and the increase of cost of funding.

8.4. DEBT SECURITIES

A. Analysis by nature

	Dec. 31, 2007	Dec. 31, 2008
Certificates of deposit	40,587	16,466
Customer savings certificates	5,332	5,011
Convertible debts	3	3
Non-convertible bonds	158,091	166,640
TOTAL	**204,013**	**188,120**

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, 2007	Dec. 31, 2008
Loan capital perpetual subordinated notes	772	823
Other	3,881	3,352
TOTAL	**4,653**	**4,175**

List available on request

	Dec. 31, 2007	Dec. 31, 2008
Hybrid capital and redeemable preference shares	232	232

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, 2007	Dec. 31, 2008
Litigation claims [1]	228	248
Restructuring	125	181
Long-term defined benefit plans	639	676
Other postretirement obligations	51	52
Other long-term employee benefits	42	36
Provision for off-balance-sheet credit commitments [2]	110	121
Onerous contracts	28	54
Other Provisions (non insurance) [3]	130	119
TOTAL [4]	**1,353**	**1,487**

(1) Provisions for litigations, include provisions relating to staff, to taxes, for administrative and other claims.
(2) Of which EUR 99 million and EUR 81 million relating to Dexia Bank Nederland (Legio Lease Provision) for 2007 and 2008 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	Provision 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**

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions
AS OF JAN. 1, 2008	**228**	**125**	**732**	**110**	**28**	**130**
Exchange difference	5	(1)	(1)	(2)	0	1
Additional provisions	113	91	112	158	35	88
Unused amounts reversed	(108)	(2)	(19)	(1)	(2)	(4)
Utilized during the year	(55)	(32)	(60)	(72)	(7)	(30)
Transfers	65	0	0	(72)	0	(66)
AS OF DEC. 31, 2008	**248**	**181**	**764**	**121**	**54**	**119**

C. Analysis by maturity

See note 12.6.

D. Provisions for pensions and other long-term benefits

a. Change in benefit obligation	Dec. 31, 2007	Dec. 31, 2008
1. Benefit obligation at beginning of year	2,282	1,948
2. Current service cost	91	88
3. Interest cost	95	103
4. Plan participants' contributions	7	7
5. Amendments	6	2
6. Actuarial (gains)/losses	(309)	(140)
7. Benefits paid	(105)	(118)
8. Expenses paid	0	0
9. Taxes paid	0	0
10. Premiums paid	(3)	(4)
11. Acquisitions/divestitures (1)	(2)	18
12. Plan curtailments	(14)	0
13. Plan settlements	(99)	0
14. Exchange rate changes	(1)	(7)
15. BENEFIT OBLIGATION AS OF END OF YEAR	**1,948**	**1,897**

(1) There has been a transfer of assets and liabilities for the same amount. It involves the allocation of insurance contracts which a pension fund concluded to pay annuities to pensioners. In the past, these insurance contracts used to be processed as follows: at the time of the conclusion of the insurance contract, the single premium was stated as a payment, along with a reduction of the liabilities. This is not fully compliant with the IAS 19 principles, because this insurance contract was not taken out in favour of the pensioner, but in favour of the trustee. Consequently, there remains a liability on behalf of Dexia.

b. Change in plan assets	Dec. 31, 2007	Dec. 31, 2008
1. Fair value of plan assets as of beginning of year	1,483	1,380
2. Expected return on plan assets	65	79
3. Actuarial gains/(losses) on plan assets	(44)	(141)
4. Employer contributions	77	83
5. Member contributions	7	6
6. Benefits paid	(105)	(118)
7. Expenses paid	0	0
8. Taxes paid	0	0
9. Premiums paid	(3)	(4)
10. Plan settlements	(98)	0
11. Acquisitions/divestitures	(1)	9
12. Exchange rate changes	(1)	(7)
13. FAIR VALUE OF PLAN ASSETS AS OF END OF YEAR	**1,380**	**1,287**

c. Amounts recognized in the balance sheet	Dec. 31, 2007	Dec. 31, 2007
1. Present value of funded obligations	1,408	1,357
2. Fair value of plan assets	1,380	1,287
3. Deficit/(surplus) for funded plans	28	70
4. Present value of unfunded obligations	540	540
5. Unrecognized net actuarial gains/(losses)	140	130
6. Unrecognized past service (cost)/benefit	0	0
7. Effect of paragraph 58(b) limit	6	7
8. NET LIABILITY/(ASSET)	**714**	**747**
Amounts in the balance sheet		
1. Liabilities	730	764
2. Assets	(16)	(17)
3. NET LIABILITY/(ASSET)	**714**	**747**

d. Components of pension cost	Dec. 31, 2007	Dec. 31, 2008
Amounts recognized in statement of income		
1. Current service cost	91	88
2. Interest cost	95	103
3. Expected return on plan assets	(65)	(79)
4. Expected return on reimbursement assets	0	0
5. Amortization of past service cost incl. §58(a)	5	3
6. Amortization of net (gain)/loss incl. §58(a)	(5)	(10)
7. Effect of paragraph 58(b) limit	6	1
8. Curtailment (gain)/loss recognized	(13)	0
9. Settlement (gain)/loss recognized	6	0
10. TOTAL PENSION COST RECOGNIZED IN THE STATEMENT OF INCOME	**120**	**106**
Actual return on assets		
Actual return on plan assets	21	(62)
Actual return on reimbursement assets	0	0

e. Balance sheet reconciliation	Dec. 31, 2007	Dec. 31, 2008
1. Balance sheet liability/(asset) as of beginning of year	676	714
2. Pension expense recognized in income statement in the financial year	120	106
3. Amounts recognized in SORIE in the financial year	0	0
4. Employer contributions made in the financial year	56	62
5. Benefits paid directly by company in the financial year	21	21
6. Credit to reimbursements	0	0
7. Net transfer in/(out) (including the effect of any business combinations/divestitures)	(6)	9
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)	**714**	**747**

f. Plan assets

Asset category	Percentage of Plan assets	
	Dec. 31, 2007	Dec. 31, 2008
1. Equity securities	15.42%	13.03%
2. Debt securities	83.73%	85.07%
3. Real estate	0.25%	0.34%
4. Other [1]	0.60%	1.56%

(1) Includes qualifying insurance policies.

g. History of experience gains and losses	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
1. Difference between the actual and expected return on plan assets				
a. Amount	54	(28)	(44)	(141)
b. Percentage of plan assets	3%	-2%	-3%	-11%
2. Experience gains (-) and losses on plan liabilities				
a. Amount	93	(31)	(53)	(5)
b. Percentage of present value of plan liabilities	4%	-1%	-3%	0%

h. Range of assumptions to determine pension expense

	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%

	Dec. 31, 2008					
	Discount Rate	Inflation	Expected return on assets	Expected return on bonds	Expected return on shares	Salary Increase Rate
Europe	5.00% - 5.75%	2.25%	5.00% - 5.60%	5.00% - 5.75%	8.00% - 8.75%	2.25% - 5.25%
Switzerland	3.25%	1.30%	3.75%	3.25%	6.25%	2.50%
United Kingdom	6.40%	3.20%	6.78%	6.00%	8.10%	4.70%

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	2007	2008
Outstanding liability relating to defined benefit plans	639	676
Outstanding liability relating to other postretirement obligations	51	52
Outstanding liability relating to other long-term employee benefits	42	36
TOTAL OUTSTANDING LIABILITY REPORTED IN THE FINANCIAL STATEMENTS(1)	**732**	**764**
TOTAL LIABILITY CALCULATED BY ACTUARIALS	**730**	**764**
TOTAL LIABILTIY RELATING TO INSIGNIFICANT PLANS	**2**	**0**
Outstanding asset reported in the financial statements(2)	16	17
TOTAL ASSETS ANALYSED BY ACTUARIALS	**16**	**17**
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	**0**	**0**

(1) See note 8.6.A.
(2) See note 7.12.A.

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 1,024 million as of December 31, 2007 and EUR 954 million as of December 31, 2008.

Sensibility to changes of interest rates
An increase/decrease of 25 bp of interest rate would lead to the following consequences on 2008 amounts:
The Benefit Obligation as of end of the year 2008 would decrease/increase by 2.3/2.5% but the amount reported in «provision» would remain unchanged as the actuarial "gains and losses" would absorb the differences.
The service cost for the year 2009 would decrease/increase by 2.7/3%, interest cost would increase/decrease by 1.6/1.7% and the return on plan assets would increase/decrease by 4.7/4.7% and the total net pension cost would decrease/increase in 2009 by 6.6/5.7%.

E. Defined contribution plan
Contributions to legal pensions are not included in the amounts.
For 2007 and 2008, the amount recognized as an expense for defined contribution plans is EUR 30 million.

8.7. TAX LIABILITIES

Analysis by nature	Dec. 31, 2007	Dec. 31, 2008
Current income tax	226	231
Deferred tax liabilities (see note 9.2.)	405	71
TOTAL	**631**	**302**

2007: an amount of EUR 147 million representing operational taxes is transferred to "Other liabilities".

8.8. OTHER LIABILITIES

	Dec. 31, 2007	Dec. 31, 2008
Other liabilities (except relating to insurance companies) (1)	5,210	4,230
Other liabilities specific to insurance activities (2)	2,186	163
TOTAL	**7,396**	**4,393**

(1) 2007: an amount of EUR 147 million representing operational taxes is transferred from "Tax liabilities".
(2) Decrease in 2008 due to classification of the liabilities of the insurance activity of FSA Holdings in "Liabilities included in disposal groups held for sale".

A. Other liabilities

	Dec. 31, 2007	Dec. 31, 2008
Accrued costs	178	238
Deferred income	135	311
Subsidies	86	84
Other accounts payable	3,417	2,369
Other granted amounts received	0	1
Salaries and social charges (payable)	547	316
Shareholder dividends payable	88	115
Operational taxes	147	159
Other liabilities	612	637
TOTAL	**5,210**	**4,230**

B. Liabilities specific to insurance activities

	Dec. 31, 2007	Dec. 31, 2008
Debts for deposits from assignees	35	32
Debts resulting from direct insurance transactions (1)	2,092	111
Debts resulting from reinsurance transactions	56	20
Other insurance liabilities	3	0
TOTAL	**2,186**	**163**

(1) Decrease in 2008 due to classification of the liabilities of the insurance activity of FSA Holdings in "Liabilities included in disposal groups held for sale".

8.9. LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE

	Dec. 31, 2007	Dec. 31, 2008
Liabilities of subsidiaries held for sale (1)	0	5,691
TOTAL	**0**	**5,691**

(1) See note 9.6.C. "Analysis of group held for sale".

9. Other notes on the consolidated balance sheet (in millions of EUR)

9.1. DERIVATIVES

A. Analysis by nature

	Dec. 31, 2007		Dec. 31, 2008	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	16,711	15,354	45,408	42,094
Derivatives designated as fair value hedges	5,602	9,147	3,214	22,605
Derivatives designated as cash flow hedges	1,541	1,022	1,332	2,508
Derivatives of portfolio hedge	5,364	5,833	5,238	8,627
Derivatives designated as hedge of a net investment in foreign entities	0	9	21	0
TOTAL	**29,218**	**31,365**	**55,213**	**75,834**

B. Detail of derivatives held for trading

	Dec. 31, 2007				Dec. 31, 2008			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	98,626	98,802	1,542	769	83,489	83,366	3,409	2,215
Interest rate derivatives	875,060	877,257	12,852	12,437	917,943	928,812	35,263	35,586
Equity derivatives	12,144	12,201	1,308	1,607	13,937	12,152	2,754	2,869
Credit derivatives	47,142	83,016	986	517	28,367	19,316	3,976	1,416
Commodity derivatives	62	62	23	24	62	46	6	8
TOTAL	**1,033,034**	**1,071,338**	**16,711**	**15,354**	**1,043,798**	**1,043,692**	**45,408**	**42,094**

C. Detail of derivatives designated as fair value hedges

	Dec. 31, 2007				Dec. 31, 2008			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	45,658	47,300	1,166	2,845	45,383	47,596	1,030	4,096
Interest rate derivatives	188,477	186,938	3,809	5,775	201,291	200,874	1,897	18,055
Equity derivatives	12,467	13,416	575	527	10,669	11,442	272	450
Credit derivatives	50	50	3	0	45	48	0	3
Commodity derivatives	123	123	49	0	71	71	15	1
TOTAL	**246,775**	**247,827**	**5,602**	**9,147**	**257,459**	**260,031**	**3,214**	**22,605**

D. Detail of derivatives designated as cash flow hedges

	Dec. 31, 2007				Dec. 31, 2008			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	2,584	2,107	500	67	3,170	2,824	548	315
Interest rate derivatives	125,611	125,605	1,041	955	126,146	126,050	784	2,193
TOTAL	**128,195**	**127,712**	**1,541**	**1,022**	**129,316**	**128,874**	**1,332**	**2,508**

E. Detail of derivatives of portfolio hedge

	Dec. 31, 2007				Dec. 31, 2008			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	1,196	1,200	5	133	992	871	2	179
Interest rate derivatives	563,135	557,985	5,359	5,700	458,580	461,579	5,236	8,448
TOTAL	**564,331**	**559,185**	**5,364**	**5,833**	**459,572**	**462,450**	**5,238**	**8,627**

F. Detail of derivatives designated as hedge of a net investment in foreign entities

	Dec. 31, 2007				Dec. 31, 2008			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	331	340	0	9	356	335	21	0

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, 2007	Dec. 31, 2008
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	**685**	**3,908**
of which:		
Deferred income tax liabilities	(405)	(71)
Deferred income tax assets	1,194	4,550
Unrecognized deferred tax assets	(104)	(571)

B. Mouvements

	2007	2008
AS OF JAN.1	**(418)**	**685**
Movements of the year:		
- Statement of income charge/credit	114	890
- Items directly computed by equity	960	2,806
- Effect of change in tax rates – statement of income	21	(6)
- Effect of change in tax rates – equity	5	(5)
- Exchange differences	(20)	66
- Other movements [1]	23	(528)
AS OF DEC. 31	**685**	**3,908**

(1) In 2008, the most significant amount is due to the transfer of the insurance activity of FSA Holdings to disposal group held for sale.

Deferred tax coming from assets of the balance sheet	Dec. 31, 2007	Dec. 31, 2008
Cash, loans and loan loss provisions	216	(2,061)
Securities	545	1,702
Derivatives	(415)	(1,772)
Tangible and intangible fixed assets	(211)	(177)
Other assets and liabilities specific to insurance companies	(74)	1
Other	(11)	6
TOTAL	**50**	**(2,301)**

Deferred tax coming from liabilities of the balance sheet	Dec. 31, 2007	Dec. 31, 2008
Derivatives	975	4,507
Borrowings, deposits and issuance of debt securities	(265)	1,159
Provisions	39	97
Pensions	122	114
Other assets and liabilities specific to insurance companies	(39)	(35)
Tax losses carried forward	287	1,080
Tax credit carried forward	4	6
Legal tax free provisions	(414)	(111)
Entities with special tax status	(173)	(161)
Other	203	124
TOTAL	**739**	**6,780**

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	(464)	(464)
Tax losses carried forward	0	0	0	(107)	(107)
TOTAL	**0**	**0**	**0**	**(571)**	**(571)**

9.3. INSURANCE CONTRACTS

A. Life contracts

A.1. Income and expenses

PREMIUM INCOME

	Dec. 31, 2007				Dec. 31, 2008			
	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	486	321	3,050	88	421	313	2,753	53
Premiums ceded to reinsurers	(4)	(59)	(1)	(1)	(6)	(57)	0	0
Change in gross unearned premium reserves (UPR)	(2)	0	0	0	(2)	0	0	0
NET PREMIUM AFTER REINSURANCE	**480**	**262**	**3,049**	**87**	**413**	**256**	**2,753**	**53**

(1) Discretionary Participation Features.

CLAIMS EXPENSES

	2007				2008			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Gross claims paid	(126)	(133)	(455)	(97)	(176)	(115)	(1,227)	(19)
Claims reserve as at Jan. 1	12	14	8	0	18	5	34	0
Variation in opening due to variation of scope	0	0	0	0	(1)	(1)	0	0
Claims reserve as at Dec. 31	(18)	(5)	(34)	0	(36)	(10)	(22)	0
Transferred claims reserves	0	(9)	0	0	0	0	0	0
Share of reinsurers	(137)	19	136	0	3	16	0	0
NET CLAIMS INCURRED	**(269)**	**(114)**	**(345)**	**(97)**	**(192)**	**(105)**	**(1,215)**	**(19)**

CHANGES IN TECHNICAL RESERVES

1. Change in life insurance reserve

	2007				2008			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Life insurance reserve as at Jan. 1	2,367	741	8,006	228	3,974	911	9,450	306
Variation in opening due to conversion rate and to variation of scope	0	0	0	0	(228)	(169)	(89)	(66)
Life insurance reserve as at Dec. 31	(3,974)	(911)	(9,450)	(306)	(2,755)	(808)	(12,059)	(269)
Transferred life insurance reserve	(31)	22	0	0	(58)	(33)	0	0
Share of reinsurers in life insurance reserve as at Jan. 1	(10)	(5)	(1)	0	(12)	(7)	0	0
Variation in opening due to conversion rate and to variation of scope	0	0	0	0	2	4	0	0
Share of reinsurers in life insurance reserve as at Dec. 31	12	7	0	0	13	3	0	0
Share of reinsurers in transferred life insurance reserve	1	(1)	0	0	(1)	0	0	0
NET CHANGE IN LIFE INSURANCE RESERVE	**(1,635)**	**(147)**	**(1,445)**	**(78)**	**935**	**(99)**	**(2,698)**	**(29)**

2. Change in profit sharing reserve

	2007				2008			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Profit sharing reserve as at Jan. 1	5	8	48	0	10	13	91	2
Profit sharing reserve as at Dec. 31	(10)	(13)	(91)	(2)	(13)	(6)	(9)	(1)
Paid profit share	1	1	0	0	0	0	0	0
NET CHANGE IN PROFIT SHARING RESERVE	**(4)**	**(4)**	**(43)**	**(2)**	**(3)**	**7**	**82**	**1**

LOSSES RESULTING FROM LIABILITY ADEQUACY TEST (LAT)

Nil.

A.2. Assets and liabilities

GROSS RESERVES

	Dec. 31, 2007				Dec. 31, 2008			
	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	3,746	742	9,362	240	2,755	808	12,059	269
Reserves due to shadow accounting adjustments	(3)	2	(30)	(2)	0	1	0	0
TOTAL LIFE INSURANCE RESERVE	**3,743**	**744**	**9,332**	**238**	**2,755**	**809**	**12,059**	**269**
Claims reserves	18	4	34	0	36	10	23	1
Gross unearned premium reserves (UPR)	0	0	0	0	1	0	0	0
Other technical reserves	12	13	90	2	13	7	9	1
TOTAL GROSS RESERVES	**3,773**	**761**	**9,456**	**240**	**2,805**	**826**	**12,091**	**271**

SHARE OF REINSURERS

	Dec. 31, 2007				Dec. 31, 2008			
	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	3	0	0	13	3	0	0
Share of reinsurers in claims reserves	2	0	0	0	2	0	0	0
TOTAL SHARE OF REINSURERS	**12**	**3**	**0**	**0**	**15**	**3**	**0**	**0**

DISCRETIONARY PARTICIPATION FEATURE INCLUDED IN EQUITY

	Dec. 31, 2007			Dec. 31, 2008		
	Contracts with DPF			Contracts with DPF		
	Individual	Group	Total	Individual	Group	Total
Net discretionary participation feature included in equity	102	13	115	0	0	0

Insurance or investment contracts with DPF that have embedded derivatives that need to be separated and fair valued through profit and loss are limited to two products. Their amounts are not significant.

RECONCILIATION OF CHANGES IN LIFE INSURANCE RESERVE

	2007			2008		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS AT JAN. 1	**11,375**	**17**	**11,358**	**14,057**	**13**	**14,044**
Net payments received/premiums receivable	3,567	22	3,545	3,295	20	3,275
Additional reserves due to shadow adjustments	(62)	0	(62)	34	0	34
Claims paid	(693)	(16)	(677)	(1,464)	(18)	(1,446)
Results on death and on life	(79)	(2)	(77)	(131)	(3)	(128)
Attribution of technical interest	414	3	411	637	4	633
Other changes	82	(4)	86	(533)	0	(533)
Variation of consolidation of scope	(547)	(7)	(540)	(3)	0	(3)
LIFE INSURANCE RESERVE AS AT DEC. 31	**14,057**	**13**	**14,044**	**15,892**	**16**	**15,876**

B. Nonlife contracts

B.1. Income and expenses

PREMIUM INCOME

	Dec. 31, 2007	Dec. 31, 2008
Gross premiums written	381	417
Premiums ceded to reinsurer	(28)	(33)
NET PREMIUMS AFTER REINSURANCE (A)	353	384
Change in gross Unearned Premium Reserves (UPR)	(5)	(9)
Share of reinsurers in change of Unearned Premium Reserve (UPR)	1	1
CHANGE IN NET UNEARNED PREMIUM RESERVE (UPR) (B)	(4)	(8)
TOTAL NET EARNED PREMIUMS (A)+(B)	**349**	**376**

CLAIMS EXPENSES

	2007	2008
Gross claims paid	(199)	(217)
Claims reserve as at Jan. 1	571	600
Claims reserve as at Dec. 31	(600)	(631)
Share of reinsurers	7	14
NET CLAIMS INCURRED	**(221)**	**(234)**

CHANGE IN OTHER NONLIFE INSURANCE RESERVES

	2007	2008
Other nonlife insurance reserves as at Jan. 1	18	19
Other nonlife insurance reserves as at Dec. 31	(19)	(19)
Share of reinsurers in other nonlife insurance reserves as at Jan. 1	(1)	(1)
Share of reinsurers in other nonlife insurance reserves as at Dec. 31	1	1
NET CHANGES IN INSURANCE LIABILITIES	**(1)**	**0**

LOSSES RESULTING FROM LIABILITY ADEQUACY TEST (LAT)

Nil.

B.2. Assets and liabilities

GROSS RESERVES

	Dec. 31, 2007	Dec. 31, 2008
Claims reserves	532	564
Reserves Unallocated Loss Adjustment Expenses (ULAE)	29	31
Reserves for claims Incurred But Not Reported (IBNR)	39	36
TOTAL CLAIMS RESERVES	600	631
Other technical reserves	19	19
Unearned Premium Reserve (UPR)	88	96
TOTAL GROSS RESERVES	**707**	**746**

SHARE OF REINSURERS

	Dec. 31, 2007	Dec. 31, 2008
Share of reinsurers in claims reserves	63	65
SHARE OF REINSURERS IN TOTAL CLAIMS RESERVE	63	65
Share of reinsurers in other technical reserves	1	1
Share of reinsurers in UPR	2	3
TOTAL SHARE OF REINSURERS	**66**	**69**

RECONCILIATION OF CHANGES IN CLAIMS RESERVES

	2007			2008		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
CLAIMS RESERVES AS AT JAN. 1	**570**	**66**	**504**	**600**	**63**	**537**
Claims paid on previous years	(87)	(2)	(85)	(113)	(5)	(108)
Change in claim charges on previous years	(38)	(4)	(34)	(29)	(22)	(7)
Liabilities on claims current year	155	3	152	173	30	143
CLAIMS RESERVES AS AT DEC. 31	**600**	**63**	**537**	**631**	**66**	**565**

CLAIMS DEVELOPMENT

Runoff triangle total costs (gross figures)

	Occurrence year					
LIQUIDATION YEAR	Previous	2004	2005	2006	2007	2008
2004	399	227				
2005	316	118	240			
2006	266	68	129	237		
2007	222	56	75	133	267	
2008	187	48	60	77	145	285

9.4. RELATED PARTIES TRANSACTIONS

A. Related parties transactions

	Key management [1]		Entities with joint control or significant influence over the entity [2]		Subsidaries		Associates		Joint ventures in which the entity is a venturer	
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Loans [3]	5	0	914	1,777	2	6	2,650	234	81	64
Interest income	0	0	29	52	0	0	42	12	2	3
Deposits [3]	9	3	347	1,744	2	6	1,684	304	3,093	2,676
Interest expense	0	0	(23)	(32)	0	0	(10)	(7)	(123)	(135)
Net commission	0	0	0	1	0	0	(3)	4	(14)	(11)
Guarantees issued and commitments provided by the Group [4]	0	0	108	347	0	0	1,227	44	1,379	1,737
Guarantees and commitments received by the Group	0	0	606	507	0	1,853	2,489	4	16	15

(1) Key management includes the Board of Directors and the Managing Committee.
(2) We refer here to the main shareholders of Dexia (2007-2008): Arcofin, Holding Communal, Caisse des dépôts et consignations.
Dexia did not disclose transactions concluded with the States for the following reasons:
a) transactions are concluded at market rate;
b) in the Exposure Draft IAS 24 of December 2008, States are no longer considered as related parties.
(3) Transactions with related parties are concluded at general market conditions.
(4) Unused lines granted.

No provisions were recorded on loans given to related parties.
Dexia Group entered no investment transactions exceeding EUR 25 million with related parties.

B. Key management compensations

	Dec. 31, 2007	Dec. 31, 2008
Short-term benefits	11	9
Post-employment benefits	2	3
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	3	2

Details per person are reported on page 41 of the annual report.

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 Auditor

This information is reported on page 47 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 five securitization vehicles: Atrium-1, Atrium-2, MBS, Dexia Secured Funding Belgium and Penates.

The total assets of these companies amount to EUR 1,926 million as at December 31, 2007 and EUR 16,100 million as at December 31, 2008.

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 April 30, 1996, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2, currently Aaa). As at December 31, 2008 EUR 99.3 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 June 19, 1997, both carrying a Moody's rating equal to that of the Flemish government (initially Aa2, currently Aaa). As at December 31, 2008 EUR 73.6 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 November 25, 1998. Four floating-rate tranches of obligations were issued, three senior classes (called class A1 through A3 and rated Aaa/AAA by Moody's and Fitch) and one junior class (called class B and rated A3/A by Moody's and Fitch). As at December 31, 2008 there is still EUR 33.5 million outstanding. There is 29.8 million outstanding under class A3 (still rated Aaa/AAA by Moody's and Fitch) and 3.7 million under class B (currently rated Aa1/AA by Moody's and Fitch).

Dexia Secured Funding Belgium NV (DSFB) is a Belgian securitization vehicle (*société d'investissement en créances (SIC)* under Belgian law) with currently six compartments, of which three 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 June 28, 2007. One tranche of floating rate notes, rated AA/Aa1/AA+ at closing by resp. S&P, Moody's and Fitch, was issued. Dexia Bank Belgium has guaranteed the payment of principal and interest on the notes. As at December 31, 2008 there is 1,632 million outstanding and the notes have currently a rating of A/A1/AA-.
DSFB-2 (using the second ring fenced compartment of DSFB NV) is a securitization transaction of loans granted to Belgian public entities. All the loans are 100% guaranteed by one of the 3 Belgian regions. This EUR 1,621 million transaction was launched on April 28, 2008. One tranche of floating rate notes, rated at closing AA/Aa1/AA+ by respectively S&P, Moody's and Fitch, was issued. Dexia Bank Belgium has guaranteed the full and timely payment of principal and interest on the notes. At December 31, 2008, EUR 1,611 million are still outstanding and the notes have a rating of A/A1/AA-.
DSFB-3 (using the third ring fenced compartment of DSFB NV) is a securitization transaction of loans granted to Belgian public and social entities. This EUR 928 million transaction was launched on October 9, 2008. This one tranche floating rate notes issuance was rated A+ at closing by a single rating agency (S&P). Dexia Bank Belgium has guaranteed the full and timely payment of principal and interest on the notes. At December 31, 2008, EUR 928 million are still outstanding and the notes have a rating of A.
The DSFB transactions have been fully subscribed by Group's entities.

Penates Funding NV is a Belgian securitization vehicle (SIC) with currently three compartments, of which two have been activated.
On October 27, 2008, Dexia Bank closed a EUR 8,080 million RMBS securitization transaction. The SPV, Penates Funding acting through its compartment Penates-1, securitized Belgian residential mortgage loans originated by Dexia Bank and issued 5 classes of notes: EUR 7,600 million Class A Mortgage-Backed Floating Rate Notes due 2041 (Fitch AAA/ S&P AAA); EUR 160 million Class B Mortgage-Backed Floating Rate Notes due 2041 (Fitch AA); EUR 120 million Class C Mortgage-Backed Floating Rate Notes due 2041(Fitch A); EUR 120 million Class D Mortgage-Backed Floating Rate Notes due 2041 (Fitch BBB) and EUR 80 million Subordinated Class E Floating Rate Note due 2041 (NR). As at December 31, 2008 all notes are at their initial outstanding nominal amount since closing.
On December 15, 2008, Dexia Bank closed a EUR 3,636 million RMBS securitization transaction. The SPV, Penates Funding acting through its compartment Penates-2, securitized Belgian residential mortgage loans originated by Dexia Bank and issued 5 classes of notes: EUR 3,384 million Class A Mortgage-Backed Floating Rate Notes due 2041 (Fitch AAA/ S&P AAA); EUR 72 million Class B Mortgage-Backed Floating Rate Notes due 2041 (Fitch AA); EUR 72 million Class C Mortgage-Backed Floating Rate Notes due 2041(Fitch A); EUR 72 million Class D Mortgage-Backed Floating Rate Notes due 2041 (Fitch BBB) and EUR 36 million Subordinated Class E Floating Rate Note due 2041 (NR). As at December 31, 2008 all notes are at their initial outstanding nominal amount since closing date.
The Penates transactions have been fully subscribed by Group's entities.

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, has been partially reimbursed every three months and became USD 65 million as at December 31, 2008;
• USD 70 million Series 2005-C Fixed Rate Notes Due 2010, has been partially reimbursed every three months and became USD 29.1 million as of December 31, 2008.
As of December 31, 2008 there is still USD 94.1 million outstanding.

In June 2007, DenizBank completed a securitization transaction: the "DPR (Diversified Payment Rights) Securitization":
• USD 200 million Series 2007-B Fixed Rate Notes Due 2015; fully subscribed by Group's entities;
• USD 150 million Series 2007-C Fixed Rate Notes Due 2015; partially subscribed by Group's entities.

As of December 31, 2008 there is USD 350 million outstanding.

9.6. ACQUISITIONS AND DISPOSALS OF CONSOLIDATED COMPANIES

A. Main acquisitions

There were no significant acquisitions in 2007 nor in 2008.

B. Main disposals

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.

Year 2008
In June 2008, the Group sold Omega 8/10, owner of the building Omega Court.

The assets and liabilities disposed are as follows:

	2007			2008
	Belstar Assurances	Dexia Banque Privée France	Fidexis	Omega 8-10
Cash and cash equivalents	5	31	14	0
Loans and advances due from banks	24	266	0	0
Loans and advances to customers	65	284	181	0
Financial assets measured at fair value through profit and loss	56	0	0	0
Financial investments	559	290	0	0
Derivatives	9	5	1	0
Other assets	9	24	10	13
Due to banks	(35)	(400)	(182)	(8)
Customer borrowings and deposits	(33)	(305)	0	0
Financial liabilities measured at fair value through profit and loss	(56)	0	0	0
Derivatives	0	(1)	0	0
Debt securities	0	(56)	0	0
Technical provisions of insurance companies	(558)	0	0	0
Other liabilities	(19)	(22)	(22)	(1)
NET ASSETS (1)	**26**	**116**	**2**	**4**
Proceeds from sale (in cash)	70	178	5	7
Less: cash and cash equivalents in the subsidiary sold	(5)	(31)	(14)	0
NET CASH INFLOW ON SALE	**65**	**147**	**(9)**	**7**

(1) Belstar: including EUR 9 million gains and losses not recognized in the income statement and discretionary participation features of insurance contracts.

CONSOLIDATED FINANCIAL STATEMENTS

C. Assets and liabilities included in disposal groups held for sale

As required by IFRS 5, the Insurance activity of FSA Holdings has been recorded as a group held for sale as from October 1, 2008 (signed on November 14).
The Share Purchase Agreement with Assured Guaranty stipulates a purchase price consisting of a 50/50 payment in cash (USD 361 million) and stock (44.6 million shares) . At the date of signing both cash and stock portion equalled USD 361 million (stock portion being 44.6 million shares at a price of USD 8.1, the Assured Guaranty share price at the date of signing). At closing, Assured Guaranty has the option to substitute USD 8.1 in cash per share for up to 22.3 million of the 44.6 million shares.
As the number of shares and the value of shares at closing are uncertain, the signing value of USD 8.1 has been used for accounting purposes.
As of December 31, 2008, the Assured Guaranty price was USD 11.4/share. The contract is subject to different regulatory and other conditions, however, the Management Board has concluded that the transaction is highly probable.

Information received after December 31, 2008 – see note 5. "Post closing events" – confirm the Management views on its decision to consider FSA Insurance activities as for sale.
FSA Insurance activities do not represent a segment of Dexia activities, it has therefore not been considered as a discontinued activity.
The assets of this activity have been summarized in one line in the assets, the liabilities as well, and the difference between the sold equity and the sale's price has been recorded in "Net income on investments".

The 4Q 2008 result has been consolidated line by line, as in previous quarters, as Dexia still has a control on this activity, but the economic result as from October 1, 2008 is for Assured Guaranty, as the price is based on the equity at September 30, 2008, except in some exceptional conditions.

STATEMENT OF INCOME	FY 2008 – USD	FY 2008 – EUR	4Q 2008 – USD	4Q 2008 – EUR
Interest income	278	189	68	46
Interest expense	(61)	(41)	(14)	(10)
Dividend income	2	1	0	0
Net income from financial instruments at fair value through profit or loss	(698)	(475)	(300)	(204)
Net income on investments	(8)	(5)	(12)	(8)
Fee and commission income	1	1	0	0
Fee and commission expense	(4)	(3)	(1)	(1)
Premiums and technical income from insurance activities	722	491	186	126
Technical expense from insurance activities	(176)	(120)	(52)	(35)
Other net income	25	17	1	1
INCOME	81	55	(124)	(85)
Staff expense	(38)	(26)	(18)	(12)
General and administrative expense	(45)	(31)	(43)	(29)
Depreciation & amortization	(3)	(2)	33	22
Deferred acquisition costs	(61)	(41)	(13)	(9)
EXPENSES	(147)	(100)	(41)	(28)
GROSS OPERATING INCOME	(66)	(45)	(165)	(113)
Impairment on loans and provisions for credit commitments	(2,031)	(1,381)	(676)	(460)
NET INCOME BEFORE TAX	(2,097)	(1,426)	(841)	(573)
Tax expense	816	555	323	220
NET INCOME	(1,281)	(871)	(518)	(354)

Some amounts may not add due to roundings.

THE ASSETS AND LIABILITIES INCLUDED IN THE GROUP HELD FOR SALE ARE AS FOLLOWS:	USD	EUR
Cash and cash equivalents	2	1
Loans and advances due from banks	140	100
Loans and advances to customers	26	19
Financial investments	5,824	4,169
Derivatives (assets)	221	158
Tax assets	786	562
Other assets	1,694	1,212
Derivatives (liabilities)	(1,494)	(1,069)
Debt securities	(717)	(513)
Technical provisions of insurance companies	(1,509)	(1,080)
Other liabilities	(3,282)	(2,349)
NET ASSETS	1,690	1,210
Expected proceeds from sale	722	517
Less: cost of the transaction	(16)	(11)
Less: Cumulative Translation Adjustment – consolidation adjustment		(201)
NET RESULT EXPECTED – LOSS ON SALE INCLUDED IN "NET INCOME ON INVESTMENTS"	(984)	(906)

Some amounts may not add due to roundings.

9.7. EQUITY

By category of share

	2007	2008
Number of shares authorized and not issued	1,004,339,582	352,542,645
Number of shares issued and fully paid	1,178,576,763	1,762,478,783
Number of shares issued and not fully paid	0	0
Value per share	no nominal value	no nominal value
Outstanding as of Jan. 1	1,163,184,325	1,178,576,763
Number of shares issued	15,392,438	606,160,256
Number of shares canceled	0	(22,258,236)
Outstanding as of Dec. 31	1,178,576,763	1,762,478,783
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital		
Number of treasury shares	8,967,312	293,570
Number of shares reserved for issue under stock options and contracts for the sale of share	305,870	293,570

9.8. SHARE-BASED PAYMENTS

STOCK OPTION PLANS SETTLED IN DEXIA SHARES	Dec. 31, 2007 Number of Options (1)	Dec. 31, 2008 Number of Options (1)
Outstanding at beginning of period	58,878,292	62,824,793
Granted during the period	10,322,550	10,599,805
Forfeited during the period	(15,510)	0
Exercised during the period (2)	(6,293,095)	(106,600)
Expired during the period	(67,444)	(1,490,784)
Outstanding at the end of the period	62,824,793	71,787,214
Exercisable at the end of the period	31,867,198	40,352,840

(1) Outstanding options also include the call options granted to Dexia Crédit Local's employees in 1999.
(2) The weighted average exercise price for 2007 and 2008 was respectively EUR 13.59 and EUR 11.60 per share.

RANGE OF EXERCISE PRICES (EUR)	Dec. 31, 2007			Dec. 31, 2008		
	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)
10.09	-	-	-	7,093,355	-	9.50
10.97 - 11.37	7,861,772	11.37	5.51	7,752,122	11.37	4.56
11.88 - 13.66	14,696,319	13.18	5.84	17,844,143	13.18	5.90
13.81 - 14.58	3,083,963	14.58	3.00	3,083,963	14.58	2.00
15.17 - 15.88	1,127,332	15.17	0.79	184,074	-	0,83
17.23 - 17.86	5,384,962	17.86	4.00	5,269,212	17.86	3.00
18.03 - 18.20	10,169,922	-	7,41	10,059,822	18.03	6.41
18.62 - 21.25	10,177,973	-	8.42	10,177,973	-	7.42
23.25	10,322,550	-	9.50	10,322,550	-	8.50

STOCK OPTION PLANS SETTLED IN DEXIA SHARES	Plan 2007 Stock option plan Dexia's employees	Plan 2008 Stock option plan Dexia's employees	Plan 2008 Stock option plan Dexia's employees	Plan 2008 Stock option plan Dexia's employees
Grant Date	29/6/2007	30/6/2008	30/6/2008	23/9/2008
Number of instruments granted	10,322,500	6,945,450	3,466,450	147,905
Exercise price	23.25	10.09	12.65	10.09
Share price at the date of grant	23.35	10.28	10.28	10.2
Contractual life (years)	10 years	10 years	10 years	10 years
Vesting conditions	(1)	(1)	(1)	(2)
Settlement	Dexia shares	Dexia shares	Dexia shares	Dexia shares
Fair value per granted instrument at grant date	3.65	1.72	0.90	3.62
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, 2007	Dec. 31, 2008
Equity-settled arrangements	35	21
Cash-settled arrangements (1)	19	(16)
Arrangements with settlement alternatives	0	0
TOTAL EXPENSES	**54**	**5**
Liabilities for cash-settled arrangement (1)	76	0
Liabilities for arrangements with settlement alternatives	0	0
TOTAL LIABILITIES	**76**	**0**

(1) Performance share plan of FSA. In 2008, due to the fall fo Dexia shares, the provision constituted in the past has been reversed.

Performance shares granted by FSA

Until 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 2008 and 2007, FSA purchased shares to economically defease its liability for USD 3.8 million and USD 4.7 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)
2007	1,210,294	306,368	(364,510)	(37,550)	1,114,602	145.61
2008	1,114,602	313,245	(349,533)	(100,901)	977,413	156.99

CONSOLIDATED FINANCIAL STATEMENTS

9.9. MINORITY INTERESTS – CORE EQUITY

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)	**1,721**
AS OF JAN.1, 2008	1,721
- Increase of capital	97
- Dividends	(62)
- Net income for the period	78
- Variation of scope of consolidation	(79)
- Other	1
AS OF DEC. 31, 2008 (1)	**1,756**

(1) This amount includes:
- the undated deeply subordinated non-cumulative Notes for EUR 700 million, issued by DCL and booked for EUR 700 million and EUR 698 million for 2007 and 2008 respectively;
- the undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked for EUR 498 million.

CONSOLIDATED FINANCIAL STATEMENTS

9.10. CONTRIBUTION BY ACTIVITY

		Dec. 31, 2007				Dec. 31, 2008			
		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	8,835	0	0	8,835	2,448	0	0	2,448
II.	Loans and advances due from banks	54,585	139	52	54,776	61,805	0	59	61,864
III.	Loans and advances to customers	242,339	27	253	242,619	359,498	7,543	1,804	368,845
IV.	Financial assets measured at fair value through profit or loss	31,412	113	6,040	37,565	11,522	0	4,522	16,044
V.	Financial investments	188,120	16,489	15,681	220,290	108,263	1,711	15,055	125,029
VI.	Derivatives	28,838	369	11	29,218	54,991	217	5	55,213
VII.	Fair value revaluation of portfolio hedge	(185)	0	0	(185)	3,938	0	0	3,938
VIII.	Investments in associates	831	0	30	861	652	0	30	682
IX.	Tangible fixed assets	2,193	19	45	2,257	2,144	0	209	2,353
X.	Intangible assets and goodwill	2,385	8	131	2,524	2,061	1	131	2,193
XI.	Tax assets	923	384	77	1,384	2,839	1,047	253	4,139
XII.	Other assets	2,930	1,186	265	4,381	1,727	10	261	1,998
XIII.	Non current assets held for sale	39	0	0	39	35	6,225	0	6,260
TOTAL ASSETS		**563,245**	**18,734**	**22,585**	**604,564**	**611,923**	**16,754**	**22,329**	**651,006**
I.	Due to banks	178,674	1	6	178,681	213,074	46	72	213,192
II.	Customer borrowings and deposits	118,497	7,894	289	126,680	108,181	6,344	203	114,728
III.	Financial liabilities measured at fair value through profit or loss	7,279	6,696	4,326	18,301	9,608	6,147	3,197	18,952
IV.	Derivatives	31,063	301	1	31,365	76,029	(196)	1	75,834
V.	Fair value revaluation of portfolio hedge	(206)	0	0	(206)	1,543	0	0	1,543
VI.	Debt securities	203,526	487	0	204,013	188,120	0	0	188,120
VII.	Subordinated debts	4,838	0	47	4,885	4,360	0	47	4,407
VIII.	Technical provisions of insurance companies	2	134	14,935	15,071	3	0	16,736	16,739
IX.	Provisions and other obligations	1,102	0	251	1,353	1,197	0	290	1,487
X.	Tax liabilities	602	0	29	631	274	0	28	302
XI.	Other liabilities	4,795	2,282	319	7,396	4,035	72	286	4,393
XII.	Liabilities included in disposal groups held for sale	0	0	0	0	0	5,691	0	5,691
TOTAL LIABILITIES		**550,172**	**17,795**	**20,203**	**588,170**	**606,424**	**18,104**	**20,860**	**645,388**

(1) Dexia Insurance Belgium SA and Deniz Hayat Sigorta AS.

Figures as of Dec. 31, 2007 have been restated.

	Dec. 31, 2007				Dec. 31, 2008			
	Banking Companies	FSA	Other insurance activities (1)	Total	Banking Companies	FSA	Other insurance activities (1)	Total
Interest margin	3,851	205	470	4,526	5,230	224	619	6,073
Dividend income	80	3	64	147	59	1	111	171
Net income from associates	106	0	2	108	(1)	0	0	(1)
Net income from financial instruments at fair value through profit or loss	254	(419)	2	(163)	(493)	(119)	(2)	(614)
Net income on investments	558	7	155	720	(898)	(1,910)	(707)	(3,515)
Net fees and commissions	1,464	(3)	41	1,502	1,402	(4)	33	1,431
Premiums and technical income from insurance activities	4	486	4,523	5,013	4	459	4,114	4,577
Technical expense from insurance activities	2	(179)	(4,830)	(5,007)	1	(120)	(4,394)	(4,513)
Other net income	46	3	1	50	(71)	17	1	(53)
INCOME	6,365	103	428	6,896	5,233	(1,452)	(225)	3,556
Staff expense	(1,737)	(66)	(102)	(1,905)	(1,890)	(26)	(105)	(2,021)
General and administrative expense	(1,135)	(26)	(71)	(1,232)	(1,221)	(85)	(84)	(1,390)
Network costs	(308)	0	(59)	(367)	(309)	0	(61)	(370)
Depreciation & amortization	(274)	(2)	(8)	(284)	(285)	(2)	(9)	(296)
Deferred acquisition costs	0	(46)	0	(46)	0	(42)	0	(42)
EXPENSES	(3,454)	(140)	(240)	(3,834)	(3,705)	(155)	(259)	(4,119)
GROSS OPERATING INCOME	2,911	(37)	188	3,062	1,528	(1,607)	(484)	(563)
Impairment on loans and provisions for credit commitments	(140)	(23)	0	(163)	(1,589)	(1,703)	0	(3,292)
Impairment on tangible and intangible assets	(3)	0	0	(3)	(10)	0	0	(10)
Impairment on goodwill	(4)	0	0	(4)	(5)	(7)	0	(12)
NET INCOME BEFORE TAX	2,764	(60)	188	2,892	(76)	(3,317)	(484)	(3,877)
Tax expense	(318)	59	3	(256)	40	532	57	629
NET INCOME	2,446	(1)	191	2,636	(36)	(2,785)	(427)	(3,248)
Attributable to minority interest	100	0	3	103	96	(18)	0	78
Attributable to equity holders of the parent	2,346	(1)	188	2,533	(132)	(2,767)	(427)	(3,326)

(1) Dexia Insurance Belgium SA and Deniz Hayat Sigorta AS.

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, 2007	Dec. 31, 2008
Total assets	10,842	9,586
Total liabilities	10,622	9,279
Income	443	428
Expenses	(284)	(299)
GROSS OPERATING INCOME	159	129
Net income	115	95
Attributable to minority interest	3	3
Attributable to equity holders of the parent	112	92

9.12. EXCHANGE RATES

		Dec. 31, 2007		Dec. 31, 2008	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.6749	1.6359	2.0305	1.7506
Canadian Dollar	CAD	1.4439	1.4676	1.6943	1.5655
Swiss Franc	CHF	1.6552	1.6462	1.4861	1.5787
Koruna (Czech republic)	CZK	26.5940	27.7016	26.8551	25.0188
Danish Krone	DKK	7.4575	7.4518	7.4488	7.4553
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound Sterling	GBP	0.7336	0.6874	0.9535	0.8018
Hong Kong Dollar	HKD	11.4774	10.7598	10.8275	11.4473
Forint	HUF	252.6639	251.3037	265.2744	250.3233
Shekel	ILS	5.6635	5.6338	5.2880	5.2337
Yen	JPY	164.9005	162.0907	126.6890	151.4854
Mexican Peso	MXN	16.0587	15.0657	19.3270	16.3725
Norwegian Krone	NOK	7.9643	8.0113	9.7371	8.2804
New Zealand Dollar	NZD	1.8995	1.8628	2.4253	2.0913
Swedish Krona	SEK	9.4219	9.2636	10.8841	9.6779
Singapore Dollar	SGD	2.1186	2.0697	2.0130	2.0689
New Turkish Lira	TRY	1.7060	1.7719	2.1332	1.9053
US Dollar	USD	1.4718	1.3794	1.3971	1.4707

10. Notes on the consolidated off-balance sheet items (in millions of EUR)

10.1. REGULAR WAY TRADE

	Dec. 31, 2007	Dec. 31, 2008
Loans to be delivered and purchases of assets	14,283	7,129
Borrowings to be received and sales of assets	23,470	17,707

10.2. GUARANTEES

	Dec. 31, 2007	Dec. 31, 2008
Guarantees given to credit institutions	523	2,868
Guarantees given to customers (1)	12,617	14,236
Guarantees received from credit institutions	1,047	1,149
Guarantees received from customers	36,399	49,551
Guarantees received from the States	0	59,345

(1) Figures as of Dec. 31, 2007 have been restated. "Standby bonds purchase agreements" have been reclassified from guarantees to loan commitments for an amount of EUR 25,685 million.

10.3. LOAN COMMITMENTS

	Dec. 31, 2007	Dec. 31, 2008
Unused lines granted to credit institutions	1,339	957
Unused lines granted to customers (1)	94,083	86,206
Unused lines obtained from credit institutions	1,775	9,649
Unused lines obtained from customers	23	5

(1) Figures as of Dec. 31, 2007 have been restated. "Standby bonds purchase agreements" have been reclassified from guarantees to loan commitments for an amount of EUR 25,685 million.

10.4. OTHER COMMITMENTS

	Dec. 31, 2007	Dec. 31, 2008
Insurance activity – Commitments given	394,276	6
Insurance activity – Commitments received	93,807	31
Banking activity – Commitments given (1)	111,640	223,170
Banking activity – Commitments received (1)	102,064	97,144

(1) Figures as of December 31, 2007 have been restated since assets under custody (entrusted to and from third parties) are not considered as commitment and have been excluded from this disclosure.

11. Notes on the consolidated statement of income (in millions of EUR)

11.1. INTEREST INCOME – INTEREST EXPENSE

	Dec. 31, 2007	Dec. 31, 2008
INTEREST INCOME	**100,136**	**107,859**
a) interest income of assets not at fair value	**24,017**	**27,947**
Cash and balances with central banks	205	210
Loans and advances due from banks	3,032	4,412
Loans and advances to customers	11,205	13,804
Available-for-sale financial assets	9,354	9,245
Held-to-maturity investments	109	106
Interest on impaired assets	36	55
Other	76	115
b) interest income of assets at fair value	**76,119**	**79,912**
Financial assets held for trading	1,419	1,224
Financial assets designated at fair value	97	60
Derivatives held-for-trading	40,933	44,802
Derivatives used for hedging	33,670	33,826
INTEREST EXPENSE	**(95,610)**	**(101,786)**
a) interest expense of liabilities not at fair value	**(21,053)**	**(22,119)**
Due to banks	(8,266)	(7,283)
Customer borrowings and deposits (1)	(4,487)	(5,989)
Debt securities	(8,022)	(8,330)
Subordinated debts	(247)	(441)
Preferred shares and hybrid capital	(15)	(15)
Expenses linked to the amounts guaranteed by the States	0	(36)
Other	(16)	(25)
b) interest expense of liabilities at fair value	**(74,557)**	**(79,667)**
Financial liabilities held-for-trading	(19)	(8)
Financial liabilities designated at fair value (1)	(368)	(560)
Derivatives held-for-trading	(40,707)	(44,936)
Derivatives used for hedging	(33,463)	(34,163)
NET INTEREST INCOME	**4,526**	**6,073**

(1) Figures as of December 31, 2007 have been restated: an amount of EUR 252 million has been restated from "Interest paid on financial liabilities designated at fair value" to "Interest paid on customer borrowings and deposits".

11.2. DIVIDEND INCOME

	Dec. 31, 2007	Dec. 31, 2008
Available-for-sale financial assets	143	166
Financial assets held for trading	3	4
Financial assets designated at fair value	1	1
TOTAL	**147**	**171**

11.3. NET INCOME FROM ASSOCIATES

	Dec. 31, 2007	Dec. 31, 2008
Income from associates before tax	147	31
Share of tax	(39)	(20)
Impairment on goodwill [1]	0	(12)
TOTAL	**108**	**(1)**

(1) Kommunalkredit Austria AG.

11.4. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Dec. 31, 2007	Dec. 31, 2008
Net trading income	(570)	(1,015)
Net result of hedge accounting	65	168
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives [1]	21	(10)
Change in own credit risk	33	426
Forex activity and exchange differences	288	(183)
TOTAL	**(163)**	**(614)**
(1) Among which trading derivatives included in a fair value option strategy	344	576

Result of hedge accounting

	Dec. 31, 2007	Dec. 31, 2008
Fair value hedges	11	82
Fair value change of the hedged item attributable to the hedged risk	*(2,570)*	*14,943*
Fair value change of the hedging derivatives	*2,581*	*(14,861)*
Cash flow hedges	0	3
Fair value change of the hedging derivatives – ineffective portion	*0*	*3*
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	43	1
Portfolio hedge	11	82
Fair value change of the hedged item	*(706)*	*3,171*
Fair value change of the hedging derivatives	*717*	*(3,089)*
TOTAL	**65**	**168**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	19	15

11.5. NET INCOME ON INVESTMENTS

	Dec. 31, 2007	Dec. 31, 2008
Gains on loans and advances	27	265
Gains on available-for-sale financial assets	883	619
Gains on tangible fixed assets	12	8
Gains on assets and liabilities held for sale	13	12
Gains on liabilities	21	27
Other gains	2	0
TOTAL GAINS	958	931
Losses on loans and advances	(9)	(205)
Losses on available-for-sale financial assets (1)	(238)	(1,705)
Losses on tangible fixed assets	(4)	(8)
Losses on intangible fixed assets	(1)	0
Losses on assets and liabilities held for sale	(1)	0
Losses on liabilities	(12)	(9)
TOTAL LOSSES	(265)	(1,927)
NET IMPAIRMENT	27	(2,519)
TOTAL	**720**	**(3,515)**

(1) See note 9.6.C. "Analysis of group held for sale".

Impairment on securities

	Specific Risk		Total
	Allowances	Write-backs	
As of December 31, 2007			
Securities available for sale	(32)	59	27
TOTAL	**(32)**	**59**	**27**
As of December 31, 2008			
Securities available for sale	(2,612)	93	(2,519)
TOTAL	**(2,612)**	**93**	**(2,519)**

11.6. FEE AND COMMISSION INCOME AND EXPENSE

	Dec. 31, 2007			Dec. 31, 2008		
	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	508	(41)	467	387	(19)	368
Administration of unit trusts and mutual funds	153	(19)	134	138	(15)	123
Insurance activity	77	(5)	72	74	(5)	69
Credit activity	140	(31)	109	189	(21)	168
Purchase and sale of securities	116	(32)	84	106	(22)	84
Purchase and sale of unit trusts and mutual funds	57	(10)	47	35	(9)	26
Payment services	219	(75)	144	253	(81)	172
Commissions to not exclusive brokers	25	(11)	14	26	(19)	7
Financial engineering	33	0	33	38	(6)	32
Services on securities other than safekeeping	46	(9)	37	38	(8)	30
Custody	224	(48)	176	195	(44)	151
Issues and placements of securities	23	(4)	19	24	(4)	20
Servicing fees of securitization	1	(2)	(1)	1	0	1
Private banking	36	(5)	31	31	(10)	21
Clearing and settlement	8	(15)	(7)	8	(12)	(4)
Securities lending	84	(34)	50	74	(28)	46
Other	109	(16)	93	139	(22)	117
TOTAL	**1,859**	**(357)**	**1,502**	**1,756**	**(325)**	**1,431**

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, 2007	Dec. 31, 2008
Premiums and contributions received	4,812	4,416
Claims incurred – part of reinsurers	28	30
Changes in technical reserves – part of reinsurers	(1)	7
Other technical income	174	124
INCOME	**5,013**	**4,577**

Technical expense from insurance activities

	Dec. 31, 2007	Dec. 31, 2008
Premiums received transferred to reinsurers	(272)	(216)
Premiums and contributions paid	(160)	(170)
Claims incurred	(1,010)	(1,754)
Changes in technical reserves	(3,429)	(1,864)
Other technical expenses	(136)	(509)
EXPENSES	**(5,007)**	**(4,513)**

11.8. OTHER NET INCOME

	Dec. 31, 2007	Dec. 31, 2008
Exploitation taxes	3	3
Rental income	37	43
Other banking income	2	5
Other income on other activities	299	287
OTHER INCOME	341	338
Exploitation taxes	(31)	(42)
Repair and maintenance on investment properties that generated income during the current financial year	(1)	(1)
Other banking expenses	(9)	(49)
Other expense on other activities	(250)	(299)
OTHER EXPENSE	(291)	(391)
TOTAL	**50**	**(53)**

11.9. STAFF EXPENSE

	Dec. 31, 2007	Dec. 31, 2008
Wages and salaries	1,322	1,445
Social security and insurance costs	316	352
Pension costs-defined benefit plans	90	66
Pension costs-defined contribution plans	30	30
Other post retirement benefits	1	1
Stock compensation expense (1)	54	5
Long-term employee benefits	(2)	(6)
Restructuring expenses	(19)	13
Other expenses	113	115
TOTAL	**1,905**	**2,021**

(1) See note 9.8.

(AVERAGE FTE)	Dec. 31, 2007			Dec. 31, 2008		
	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Senior Executives	501	28	529	476	24	500
Employees	24,039	2,376	26,415	24,892	2,663	27,555
Other	40	2	42	42	2	44
TOTAL	**24,580**	**2,406**	**26,986**	**25,410**	**2,689**	**28,099**

(AVERAGE FTE) as of Dec. 31, 2007	Belgium	France	Luxembourg	Turkey	Other Europe	USA	Other	Total
Senior Executives	308	38	77	20	28	18	40	529
Employees	9,310	2,341	3,025	7,372	2,345	619	1,403	26,415
Other	5	11	0	0	8	12	6	42
TOTAL	**9,623**	**2,390**	**3,102**	**7,392**	**2,381**	**649**	**1,449**	**26,986**

Figures as of 2007 have been restated.

(AVERAGE FTE) as of Dec. 31, 2008	Belgium	France	Luxembourg	Turkey	Other Europe	USA	Other	Total
Senior Executives	291	38	74	23	43	15	17	501
Employees	9,268	2,506	3,207	8,035	2,420	597	1,521	27,554
Other	4	12	0	0	9	14	5	44
TOTAL	**9,563**	**2,556**	**3,281**	**8,058**	**2,472**	**626**	**1,543**	**28,099**

11.10. GENERAL AND ADMINISTRATIVE EXPENSE

	Dec. 31, 2007	Dec. 31, 2008
Occupancy	83	79
Operating leases (except technology and system costs)	114	117
Professional fees	194	208
Marketing advertising and public relations	123	123
Technology and system costs	188	195
Software costs and research and development costs	62	77
Repair and maintenance expenses	16	15
Restructuring costs other than staff	(2)	45
Insurance (except related to pension)	25	19
Transportation of mail and valuable	59	58
Operational taxes	96	103
Other general and administrative expense	274	351
TOTAL	**1,232**	**1,390**

11.11. DEPRECIATION AND AMORTIZATION

	Dec. 31, 2007	Dec. 31, 2008
Depreciation on land and buildings	78	79
Depreciation on other tangible assets	78	88
Amortization of intangible assets	128	129
TOTAL	**284**	**296**

11.12. IMPAIRMENT ON LOANS AND PROVISIONS FOR CREDIT COMMITMENTS

COLLECTIVE IMPAIRMENT	Dec. 31, 2007			Dec. 31, 2008		
	Allowances	Reversal	Total	Allowances	Reversal	Total
Loans	(121)	58	(63)	(1,169)	58	(1,111)
Credit enhancement (collective reserve)	0	27	27	(37)	0	(37)
TOTAL	**(121)**	**85**	**(36)**	**(1,206)**	**58**	**(1,148)**

SPECIFIC IMPAIRMENT	Dec. 31, 2007				
	Allowances	Reversal	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.

SPECIFIC IMPAIRMENT	Dec. 31, 2008				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	(98)	0	(11)	0	(109)
Loans and advances to customers	(421)	86	(11)	9	(337)
Other receivables [(1)]	(283)	2	0	0	(281)
Other assets	(1)	0	0	0	(1)
Commitments	(163)	8	0	0	(155)
Credit enhancement (specific reserve) [(2)]	(862)	8	(407)	0	(1,261)
TOTAL	**(1,828)**	**104**	**(429)**	**9**	**(2,144)**

(1) Is published in heading XII. of the Assets.
(2) Relates to FSA Inc.

11.13. IMPAIRMENTS ON TANGIBLE AND INTANGIBLE ASSETS

	Dec. 31, 2007	Dec. 31, 2008
Impairment on assets held for sale	(2)	(4)
Impairment on intangible assets	(1)	(6)
TOTAL	**(3)**	**(10)**

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, 2007	Dec. 31, 2008
Impairment on goodwill	(4)	(12)

The goodwill on our subsidiary in Jersey has been reviewed and found impaired in 2007.
The goodwill on Dexia Bank Denmark A/S and the goodwill on FSA Holdings Ltd have been reviewed and found impaired in 2008.
The goodwill on DenizBank has been tested end of 2008 and has not been found impaired.
DenizBank results are still in line with budgets and plans, result of January 2009 is over budget and interest rates have sharply declined end of 2008.

11.15. TAX EXPENSE

	Dec. 31, 2007	Dec. 31, 2008
Income tax on current year	(479)	(328)
Deferred taxes on current year	118	917
TAX ON CURRENT YEAR RESULT (A)	(361)	589
Income tax on previous year	78	68
Deferred taxes on previous year	17	(33)
Provision for tax litigations	10	5
OTHER TAX EXPENSE (B)	105	40
TOTAL (A)+(B)	**(256)**	**629**

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2007 and 2008 was 33.99 %
Dexia effective tax rate was respectively 13.0 % and 15.3 % for 2007 and 2008.
The difference between the standard and the effective tax rate can be analyzed as follows:

	Dec. 31, 2007	Dec. 31, 2008
NET INCOME BEFORE TAX	2,892	(3,877)
Income and losses from companies accounted for by the equity method	108	(1)
Impairment on goodwill	(4)	(12)
TAX BASE	2,788	(3,864)
Statutory tax rate	33.99%	33.99%
TAX EXPENSE USING STATUTORY RATE	947	(1,313)
Tax effect of rates in other jurisdictions	(121)	21
Tax effect of non taxable revenues (1)	(545)	(308)
Tax effect of non tax deductible expenses	137	665
Tax effect of utilization of previously unrecognized tax losses	(3)	0
Tax effect on tax benefit not previously recognized in profit or loss	0	(5)
Tax effect from reassessment of unrecognized deferred tax assets	43	454
Tax effect of change in tax rates	(21)	4
Items taxed at a reduced rate	(6)	(56)
Other increase (decrease) in statutory tax charge	(70)	(51)
TAX ON CURRENT YEAR RESULT	361	(589)
Tax base	2,788	(3,864)
Effective tax rate	13.0%	15.3%

(1) Mainly non-taxable gains on sales of equity shares.

CONSOLIDATED FINANCIAL STATEMENTS

11.16. EARNINGS PER SHARE

BASIC

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

	Dec. 31, 2007	Dec. 31, 2008
Net income attributable to equity holders of the parent	2,533	(3,326)
Weighted average number of ordinary shares (millions)	1,163	1,310
Basic earnings per share (expressed in EUR per share)	2.18	(2.54)

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.

The potential ordinary shares calculated as above are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

They are antidilutive and not taken into account when their conversion to ordinary ordinary shares would decrease loss per share.

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, 2007	Dec. 31, 2008
Net income attributable to equity holders of the parent	2,533	(3,326)
Weighted average number of ordinary shares (millions)	1,163	1,310
Adjustment for share options (millions)	16	0
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,179	1,310
Diluted earnings per share (expressed in EUR per share)	2.15	(2.54)

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.

12.1. FAIR VALUE

A. Breakdown of fair value

In accordance with our valuation rules, fair value is equal to accounting value for some kinds of items.

A.1. Breakdown of fair value of assets

	As of Dec. 31, 2007			As of Dec. 31, 2008		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	8,835	8,835	0	2,448	2,448	0
Loans and advances due from banks	54,776	54,759	(17)	61,864	59,550	(2,314)
Loans and advances to customers	242,619	244,189	1,570	368,845	371,206	2,361
Financial assets held for trading	30,411	30,411	0	10,836	10,836	0
Financial assets designated at fair value	7,154	7,154	0	5,208	5,208	0
Available-for-sale financial assets	218,375	218,375	0	123,062	123,062	0
Held to maturity investments	1,915	2,089	174	1,967	2,009	42
Derivatives	29,218	29,218	0	55,213	55,213	0
Fair value revaluation of portfolio hedge	(185)	(185)	0	3,938	3,938	0
Investments in associates	861	1,412	551	682	887	205
Other assets (1)	10,546	10,546	0	10,683	10,683	0
Non current assets held for sale	39	67	28	6,260	6,285	25
TOTAL	**604,564**	**606,870**	**2,306**	**651,006**	**651,325**	**319**

(1) Includes Tangible fixed assets, Intangible assets and goodwill, Tax assets and Other assets.

The line "Fair value revaluation of portfolio hedges" corresponds to the remeasurement of the interest rate risk on assets covered by portfolio hedges. These assets are included in the lines "Loans and advances due from banks" and "Loans and advances to customers".

A.2. Breakdown of fair value of liabilities

	As of Dec. 31, 2007			As of Dec. 31, 2008		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Due to banks	178,681	178,024	(657)	213,192	210,669	(2,523)
Customer borrowings and deposits	126,680	126,698	18	114,728	114,889	161
Financial liabilities held for trading	1,995	1,995	0	273	273	0
Financial liabilities designated at fair value	16,306	16,306	0	18,679	18,679	0
Derivatives	31,365	31,365	0	75,834	75,834	0
Fair value revaluation of portfolio hedge	(206)	(206)	0	1,543	1,543	0
Debt securities	204,013	203,619	(394)	188,120	184,742	(3,378)
Subordinated debts	4,885	4,885	0	4,407	4,378	(29)
Other liabilities (1)	24,451	24,451	0	22,921	22,921	0
Liabilities included in disposal groups held for sale	0	0	0	5,691	5,691	0
TOTAL	**588,170**	**587,137**	**(1,033)**	**645,388**	**639,619**	**(5,769)**

(1) Includes "Technical provisions from insurance companies, "Provisions and other obligations", "Tax liabilities" and "Other liabilities".

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.
The line "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest rate risk on liabilities covered by portfolio hedges. These liabilities are included in the lines "Due to banks", "Customer borrowings and deposits" and "Debt securities".

B. Analysis of fair value of financial instruments

B.1. Assets

	As of Dec. 31, 2007				As of Dec. 31, 2008			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Loans and advances due from banks	605	54,154	0	54,759	128	52,948	6,474	59,550
Loans and advances to customers	7,171	237,018	0	244,189	710	265,294	105,202	371,206
Financial assets held for trading	25,967	4,444	0	30,411	6,692	2,409	1,735	10,836
Financial assets designated at fair value	6,453	701	0	7,154	4,803	380	25	5,208
Available-for-sale financial assets	146,257	71,637	481	218,375	39,097	64,301	19,664	123,062
Held to maturity investments	1,475	614	0	2,089	506	1,149	354	2,009
Derivatives	172	28,407	639	29,218	335	54,383	495	55,213
Fair value revaluation of portfolio hedge	0	(185)	0	(185)	0	3,938	0	3,938
TOTAL	**188,100**	**396,790**	**1,120**	**586,010**	**52,271**	**444,802**	**133,949**	**631,022**

(1) Fair value based on market prices quoted in active market.
(2) Fair value based on observable market data.
(3) Fair value based on pricing models for which some key market data are unobservable.

CONSOLIDATED FINANCIAL STATEMENTS

B.2. Liabilities

	As of Dec. 31, 2007				As of Dec. 31, 2008			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Due to banks	1,344	176,680	0	178,024	0	188,516	22,153	210,669
Customer borrowings and deposits	5,448	121,250	0	126,698	0	95,219	19,670	114,889
Financial liabilities held for trading	1,995	0	0	1,995	271	2	0	273
Financial liabilities designated at fair value	4,500	5,109	6,697	16,306	3,865	8,667	6,147	18,679
Derivatives	361	29,963	1,041	31,365	297	74,464	1,073	75,834
Fair value revaluation of portfolio hedge	0	(206)	0	(206)	7	1,536	0	1,543
Debt securities	4,865	198,754	0	203,619	6,774	177,462	506	184,742
Subordinated debts	0	4,885	0	4,885	0	4,378	0	4,378
TOTAL	**18,513**	**536,435**	**7,738**	**562,686**	**11,214**	**550,244**	**49,549**	**611,007**

(1) Fair value based on market prices quoted in active market.
(2) Fair value based on observable market data.
(3) Fair value based on pricing models for which some key market data are unobservable.

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, 2007 nor as of Dec. 31, 2008.
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 respectively to EUR 79 million and EUR 45 million as of Dec. 31, 2007 and as of Dec. 31, 2008. The amounts are recognized in Net trading income (See disclosure 11.4.)

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 impairment);
• the mark-to market value for derivatives contracts;
• 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 of the ongoing sale of FSA (insured assets and investment portfolio) was EUR 297.1 billion. They are disclosed seperately.
The Dexia Group credit exposure excluding the FSA exposures held for sale was EUR 660.0 billion, a higher amount than last year mainly because of the ongoing sale of FSA which was already taken into account (i.e. FSA is considered as a counterpart as from 2008).

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 reglementation) is lower than the one of the direct borrower, the exposure is then reported to the guarantor's geographical region and activity sector.

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 in respect of previous period
As from 2008 onwards, the credit risk exposure related to derivative contracts is the mark-to-market value. In 2007, it also included an add-on representing an estimation of the potential future credit risk exposure. Figures as at December 2007 were not restated for the evolution of the methodology.

Some amounts may not add due to roundings.

EXPOSURE BY GEOGRAPHICAL REGION	Dec. 31, 2007	Dec. 31, 2008	FSA Inc. Dec. 31, 2008
Belgium	103,958	116,081	10
France	109,411	112,391	1,583
Germany	46,866	42,741	768
Italy	67,427	64,799	1,482
Luxembourg	16,684	12,780	35
Other EU countries	145,137	122,876	17,435
Rest of Europe	14,870	15,419	194
Turkey	14,803	15,480	276
United States and Canada	334,592	106,255	266,149
South and Central America	3,526	4,115	609
Southeast Asia	8,476	6,084	55
Japan	12,089	21,610	1,057
Other (1)	24,667	19,379	7,446
TOTAL (2)	**902,506**	**660,011**	**297,097**

(1) Includes supranational entities, like European Central Bank.
(2) For FSA Inc., the par ceded to reinsurers was EUR 93.8 billion as of Dec. 31, 2007 and EUR 86.7 billion as of Dec. 31, 2008.

EXPOSURE BY CATEGORY OF COUNTERPART	Dec. 31, 2007	Dec. 31, 2008	FSA Inc. Dec. 31, 2008
Central governments	74,856	78,800	1,007
Local public sector	429,021	298,989	200,660
Corporate	58,663	57,095	4,508
Monoline	20,677	14,766	13,652
ABS/MBS	135,137	52,213	68,106
Project finance	19,377	16,986	6,891
Individuals, SME, self-employed	42,288	45,619	0
Financial institutions	119,744	94,375	1,137
Other	2,743	1,168	1,137
TOTAL (1)	**902,506**	**660,011**	**297,097**

(1) For FSA Inc., the par ceded to reinsurers was EUR 93.8 billion as of Dec. 31, 2007 and EUR 86.7 billion as of Dec. 31, 2008.

B. FSA insured portfolio

Net par of the FSA portfolio (Insurance and Financial Products Portfolio)

B.1. Breakdown by sectorial category (net par outstanding)

	Dec. 31,2007	Dec. 31,2008	FSA Inc. Dec. 31, 2008
Residential mortgages	13,458		12,226
Consumer receivables	7,863		4,323
Pooled corporate	40,229		39,298
Other asset-backed	1,423		1,164
Financial products [(1)]	12,274	9,783	0
International	21,492		16,498
ABS	96,739	9,783	73,509
General obligations	77,609		89,516
Tax-supported non general obligations	33,875		39,695
Municipal Utility Revenue	30,129		36,032
Healthcare revenue	9,510		8,722
Housing revenue	5,207		5,321
Transportation revenue	11,827		15,249
Education	3,708		5,656
Other public finance	1,645		1,561
International	18,587		17,588
MUNICIPAL	192,097		219,340
TOTAL [(2)]	**288,836**	**9,783**	**292,849**

(1) As of Dec. 31, 2008, the amount represents the exposure remaining in Dexia Group, it represents Financial Products and Global Funding exposure.
(2) The par ceded to reinsurers amounted respectively to EUR 93.8 billion and EUR 86.7 billion as of Dec. 31, 2007 and of Dec. 31, 2008.

B2. Rating (net par outstanding)

	Dec. 31,2007	Dec. 31,2008	FSA Inc. Dec. 31, 2008
AAA	86,862	3,548	56,425
AA	80,685	2,559	93,428
A	86,735	849	102,188
BBB	31,751	1,210	30,205
Non investment grade	2,803	1,617	10,603
TOTAL	**288,836**	**9,783**	**292,849**

C. Credit risk exposure by class of financial instruments

Dexia decided to provide a more detailed breakdown of its credit risk exposure by financial instrument category as from 2008 onwards. Figures as of Dec. 31, 2007 were not restated.

	Dec. 31, 2007
Debt securities	239,630
Loans and advances	261,874
Other financial instruments	19,335
Off balance-sheet exposure	381,667
TOTAL	**902,506**

Debt securities classified in available for sale represent 86% of total debt securities.

	Dec. 31, 2008	FSA Inc. Dec. 31, 2008
Available for sale financial assets (excluding variable income securities)	119,592	13,020
Financial assets designated at fair value (excluding variable income securities)	594	
Financial assets held for trading (excluding variable income securities)	10,976	
Loans and advances (at amortized cost)	381,373	
Held to maturity investments	1,906	
Derivatives	11,488	
Other financial instruments	2,056	
Loan commitments granted	81,672	
Guarantee commitments granted	50,355	284,078
TOTAL	**660,011**	**297,097**

Dexia holds financial collateral and physical 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). Physical collateral is mainly composed of mortgages on residential or small commercial real estate and pledges on various other assets (receivables, business goodwill). Only financial 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 financial assets neither past due nor impaired

Dexia decided to provide a detailed breakdown of its credit risk exposure by financial instrument category as from 2008 onwards. Figures as of Dec. 31, 2007 were not restated.
As of Dec. 31, 2007 figures presented credit quality of financial assets neither impaired while as from 2008 onwards, they present credit quality of financial assets neither past due nor impaired.

	Dec. 31, 2007				
	AAA to AA-	A+ to BBB- grade	Non investment grade or unrated	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**

(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's 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.

	Dec. 31, 2008					
	AAA to AA-	A+ to BBB- grade	Non investment grade	Unrated	DenizBank	Total
Available for sale financial assets (excluding variable income securities)	71,091	46,634	598	699	404	119,426
Financial assets designated at fair value (excluding variable income securities)	138	323	22	111	0	594
Financial assets held for trading (excluding variable income securities)	7,349	3,048	23	543	9	10,972
Loans and advances (at amortized cost)	195,050	138,196	23,627	12,164	8,134	377,170
Held to maturity investments	821	835	29	107	114	1,906
Derivatives	5,546	3,866	962	799	21	11,194
Other financial instruments	13	20	0	1,826	196	2,056
Loan commitments granted	51,851	22,351	4,023	2,915	458	81,599
Guarantee commitments granted	28,787	11,502	1,932	2,842	5,164	50,227
TOTAL	**360,647**	**226,776**	**31,216**	**22,005**	**14,499**	**655,143**

Ratings indicated are either internal or external ones. Indeed, Dexia applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel II. Except for ABS positions for which credit risk is calculated within the ratings based approach based on external ratings (Fitch, Standard & Poors or Moody's) and, part of its portfolio, mostly DenizBank, for which credit risk exposure is calculated conforming the in Basel II Standard method.

Credit quality of DenizBank's financial assets

During 2008, the credit risks of DenizBank were further integrated within Dexia Group's general scope through further redefinitions of the internal organization, integration of the reportings and harmonization of the internal ratings models used to assess the credit quality of the assets.

As of Dec. 31, 2008 and due to the integration, DenizBank's financial assets are either rated through Internal Rating Systems validated at Group level or monitored by the relevant Group Credit Risk Teams.

The average credit quality of DenizBank's financial assets is closely linked to the very high predominance of Turkish assets (more than 90%) which are de facto strongly correlated to Turkish Government's Country Rating (internal rating: BB- Foreign Currency (FC) / BB+ Local Currency (LC)). Most of DenizBank's financial assets are therefore in the category non investment grade.

Credit quality of the main financial assets:

• Exposures on Central Government are only linked to Turkish Sovereign, which is internally rated BB- stable (FC) / BB+ stable (LC).

• Local Public Sector: due to the characteristics of these assets and based on the selection made by Dexia Group's Credit Committees of the counterparts on which DenizBank is allowed to take exposures, the internal ratings on this class of assets is situated in the B to BB- range.

• The Corporate & Commercials portfolio is entirely composed by Turkish counterparts or related.

The credit risk of this portfolio is therefore closely related to the evolution of Turkish economy and the credit quality is being assessed through an Internal Rating System specifically designed for Turkish counterparts.

This system, targeted to become Basel II compliant, has been calibrated on the basis of an average PD situated between BB- and B+.

• The credit risk profile of Retail & SME portfolio is being monitored by Dexia Group's Retail Competence Center and is included in the Quarterly Risk Reporting of this activity.

Specific PD (Probability of Default) and LGD (Loss Given Default) models are being developed for both Retail and SME (including agriculture) sides (expected timing of completion of these models is 1H 2009).

• DenizBank's assets on Financial Institutions (as of 4Q 2008) are mainly made of Investment grade International banks, while Speculative Grade Banks, which are nearly only Turkish Banks in the BB range, represent more or less 40% of total portfolio.

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

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered by contract.
As an example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

	Dec. 31, 2007				
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss	Collateral received on past due or impaired loans and debt instruments
	≤ 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.

	Dec. 31, 2008				
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss	Collateral received on past due or impaired loans and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Available for sale financial assets (excluding variable income securities)	1	0	0	1,125	0
Loans and advances (at amortized cost) (1)	1,482	398	382	3,653	1,301
Other financial instruments	21	5	9	329	0
TOTAL	**1,504**	**403**	**391**	**5,107**	**1,301**

(1) The carrying amount of individually impaired financial assets, before deducting any impairment loss, includes an amount of EUR 1,919 million for debt instruments accounted for in the category "Loans and Receivables".

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, 2007	Dec. 31, 2008
Cash	9	203
Debt instruments	4	1,391
Loans and advances	1	1
Property plant and equipment	17	26
Other	8	4
TOTAL	**39**	**1,625**

Dexia does not intend to keep the collateral and converts into cash the collaterals obtained, respecting the legal procedures thereon specific to each country for seizure of property and for seizure of goods.
In 2008, cash and debt instruments are collaterals obtained in the framework of Lehman Brothers' bankruptcy. Debt instruments were obtained in the framework of a tri-partite repo agreement with Euroclear.
Cash represents collaterals obtained for derivatives for EUR 85 million while another EUR 109 million was obtained for a tri-partite repo with Euroclear.

H. Allowances movements for credit losses

	As of Jan. 1, 2007	Utilization	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As of Dec. 31, 2007	Recoveries directly recognized in profit or loss	Charge-offs 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		
of which fixed income instruments	*27*	*0*	*22*	*(11)*	*(3)*	*35*		
of which equity instruments	*205*	*(23)*	*4*	*(42)*	*13*	*157*		
Assets from insurance activities	1	0	0	0	0	1		
Other accounts and receivables	2	0	1	(1)	0	2		
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)**

	As of Jan. 1, 2008	Utilization	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other (1)	As of Dec. 31, 2008	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
SPECIFIC ALLOWANCES FOR INDIVIDUALLY ASSESSED FINANCIAL ASSETS	1,012	(98)	3,415	(181)	(21)	4,127	10	(22)
Loans and advances due from banks	0	0	98	0	0	98	0	(11)
Loans and advances to customers	817	(70)	421	(86)	1,001	2,083	10	(11)
Available-for-sale financial assets	192	(28)	2,612	(93)	(1,022)	1,661		
of which fixed income instruments	*35*	*(2)*	*1,811*	*(8)*	*(1,019)*	*817*		
of which equity instruments	*157*	*(26)*	*801*	*(85)*	*(3)*	*844*		
Assets from insurance activities	1	0	0	0	0	1		
Other accounts and receivables	2	0	283	(2)	0	283		
Other assets	0	0	1	0	0	1		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS AND SPECIFIC ALLOWANCES FOR COLLECTIVELY ASSESSED FINANCIAL ASSETS	419	(11)	1,169	(58)	(13)	1,506		
TOTAL	**1,431**	**(109)**	**4,584**	**(239)**	**(34)**	**5,633**	**10**	**(22)**

(1) An amount of specific allowances for individually assessed financial assets of EUR 1,045 million was reclassified from "Available for sale financial assets" to "Loans and advances to customers", due to the application of IAS 39 amended.

I. Credit risk information for loans designated at fair value through profit or loss

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

As of Dec. 31, 2008

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
67	0	0

No credit derivative is held to mitigate the maximum exposure to credit risk.
Dexia estimates the fair value of the loans by calculating the amount of future cash flows 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, 2007

CARRYING AMOUNT	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount and contractually amount required to be paid at maturity (1)
	Change of the period	Cumulative amount	
16,305	0	0	220

(1) This amount includes the premium/discount and the change in the market value.

In 2007, no change in the fair value of Dexia's financial liabilities was 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 was not attributable to changes in creditworthiness of the liability but cristallized the impact of the general liquidity crisis on credit spreads.

As of Dec. 31, 2008

CARRYING AMOUNT	Amount of change in the fair value attributable to changes in the credit risk of the liability		Difference between carrying amount and contractually amount required to be paid at maturity (1)
	Change of the period	Cumulative amount	
18,679	(474)	(474)	215

(1) This amount includes the premium/discount and the accumulated change in the market value.

In 2008, FSA Inc. rating was downgraded and the liquidity cost continued to increase, leading to the recognition of an increase of own credit risk of EUR 356 million, which is considered in total as change in the credit risk of the liability, due to the difficulty to split liquidity and credit risk. In addition, an amount representing own credit risk variation on structured non listed liabilities issued by Dexia Bank Belgium and Dexia Banque Internationale à Luxembourg was recorded for EUR 118 million (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, 2007		Collateral received as of Dec. 31, 2008	
	Fair values of collateral held	Fair value of collateral sold/repledge	Fair values of collateral held	Fair value of collateral sold/repledge
Equity instrument	71	0	1,100	0
Debt instruments	27,005	25,057	22,377	10,658
Loans and advances	422	0	5,819	0
TOTAL	**27,498**	**25,057**	**29,296**	**10,658**

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, 2007		Carrying amount of financial assets pledged as collateral as of Dec. 31, 2008	
for liabilities	for contingent liabilities	for liabilities	for contingent liabilities
72,191	0	195,897	0

Assets are mainly pledged to collateralize repurchase agreements and debts to Central banks and to the European Central Bank. Carrying amount is not limited to the amount effectively borrowed. Figures as of Dec. 31, 2007 were therefore restated.
Repurchase agreements reimbursement amount was EUR 39 billion as of Dec. 31, 2007 and EUR 44 billion as of Dec. 31, 2008.

12.4. INTEREST RATE REPRICING RISK: BREAKDOWN BY REMAINING MATURITY UNTIL NEXT REFIXING INTEREST RATE

Current accounts and savings 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 note12.5.).

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)						1,487			(103)	1,384
Other assets (1)	1,603	621	146	365	430	1,203	0	16	(3)	4,381
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**

(1) An amount of EUR 61 million representing operational taxes is transferred from "Tax assets" to "Other assets".

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 maturity	Accrued interest	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 (1)						631			631
Other liabilities (1)	2,380	1,032	329	1,006	1,022	1,623	4	0	7,396
TOTAL	**157,480**	**209,706**	**50,262**	**58,161**	**54,188**	**23,442**	**12,863**	**22,068**	**588,170**

(1) An amount of EUR 147 million representing operational taxes is transferred from "Tax liabilities" to "Others liabilities".

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.

ASSETS As of Dec. 31, 2008	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 maturity	Accrued interest	Fair value adjust-ment	Impair-ment	Total
Cash and balances with central banks	2,193	245	0	0	0	0	10	0	0	2,448
Loans and advances due from banks	13,975	35,186	5,072	3,719	2,915	0	403	756	(162)	61,864
Loans and advances to customers	19,501	63,211	58,376	57,690	155,767	665	3,551	13,608	(3,524)	368,845
Financial assets held for trading	6	7,761	1,870	1,051	2,405	158	90	(2,505)	0	10,836
Financial assets designated at fair value	9	285	189	70	132	4,566	9	(52)	0	5,208
Available-for-sale financial assets	685	34,464	10,460	19,532	55,671	3,343	1,849	(1,281)	(1,661)	123,062
Held to maturity investments	0	505	249	491	670	0	52	0	0	1,967
Derivatives							8,663	46,550	0	55,213
Fair value revaluation of portfolio hedge								3,938	0	3,938
Investments in associates						682				682
Tangible fixed assets						2,353				2,353
Intangible assets and goodwill						2,193				2,193
Tax assets						4,710			(571)	4,139
Other assets	389	554	84	51	159	1,031	0	15	(285)	1,998
Non current assets held for sale						6,270	0	0	(10)	6,260
TOTAL	**36,758**	**142,211**	**76,300**	**82,604**	**217,719**	**25,971**	**14,627**	**61,029**	**(6,213)**	**651,006**

LIABILITIES As of Dec. 31, 2008	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 maturity	Accrued interest	Fair value adjustment	Total
Due to banks	78,439	121,837	5,900	2,153	4,128	0	550	185	213,192
Customer borrowings and deposits	65,063	35,607	7,798	3,257	2,032	56	943	(28)	114,728
Financial liabilities held for trading	3	4	45	61	146	12	5	(3)	273
Financial liabilities designated at fair value	35	3,016	4,844	3,369	3,641	3,198	210	366	18,679
Derivatives							9,997	65,837	75,834
Fair value revaluation of portfolio hedge								1,543	1,543
Debt securities	305	56,270	31,035	45,181	50,381	0	2,884	2,064	188,120
Subordinated debts	0	843	908	911	1,370	137	103	135	4,407
Technical provision of insurance companies						16,739			16,739
Provisions and other obligations						1,487			1,487
Tax liabilities						302			302
Other liabilities	2,033	995	128	67	181	985	4	0	4,393
Liabilities included in disposal groups held for sale						5,006	0	685	5,691
TOTAL	**145,878**	**218,572**	**50,658**	**54,999**	**61,879**	**27,922**	**14,696**	**70,784**	**645,388**

NET POSITION As of Dec. 31, 2008	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	(109,120)	(76,361)	25,642	27,605	155,840	(1,951)

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 Cash and Liquidity Management (CLM)/Asset and Liabilities Management (ALM) delegated)
- Spread sensitivity for credit spread portfolio (Credit Spread Portfolio) and Public Finance Bond denominated exposure

B. ALM interest rate risk
- Long term ALM sensitivity and Value at Risk
- FSA's sensivitivity

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. Following reorientation of TFM activities, the Risk Policy Committee as of November 7, 2008 decided to reduce VaR limits of TFM, especially in the field of credit spread risk in trading.

TFM also manages Credit Spread Portfolios (CSP) and Public Finance Bond portfolios, which have been put in run-off.

a. Value at Risk – 99%, 10 days – (in millions of EUR)

Dexia Group calculated an Interest Rate and FX VaR mainly based on parametrical method (99%, 10 days), an Equity VaR based on historical method and – only for trading desks –, an historical credit spread VaR.

The detailed VaR usage of Dexia Group is disclosed in the table below.

It doesn't include the portfolios CSP and the Public Finance Bond denominated exposure which are followed in sensitivity for the banking part (see hereunder).

Value at Risk (in millions of EUR)

VaR (10d, 99%) (in millions of EUR)		2007 (1)															
		IR (2) & FX (3) (Trading and Banking) (4)				EQT (5) Trading				Spread Trading				Other risks (6)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
By risk factor	Average	49.0	41.7	18.2	27.3	5.2	6.1	9.8	6.9	9.9	8.6	32.1	50.1	0,0	0,0	0,2	0,7
	Maximum	56.5	58.0	21.3	38.3	10.9	10.5	16.0	10.4	15.5	9.6	55.9	57.4	0,0	0,0	0,2	2.8
Global									Average	66.5							
									Maximum	100.3							
									Limit	142							

(1) Figures as of Dec. 31, 2007 were restated to include DenizBank.
(2) IR: interest rate.
(3) FX: forex.
(4) IR & Fx: without ALM LT (local & directional).
(5) EQT: equities.
(6) Other risks: inflation, commodities & CO_2.

VaR (10d, 99%) (in millions of EUR)		2008															
		IR (1) & FX (2) (Trading and Banking) (3)				EQT (4) Trading				Spread Trading				Other risk (5)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
By risk factor	Average	30.0	43.6	38.4	62.7	6.5	7.7	7.5	7.7	60.0	79.4	78.0	75.9	1.8	1.3	2.4	3.7
	Maximum	37.1	52.1	48.0	90.6	14.4	12.2	11.3	11.9	78.4	91.1	116.0	112.7	3.5	2.4	3.0	5.9
Global									Average	126.6							
									Maximum	179.1							
									Limit	3Q: 178		4Q: 130					

(1) IR: interest rate.
(2) FX: forex.
(3) IR & Fx: without ALM LT (local & directional).
(4) EQT: equities.
(5) Other risks: inflation, commodities & CO_2.

TFM registered a VaR use of EUR 127.5 million at year-end versus a reduced limit of EUR 130 million.

CONSOLIDATED FINANCIAL STATEMENTS

b. Credit spread portfolio and Public finance bond denominated exposure (banking book only)

Exposure (in billions of EUR)

	2007	2008
Credit Spread Portfolio (CSP-banking book) (1)	70.8	77.3
Public finance bond denominated exposure (2)	78.1	88.1

(1) As at Dec. 31, 2008 EUR 29.1 billion are disclosed in Loans and Receivables following reclassification according to IAS 39 amended.
(2) As at Dec. 31, 2008 EUR 57.3 billion are disclosed in Loans and Receivables following reclassification according to IAS 39 amended.

The increase in exposure is explained by the re-classification of ex-trading portfolios and by the scope extension to some small subsidiaries.

Average rating

	2007	2008
Credit Spread Portfolio (CSP-banking book)	AA-	AA-
Public finance bond denominated exposure	AA-	A

Interest rate sensitivity

The interest rate risk of the Credit Spread Portfolio and of the Public finance bond denominated exposure 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, in millions of EUR, the sensitivity in fair value after a basis point spread increase.

	2007	2008
Credit Spread Portfolio (CSP-banking book)	(41.4)	(38.5)
Public finance bond denominated exposure	(60.1)	(83.0)

B. ALM interest rate risk

Long Term ALM falls under the direct decision and control authority of the ALCO Group (ALM Committee), which meets on a monthly basis.
The sensitivity measures the change in the balance sheet net economic value if interest rates rise by 1% across the entire curve.

For the sensitivity calculation, residual maturity of the portfolio until next refixing interest rate date is defined using assumptions on the observed behavior of the customers and not on legal repayment date (see note 12.4.).

a. Banking and insurance companies, except FSA and pension funds

		2007 (1)											
		Interest rate (4)				Equity				Credit spread (5)			
(In millions of EUR)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies ALM (2)	Sensitivity	(468)	(155)	(136)	(131)					(16)	(16)	(15)	(15)
	VaR 10d 99%	148	73	52	58	103	92	117	97				
Insurance (3)	Sensitivity	10	8	9	6								
	VaR 10d 99%					104	106	144	170				

(1) Figures as of Dec. 31, 2007 were restated to include DenizBank.
(2) ALM delegated and CLM excluded.
(3) Without FSA and Financial Products.
(4) Sensis to 1% shift.
(5) Sensis to 1bp shift.

(in millions of EUR)		2008											
		Interest rate (3)				Equity				Credit spread (4)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies	Sensitivity	(185)	(282)	(177)	(197)					(16)	(15)	(15)	(16)
ALM (1)	VaR 10d 99%	68	125	111	161	94	96	76	66				
Insurance (2)	Sensitivity	9	5	8	8								
	VaR 10d 99%					237	205	190	225				

(1) ALM delegated and CLM excluded.
(2) Without FSA and Financial Products.
(3) Sensis to 1% shift.
(4) Sensis to 1bp shift.

b. 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.

b.1. Sensitivity to interest rate risk

FSA holds two main investment portfolios:

- a General Investment Portfolio, which is part of the activities to be sold to Assured Guaranty, amounting to USD 5.9 billion as of Dec. 31, 2008 (USD 5.2 billion as of Dec. 31, 2007); and
- a Financial Product (FP) Segment Investment Portfolio, that will be kept in Dexia accounts, amounting to USD 13.4 billion as of Dec. 31, 2008 (USD 19 billion in 2007), which supports GIC liabilities (Guaranteed Investment Contracts).

Over 99% of the FSA's General Investment Portfolio was invested in fixed income securities at Dec. 31, 2008.

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 291.7 million (USD 150.9 million in 2007), 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 FP 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 of USD)	2007	2008
Change in fair value of assets (1)	(129.2)	(116.2)
Change in fair value of derivatives hedging assets (2)	107.0	152.5
Change in fair value of liabilities (3)	245.9	371.9
Change in fair value of derivatives hedging liabilities (2)	(225.2)	(340.1)
NET CHANGES IN FAIR VALUE	**(1.5)**	**68.1**

(1) Principally classified as "Loans and Receivables" in 2008 and in "Available-for-sale" in 2007.
(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.

b.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. Those CDS are part of sold activities to Assured Guaranty.

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 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 24.6 million (USD 30.9 million in 2007).

The estimated pre-tax reduction in the fair value of the FP Segment Investment Portfolio (activity kept by Dexia) for one basis point of credit spread widening by type of security is USD 4.2 million in the AFS reserve (USD 8.3 million as of December 31, 2007).

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 -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, 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)
March 31, 2008	895	94	10.5%	(57)	(106)
June 30, 2008	822	96	11.7%	(94)	(155)
September 30, 2008	599	76	12.7%	(129)	(163)
December 31, 2008	396	66	16.7%	(69)	(90)

B. INSURANCE COMPANIES PORTFOLIO	Market value	VaR	% VaR	EaR	-25%
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)
March 31, 2008	2,635	237	9.0%	(153)	(628)
June 30, 2008	2,397	205	8.6%	(369)	(763)
September 30, 2008	1,985	190	9.6%	(440)	(796)
December 31, 2008	1,601	225	14.1%	(307)	(597)

12.6. LIQUIDITY RISK: BREAKDOWN BY RESIDUAL MATURITY

Dexia's approach to liquidity risk management has been reviewed in the light of the current financial and liquidity crisis. Overall policy is that its future funding needs should never exceed its proven secured funding capacity.
We refer to point 4.4. in Accounting policies.

Current accounts and savings 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, 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 maturity				
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)	0	30,411
Financial assets designated at fair value	0	34	109	453	2,144	4,397	11	6	0	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	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)]						1,487			(103)	1,384
Other assets[(1)]	1,553	635	148	365	471	1,196	0	16	(3)	4,381
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**

(1) An amount of EUR 61 million representing operational taxes is transferred from "Tax assets" to "Other assets".

LIABILITIES As of Dec. 31, 2007	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Total
	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 maturity			
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							0	(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 (1)						631			631
Other liabilities (1)	2,612	1,151	335	1,007	1,022	1,265	4	0	7,396
TOTAL	**156,875**	**152,859**	**45,737**	**90,671**	**98,602**	**8,495**	**12,863**	**22,068**	**588,170**

(1) An amount of EUR 147 million representing operational taxes is transferred from "Tax liabilities" to "Other 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 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 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, 2008	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impairment	Total
	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	2,193	245	0	0	0	0	10	0	0	2,448
Loans and advances due from banks	14,196	29,503	4,142	6,076	6,881	69	403	756	(162)	61,864
Loans and advances to customers	14,385	15,434	25,790	82,486	216,450	665	3,551	13,608	(3,524)	368,845
Financial assets held for trading	2	376	1,687	4,361	6,667	158	90	(2,505)	0	10,836
Financial assets designated at fair value	0	4	91	321	269	4,566	9	(52)	0	5,208
Available-for-sale financial assets	130	3,065	8,034	35,178	74,062	3,686	1,849	(1,281)	(1,661)	123,062
Held to maturity investments	0	170	183	767	795	0	52	0	0	1,967
Derivatives							8,663	46,550	0	55,213
Fair value revaluation of portfolio hedge								3,938	0	3,938
Investments in associates						682				682
Tangible fixed assets						2,353				2,353
Intangible assets and goodwill						2,193			0	2,193
Tax assets						4,710			(571)	4,139
Other assets	348	568	86	51	166	1,049	0	15	(285)	1,998
Non current assets held for sale						6,270	0	0	(10)	6,260
TOTAL	**31,254**	**49,365**	**40,013**	**129,240**	**305,290**	**26,401**	**14,627**	**61,029**	**(6,213)**	**651,006**

LIABILITIES As of Dec. 31, 2008	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	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Ajuste-ment à la juste valeur	Total
Due to banks	72,533	123,139	5,024	4,505	7,256	0	550	185	213,192
Customer borrowings and deposits	64,529	27,685	8,554	6,153	6,836	56	943	(28)	114,728
Financial liabilities held for trading	2	4	45	61	147	12	5	(3)	273
Financial liabilities designated at fair value	0	716	2,284	4,661	7,244	3,198	210	366	18,679
Derivatives							9,997	65,837	75,834
Fair value revaluation of portfolio hedge							0	1,543	1,543
Debt securities	271	31,275	19,560	68,197	63,869	0	2,884	2,064	188,120
Subordinated debts	0	28	165	689	2,332	955	103	135	4,407
Technical provision of insurance companies	19	238	719	3,959	11,754	50			16,739
Provisions and other obligations						1,487			1,487
Tax liabilities						302			302
Other liabilities	1,954	1,025	106	67	181	1,056	4	0	4,393
Liabilities included in disposal groups held for sale						5,006	0	685	5,691
TOTAL	**139,308**	**184,110**	**36,457**	**88,292**	**99,619**	**12,122**	**14,696**	**70,784**	**645,388**

As of Dec. 31, 2008	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	(108,054)	(134,745)	3,556	40,948	205,671	14,279

This table does not take into account the liquidity nor the eligibility to refinancing 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, 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 BALANCE POSITION	**15,972**	**1,796**	**(28,935)**	**11,167**	**0**

As of Dec. 31, 2008	EUR	Other EU currencies	USD	Other	Total
Total assets	449,027	39,055	107,465	55,459	651,006
Total liabilities and equity	453,412	24,478	134,424	38,692	651,006
NET BALANCE POSITION	**(4,385)**	**14,577**	**(26,959)**	**16,767**	**0**

The 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 (DIS) (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 insuring 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.
DIS is active in life (more than 89% 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 DIS 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, 2007		Dec. 31, 2008	
	Financial statements	Regulatory purposes	Financial statements	Regulatory purposes
Total shareholders' equity	14,525	14,525	3,916	3,916
Minority interests	1,754	1,749	1,702	1,694
of which Core equity	*1,721*	*1,711*	*1,757*	*1,749*
of which Gains and Losses not recognized in the statement of income	*33*	*38*	*(55)*	*(55)*
Discretionary participation features of insurance contracts	115	0	0	0
TOTAL EQUITY	**16,394**	**16,274**	**5,618**	**5,610**

Comments on regulatory requirements are described in note 4.5. of Accounting Rules.
For regulatory purposes, insurance 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, 2007	Dec. 31, 2008
	Basel I	Basel II
TOTAL REGULATORY CAPITAL (AFTER PROFIT APPROPRIATION)	**15,345**	**18,077**
TIER 1 CAPITAL	14,549	16,126
Core shareholders' equity	16,112	17,488
Cumulative translation adjustments – Group	(147)	(540)
Minority interests (eligible in Tier 1) (1)	517	557
Deductions and prudential filters	(3,356)	(2,800)
Hybrid regulatory Tier 1 capital 1 (2)	1,423	1,421
ADDITIONAL OWN FUNDS	796	1,951
Perpetuals	767	815
Subordinated liabilities	3,053	2,795
Deductions and prudential filters	(3,024)	(1,659)

(1) On a regulatory approach, the amounts booked in minority interests and eligible as hybrid regulatory Tier 1 capital are presented separately.
As of December 31, 2007 and as of December 31, 2008 respectively EUR 1,198 million and EUR 1,196 million eligible as hybrid regulatory Tier 1 capital are included in minority interests' core equity.
(2) 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 for EUR 698 million 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 bearing an interest of 6.821% and booked in Subordinated debts in the financial statements.*

	Dec. 31, 2007	Dec. 31, 2008
WEIGHTED RISKS	**159,383**	**152,837**
Credit risk	153,504	139,495
Market risk	5,879	3,073
Operational risk	n.a.	10,269
SOLVENCY RATIOS		
Tier 1 ratio	9.1%	10.6%
Capital Adequacy Ratio	9.6%	11.8%

Dexia has complied with all regulatory capital rules for the periods reported. Capital adequacy ratio must be at least equal to 8%.

Dexia SA

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended December 31, 2008

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

UNQUALIFIED AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS, WITH EXPLANATORY PARAGRAPH

We have audited the accompanying consolidated financial statements of Dexia SA ("the company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at December 31, 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of EUR 651,006 million and the consolidated income statement shows a consolidated loss (Group share) for the year then ended of EUR 3,326 million.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements 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 financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as of December 31, 2008, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Without amending our unqualified opinion, we draw the attention to the comments included in the management report and the information included in the notes to the consolidated financial statements relating to the impact of the financial crisis on the liquidity position of Dexia and the accounting treatment of the sales agreement of the insurance activities of FSA.

ADDITIONAL COMMENT

The preparation and the assessment of the information that should be included in the Directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

• The Directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the Group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Antwerp, April 2, 2009

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by

Frank Verhaegen   Bernard De Meulemeester

Annual financial statements

Financial statements as of December 31, 2008

2008

Balance sheet
(before income appropriation)

ASSETS (in EUR)		Dec. 31, 2007	Dec. 31, 2008
FIXED ASSETS		22,343,276,875	28,368,527,711
I.	Formation expenses	6,862,955	8,760,308
II.	Intangible assets	1,757,908	3,214,898
III.	Tangible assets	2,885,895	2,442,275
	B. Plant, machinery and equipment	129,078	117,010
	C. Furniture and vehicles	2,645,878	2,028,424
	E. Other tangible fixed assets	110,939	296,841
IV.	Financial assets	22,331,770,117	28,354,110,230
	A. Affiliated enterprises	22,331,013,099	28,353,319,650
	1. Participating interests	18,952,029,542	24,882,425,655
	2. Amounts receivable	3,378,983,557	3,470,893,995
	C. Other financial assets	757,018	790,580
	2. Amounts receivable and cash guarantees	757,018	790,580
CURRENT ASSETS		382,622,037	144,272,403
V.	Amounts receivable after more than one year	34,048,252	44,235,576
	B. Other amounts receivable	34,048,252	44,235,576
VII.	Amounts receivable within one year	72,536,814	27,530,313
	A. Trade debtors	1,534,032	3,385,163
	B. Other amounts receivable	71,002,782	24,145,150
VIII.	Current Investments	177,659,475	182,529
	A. Own shares	177,476,946	0
	B. Other investments and deposits	182,529	182,529
IX.	Cash at bank and in hand	48,924,494	24,359,941
X.	Deferred charges and accrued income	49,453,002	47,964,044
TOTAL ASSETS		**22,725,898,912**	**28,512,800,114**

LIABILITIES AND SHAREHOLDERS' EQUITY (in EUR)		Dec. 31, 2007	Dec. 31, 2008
EQUITY		19,078,633,845	24,464,780,922
I.	Capital	5,307,005,112	8,089,020,254
	A. Issued capital	5,307,005,112	8,089,020,254
II.	Share premium account	10,398,540,030	13,617,667,343
IV.	Reserves	1,507,592,844	1,500,746,683
	A. Legal reserve	523,773,914	530,700,511
	B. Unavailable reserves	177,476,946	0
	1. In respect of own shares held	177,476,946	0
	D. Available reserves	806,341,984	970,046,172
V.	Profit carried forward	783,974,433	412,661,386
V. bis.	Net income for the year (1)	1,081,521,426	844,685,256
PROVISIONS AND DEFERRED TAXES		22,751,448	21,212,877
VII.	A. Provisions for liabilities and charges	22,751,448	21,212,877
	2. Taxation	3,140,155	1,782,450
	4. Other liabilities and charges	19,611,293	19,430,427
AMOUNTS PAYABLE		3,624,513,619	4,026,806,315
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	3,377,332,805	3,794,906,864
	B. Financial liabilities	3,192,037,751	3,593,022,030
	1. Credit institutions	3,192,037,751	3,593,022,030
	C. Trade debts	39,729,166	61,382,635
	1. Suppliers	39,729,166	61,382,635
	E. Taxes, remuneration and social security	16,573,599	25,285,479
	1. Taxes	198,233	567,925
	2. Remuneration and social security	16,375,366	24,717,554
	F. Other amounts payable	128,992,289	115,216,720
X.	Accrued charges and deferred income	47,180,814	31,899,451
TOTAL LIABILITIES		**22,725,898,912**	**28,512,800,114**

(1) See note 1 to the financial statements.

ANNUAL FINANCIAL STATEMENTS

Off-balance sheet items

(in EUR)	Dec. 31, 2007	Dec. 31, 2008
Miscellaneous rights and commitments		
- Temporary guarantees given by the French, Belgian and Luxembourg states	-	PM
- Personal guarantees given on behalf of third parties	32,550	39,300
- Personal guarantees given on behalf of Dexia Funding Lux SA	500,000,000	500,000,000
- Real guarantees given on own assets	17,019	16,093
- Foreign currency transactions - amounts receivable	141,168,500	141,168,500
- Foreign currency transactions - amounts to be delivered	91,202,460	96,078,863
- Commitments to issue shares linked to stock options	1,055,272,927	1,142,895,058
- Commitment towards Financial Security Assurance Holdings LTD ("FSA")	203,832,042	214,730,513
- Commitment towards Dexia Bank Nederland NV	PM	PM

Statement of income

(in EUR)		Dec. 31, 2007	Dec. 31, 2008
I.	Operating income	1,688,547	2,678,323
	D. Other operating income	1,688,547	2,678,323
II.	Operating charges	(146,688,172)	(205,760,229)
	B. Services and other goods	(107,287,735)	(150,908,175)
	C. Remuneration, social security costs and pensions	(48,781,949)	(48,728,103)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(4,986,397)	(5,818,831)
	F. Increase (-); decrease (+) in provisions for liabilities and charges	14,573,781	180,866
	G. Other operating charges	(205,872)	(485,986)
III.	Operating loss	(144,999,625)	(203,081,906)
IV.	Financial income	1,376,320,424	1,435,928,155
	A. Income from financial fixed assets	1,360,836,110	1,361,054,516
	B. Income from current assets	11,746,641	61,376,214
	C. Other financial income	3,737,673	13,497,425
V.	Financial charges	(203,605,493)	(168,915,282)
	A. Debt charges	(178,790,062)	(164,734,184)
	C. Other financial charges	(24,815,431)	(4,181,098)
VI.	Current profit before taxes	1,027,715,306	1,063,930,967
VII.	Exceptional income	606,358	20,000
	A. Adjustments to depreciation of and to other amounts written off on intangible and tangible fixed assets	34,167	0
	B. Impairment on financial assets	572,191	0
	D. Gains on disposal of fixed assets	0	20,000
VIII.	Exceptional charges	0	(284,146,133)
	B. Amounts written off on financial fixed assets	0	(284,146,133)
IX.	Profit for the period before taxes	1,028,321,664	779,804,834
X.	Income taxes	53,199,762	64,880,422
	A. Income taxes	(3,140,169)	(1,785,058)
	B. Adjustment of income taxes and write-back of tax provisions	56,339,931	66,665,480
XI.	Profit for the period	1,081,521,426	844,685,256
XIII.	Profit to be appropriated	1,081,521,426	844,685,256
	Profit brought forward of the previous period	783,974,433	412,661,386
	Profit for the period to be appropriated	1,081,521,426	844,685,256
PROFIT TO BE APPROPRIATED		**1,865,495,859**	**1,257,346,642**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia SA presents its financial statements before appropriation.
The profit for the 2008 financial year amounts to EUR 844.7 million.
The profit carried forward from the previous year stands at EUR 412.6 million, making a total profit for appropriation of EUR 1,257.3 million.
The proposal to appropriate the profit is:
- to the legal reserve up: EUR 42.2 million representing 5% of the result of the year 2008;
- 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 five 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 28,513 million as of December 31, 2008, against EUR 22,726 million as of December 31, 2007, or an increase of 25%.

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 8.8 million.
Formation expenses include the fees directly associated with capital increases and expenditure in implementing share ownership plans of previous years aimed at all members of staff of the Group in the different countries in which the Dexia Group is active.

4.2.2. Intangible fixed assets

Intangible fixed assets totaled EUR 3.2 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 2.4 million have a gross acquisition value of EUR 8.9 million.
Property, plant and equipment contribute a gross acquisition value of EUR 3.7 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 4.6 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 0.3 million and include the installation of the premises rented (gross acquisition value of EUR 0.5 million) depreciated on a straight-line basis over the period of the lease contracts.

4.2.4. Financial fixed assets

Participating interests in affiliated companies

The item "Participating interests" representing EUR 18,952 million as of December 31, 2007 was EUR 24,882.4 million as of December 31, 2008.

It includes the following equity interests:

EUR 10,114.0 million: 100% of Dexia Crédit Local SA, Paris, France.
Following the recapitalization of the Dexia Group decided on September 30, 2008 by the French, Belgian and Luxembourg governments and existing shareholders, Dexia SA proceeded with an increase of the capital of its subsidiary Dexia Crédit Local SA by EUR 3,500 million through a cash contribution on December 22, 2008.

EUR 8,997.0 million: 100% of Dexia Bank Belgium SA, Brussels, Belgium.
Following the recapitalization of the Dexia Group decided on September 30, 2008 by the French, Belgian and Luxembourg governments and existing shareholders, on December 29, 2008 Dexia SA also proceeded with an increase of the capital of its subsidiary Dexia Bank SA through a cash contribution of EUR 2,500 million.

EUR 2,644.4 million: 95.39% of Dexia Participation Belgique SA, Brussels, Belgium.
On August 1, 2008, Dexia SA increased the share capital of its subsidiary Dexia Participation Belgique SA by incorporation of two debts representing EUR 217.5 million.

EUR 1,751.8 million: 57.68% of Dexia Banque Internationale à Luxembourg SA (Dexia BIL), Luxembourg.

EUR 1,279.2 million: 99.99% of Dexia Participation Luxembourg SA, Luxembourg, which owns 42.23 % of Dexia BIL.

EUR 93.0 million: 100% of Dexia Nederland Holding NV, Amsterdam, The Netherlands.

EUR 1.5 million: 100% of Dexia Employee Benefits SA, Brussels, Belgium.

EUR 1.5 million: 99.53% of Associated Dexia Technology Services SA (ADTS), Luxembourg

PM: 10% of Dexia Holdings Inc. in New York, USA, a holding company which owns 99.34 % of Financial Security Assurance Holdings Ltd.

It was decided to register an impairment of EUR 284.1 million on the participating interest held in Dexia Holdings Inc., which appeared in the assets at its historical cost corresponding to EUR 284.1 million. This valuation takes account of the financial situation of Dexia Holdings Inc. and its future prospects in terms of profitability against the current particularly difficult economic background.

PM: 100% of Dexia Management Services Ltd, London, United Kingdom.

PM: 100% of Dexia Funding Luxembourg SA, Luxembourg.

PM: 0.01% of Deniz Faktoring, Istanbul, Turkey.

PM: 0.01% of Deniz Finansal Kiralama, Istanbul, Turkey.

The participating interest of EUR 3 million held by Dexia SA in Dexia Habitat SA, Paris, France was sold to Dexia Crédit Local SA on 30 April 2008.

Receivables on affiliated companies

This item includes subordinated loans granted to Group entities for a total of EUR 3,470.9 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, 2008 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 Habitat
- Dexia Finance
- Dexia Flobail
- Dexia Municipal Agency
- Dexia Sofaxis
- Dexint Développement
- Floral
- Genebus Lease (previously Dexia CLF Energia)
- Guide pratique de la Décentralisation.

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, 2009 amounted to EUR 44.2 million as of December 31, 2008.

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 2.8 million), non Group receivables (EUR 0.4 million) and advances paid to suppliers (EUR 0.2 million).

Other receivables

As already specified above, the permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. In this regard it is solely liable for corporation tax, French withholding tax and the lump-sum annual taxation due from the Group in relation to its fiscal integration, given that taxes due from companies which form part of the fiscal consolidation must be paid to the permanent establishment. On December 31, 2008, the tax receivable of the permanent establishment in Paris to the French tax authorities as the head of the tax consolidation group in France amounted to EUR 19.8 million.

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. As of December 31, 2008, the amount due from subsidiaries by way of tax owed to the permanent establishment amounted to EUR 2.2 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.

The companies forming part of the Group fiscally integrated in Luxembourg are:

- Bil Ré SA
- Dexia Banque Internationale à Luxembourg SA
- Dexia SA, Luxembourg branch
- Dexia Participation Luxembourg SA
- Experta Corporate and Trust Services SA
- Société Luxembourgeoise de Leasing BIL Lease

As of December 31, 2008, the permanent Luxembourg establishment had a claim of EUR 1 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 head office has a tax claim to the Belgian fiscal authorities corresponding to EUR 0.2 million withholding tax to be recovered for the financial years 2007 and 2008.

The work rules state that salary is to be paid in advance. These represent a claim of EUR 0.9 million as of December 31, 2008.

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 until April 11, 2008 proceeded to repurchase 22,258,236 own shares for a total amount of EUR 407.4 million.

These own shares were acquired in accordance with the conditions fixed by the Law and with a view to their cancellation, which was approved by the Extraordinary Shareholders' Meeting on May 14, 2008.

The ancillary costs associated with the purchase of own shares were recorded immediately as expenses.

Other investments

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 24.4 million.

4.2.9. Deferred charges and accrued income

Deferred charges totaled EUR 1.7 million and accrued income was EUR 46.3 million.

Among accrued income are the pro ratas of interest relating to subordinated loans granted to Group entities (EUR 44 million), to a currency swap with Dexia Crédit Local (EUR 1.7 million), to available values (EUR 0.1 million), to advances on deferred tax (EUR 0.2 million) and to services rendered to other entities of the Group (EUR 0.3 million).

4.3. LIABILITIES

SHAREHOLDERS' EQUITY

As of December 31, 2008, the holding company's shareholder equity including 2008 net income before profit appropriation totaled EUR 24,464.8 million and is composed of the following items.

4.3.1. Capital

Subscribed capital totaled EUR 8,089 million as of December 31, 2008 compared with EUR 5,307 million as of December 31, 2007.

This increase of EUR 2,782 million resulted from the following operations:

1. The capital increase of EUR 2,781.6 million subscribed by the Belgian authorities, Belgian institutional shareholders Holding Communal SA, Arcofin SC and Ethias, the French government and the Caisse des dépôts et consignations.
2. The exercise of warrants granted to employees for an amount of EUR 0.4 million.

As of December 31, 2008, the capital is so represented by 1,762,478,783 shares of which 18,515,315 bearer shares, 890,221,613 dematerialized shares and 853,741,855 registered shares. The total number of Dexia VVPR strips was 684,333,504.

4.3.2. Additional paid-in capital

Each capital increase is accompanied by additional paid-in capital, which totaled EUR 13,617.7 million as of December 31, 2008.

4.3.3. Reserves and retained earnings

The heading 'Reserves' includes the legal reserve (EUR 530.7 million) and an available reserve amounting to EUR 970 million.

Retained earnings from 2007 amounted EUR 412.7 million.

4.3.4. Net income of the year

As of December 31, 2008, net income totaled EUR 844.7 million. This result is composed of the dividends received from Dexia's operating entities (EUR +1,197.1 million), financial results (EUR +69.9 million), exceptional results (EUR -284.1 million) and net tax income (EUR +64.9 million) after deduction of the holding company's operating expenses (EUR -203.1 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. Provision for tax charges

A provision for tax charges of EUR 1.8 million was made to take into account a potential regularization on the tax basis (see note 4.5.4. "Corporate income tax").

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 2008 financial year, these operations resulted in tax savings of EUR 0.4 million (immediate cash savings) included in the amount of EUR 65.8 million mentioned in the note 4.5.4. "Corporate income tax", and in an allowance in the same amount.
In addition, during the 2008 financial year, a reversal of provisions for risks and charges in the order of EUR 0.6 million was recorded with regard to the tax savings achieved for the year 2007 by fiscal leverage transactions.
The balance of provisions for other risks and charges as of December 31, 2008 amounts to EUR 19.4 million against EUR 19.6 million as of December 31, 2007.

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 3,586.9 million and overdrafts on sight accounts up to EUR 6.1 million.

Trade liabilities

Suppliers' invoices not yet paid amount to EUR 13.2 million and invoices to be received EUR 48.2 million.

Taxes, remuneration and social security

This item includes:
- VAT to be paid (EUR 0.4 million);
- professional withholding tax (EUR 0.2 million);
- liabilities corresponding to compensation and social contributions (EUR 24.7 million).

Other amounts payable

Dividends relating to the 2007 financial year still to be paid amount to EUR 33.3 million whilst the balance of dividends for previous financial years is EUR 81.8 million.
The remaining balance (EUR 0.1 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 3.2 million);
- financial charges linked to loans due with Group companies (EUR 24.4 million);
- pro rata operating expenditures attributable to the 2008 fiscal year (EUR 4.3 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 96.1 million as of December 31, 2008) against EUR 141.20 million.

4.4.3. As of December 31, 2008, the number of stock options granted and not yet exercised stood at 71,787,214. On the basis of the strike prices, this operation results in an off-balance sheet commitment of EUR 1,142.9 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.
The commitment of Dexia SA under this contribution agreement will be assumed by Assured Guaranty Limited within the context of its acquisition of the under-subsidiary Financial Security Assurance Holdings Ltd. ('FSA'), of which finalization is planned for the spring of 2009.

4.4.6. On December 5, 2002, Dexia SA undertook vis-à-vis its subsidiary Dexia Bank Nederland NV and each of the entities which will result from the demerger of Dexia Bank Nederland, excluding any other entity, to ensure that Dexia Bank Nederland or the entities are at any time in a position to fulfill their commitments vis-à-vis third parties and to continue their activities, including the maintenance of their relations with account holders and other clients; in particular, the aim of this undertaking was to prevent third parties being prejudiced by the demerger of Dexia Bank Nederland. The amendment or withdrawal of this undertaking was subject to prior agreement from 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 this sale, Dexia SA reconfirmed by letter dated the same day its undertaking vis-à-vis Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclusion of any other entity. In addition to the usual guarantees given to purchasers to which Dexia SA is also bound, Dexia SA will indemnify Kempen & Co against the risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and undertakes to compensate Kempen & Co for damage resulting from a limited and identified number of elements.

4.4.7. Temporary guarantee of the French, Belgian and Luxembourg States

On October 9, 2008, the French, Belgian and Luxembourg governments concluded heads of agreement with a view to establishing a guarantee mechanism in favor of Dexia SA, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg and Dexia Crédit Local.
Following the European Commission authorization on November 19, 2008, an agreement with Dexia setting out implementing arrangements for the temporary guarantee plan was signed on December 9, 2008
The instruments covered by the guarantee are senior securities and financial instruments not accompanied by collateral or interbank deposits raised by Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium, Dexia Crédit Local and their issue vehicles under Belgian, French and Luxembourg law. These instruments must be issued between October 9, 2008 and October 31, 2009 and mature at the latest on October 31, 2011. The overall guaranteed liability may not exceed a ceiling of EUR 150 billion. Subordinated debts as well as hybrid and securitized instruments are excluded from the scope of the guarantee.

4.4.8. Inheritance duties

The enquiry opened by the judicial authorities on September 28, 1999 against Dexia Bank concerning a possible fraud involving inheritance duties seems to have ended. Four former executives were accused at the end of March 2004. However that accusation does 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 2008.
This file will be submitted in 2009 to the Council Chamber *(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 and 2007 annual reports. 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 28,963,083.03 (exchange rate USD/EUR 1.3971) – of which EUR 182,354.31 reserved interests –, for which an impairment has been recorded for EUR 24,092,917.71. This claim originates in the share taken by the former Artesia Bank in the syndicated loan of 430,000,000 USD to LHSP on May 5, 2000. Artesia Bank's share amounted to 50,000,000 USD.
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

As of December 31, 2008, the Dexia Bank's outstanding claim on Lernout & Hauspie Investment Company (LHIC) amounted to EUR 52,240,144.08 – of which EUR 6,919,585.09 reserved interests. An impairment for EUR 43,959,626.92 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 (*valsheid in de jaarrekening/faux en écritures*) 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.
The oral pleadings regarding the criminal aspect of the case were closed on December 19, 2008. The Court of Appeal deliberated on the criminal case on January 30, 2009 and will deliver its decision during the course of 2009. 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, 2008 Dexia Bank was aware of the following relevant claims for damages (only the most important are listed below):

- Around 15,000 individual shareholders (including the shareholders represented by Deminor and Spaarverlies) who claim around EUR 315,000,000.
- The Belgian receivers of LHSP who are claiming EUR 744,128,638.37. Part of this claim duplicates the claims of other parties. In the present state of the analysis by the bank, that duplication is unlikely to be such as to lead to a substantial reduction in the claim by the receivers of LHSP.
- Mercator & Noordstar which is claiming EUR 17,662,724.
- The receivers of The Learning Kernel who are claiming EUR 7,259,107.06.

All the above-mentioned amounts are principal amounts to which interest must be added. The amount of the interest and the date from which it should be calculated are still under discussion.

In the worst case, the interest rate to be applied is the statutory rate of interest which is currently 7%.

With regard to the starting date from which the interest is to be calculated, the civil parties differ in their approach as to whether it should be a particular date (e.g. November 9, 2000, the date on which the LHSP shares were bought, or the date on which LHSP was declared bankrupt in October 2001) or a mean date.

For the following reasons – among others – it remains very difficult to determine the real extent of the damages claimed:

- a number of parties are claiming provisional amounts;
- the rate of interest to be applied and the USD/EUR conversion rate are still under discussion;
- the final number of civil parties is still unknown;
- proving the link between the damage suffered by the investors and the alleged wrong committed by Artesia Bank is a very complicated matter.

It should be noted that the Court of Appeal in Ghent has decided to separate the criminal from the civil aspects of the case; the Court has deferred the handling of the civil aspects indefinitely.

Dexia Bank, in its turn, made a claim as a civil party against Messrs. Lernout, Hauspie, Willaert and Bastiaens and against the company 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 28,963,083.03 owed to it by LHSP under a USD 430 million syndicated credit facility dated May 5, 2000. (See paragraph 4.4.9.1., above).

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

The only outstanding civil case in the United States, brought by the Litigation Trustee, was terminated in September 2008.

As a result, all the cases bought against Dexia Bank in the United States have been finally terminated in full.

Dexia Bank has not rendered public the settlement amounts in the cases (other than the NASDAQ-class action) since this could seriously harm Dexia Bank's interests.

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.

Dexia Bank vigorously contests the grounds for these applications.

For the sake of completeness, it should be mentioned that the receivers of L&H Holding are also claiming damages from Dexia Bank, provisionally estimated at EUR 1, for the participation in LHSP (of around 12,000,000 shares) which is now worthless.

4.4.9.7. Banque Artesia Nederland

In October 2006, Dexia Bank sold its affiliated company Banque Artesia Nederland (BAN) to General Electric (GE). 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 countervalue of these Parvest shares on

ANNUAL FINANCIAL STATEMENTS

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, 2007 in execution of the aforesaid guarantee in favor of GE (see the first paragraph of this section).

BAN has lodged an appeal against the decision of the Court of Appeal in Luxembourg before the Supreme Court (*cour de cassation*), which will give a decision on April 2, 2009.

Finally, in October 2007, Dexia Bank honored the bank guarantee of USD 10,000,000 in principal issued in favor of BAN (see paragraph 4.4.9.6. above). 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, 2008, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounts to some EUR 81,142,273.06 – of which EUR 7,104,106.89 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 68,052,544.63. Dexia Bank expects to be able to recover the difference in view of the securities provided.

Dexia Bank Belgium has not constituted any provisions for the claims made against it in Belgium for the following reasons.

- As things stand at the moment, the Bank assesses at less than 50% the likelihood of a court decision ordering it to pay damages. The lawyers of the bank are of the opinion that it has strong arguments to contest the charges brought against it.
- With regard to the civil actions, we note that various claims (Deminor…) make no mention of any precise amount and that often a provisional amount is claimed.
- The number of civil parties and the amounts they claim cannot be estimated for good at the moment.
- Dexia Bank has made extensive submissions and has argued that most of the actions brought by the civil parties are inadmissible and at least unfounded.

The unused provisions constituted for the actions in the American courts were reversed in the third quarter of 2008.

Dexia strongly challenges the validity and the merits of all these claims.

4.4.10. Dexia Bank Nederland

4.4.10.1. 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 2007 (especially on pages 102 to 104) and in the Financial Reports published during the year 2008, which are available on *www.dexia.com*.

4.4.10.2. Specific litigations

Reference (especially for the Duisenberg Arrangement) is made to the detailed disclosure in the Dexia Annual Report 2007.

On March 28, 2008, the Netherlands Supreme Court rendered a judgment, dismissing the appeal of DBnl in respect of the so-called spouse consent matter. According to this judgment, a securities leasing contract is a form of hire purchase instalment plan falling within article 1:88 of the Netherlands Civil Code, which means that the spouse of the client had to give written consent to his or her partner for entering into such a contract. Therefore, spouses who sent DBnl a so-called nullification letter within the prescription period of three years as from the moment the spouse was aware of the existence of the contract, and who did not accept a settlement (like the Dexia Offer or the Duisenberg Arrangement), can indeed invoke the nullification of the contract of the client. A provision of EUR 32 million for this issue has been recorded in the 2008 results. The provision covers all files for which it is established that the nullification letter has been received in due time. However, as the prescription period will be determined case by case, additional provisions may be needed in a number of cases.

In several judgments, the Courts of Appeal of Amsterdam, Arnhem and Den Bosch have decided that interest paid should not be considered as part of the damage of the client, but the Amsterdam Sub-District Court continued to apply the "standard decisions" of April 2007, using a broader definition of relevant damage. Therefore, DBnl continued to issue more appeals in this respect to the Courts of Appeal. However, on November 25, 2008, the Amsterdam Sub-District Court decided to suspend all equity lease procedures involving duty of care issues. Furthermore, most of the other Sub-District Courts in the Netherlands also decided to suspend all similar equity lease procedures. Duty of care issues, including the correct definition of relevant damage, will be part of judgments by the Netherlands Supreme Court which are expected to be rendered in the first half of 2009. The provisions of DBnl are based on the costs of the Duisenberg Arrangement and not on the "standard decisions" of the Amsterdam Sub-District Court.

On October 14, 2008, the Amsterdam Court of Appeal ruled that the so-called Dexia Offer, a settlement signed by clients in 2003, is a valid settlement-agreement indeed. As a result of this decision, there is no need to change the provisions of DBnl in this respect.

On December 31, 2008, DBnl is still involved in over 2,800 civil court cases, involving more than 3,000 clients. However, the vast majority of these court cases have been suspended. The number of clients in proceedings decreased rapidly in 2008 and will continue to decrease in 2009 because of settlements expected after the judgment of the Supreme Court.

4.4.10.3. Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Especially in respect of the nature of these disputes, Dexia refers to its earlier annual reports and financial reports. Generally speaking, only the approximately 20,000 clients that have filed a so-called opt-out statement before August 1, 2007, and did not enter into any settlement since then, are still entitled to start or continue proceedings against DBnl.

4.4.10.4 Dutch Securities Institute (DSI)

At the end of 2008, only 20 cases were still under consideration by the DSI Grievance Committee, and only one case under consideration by the DSI Appeals Committee.

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 2008, settlements with nearly all Depot Lease clients have been reached. DBnl faces a limited number of court cases with Depot Lease clients, but expects to be able to settle a considerable number of them. Adequate provisions have been made.

4.4.10.6. Provisions as of December 31, 2008

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.

4.4.11. Financial Security Assurance (Subpoena)

On February 4, 2008, Financial Security Assurance Holdings Ltd (FSA) received a letter from the US Securities and Exchange Commission (SEC), commonly called a "Wells Notice", indicating that the SEC staff is considering recommending that the SEC authorize commencement of non-criminal proceedings against FSA, alleging violations of certain provisions of the US securities laws in connection with alleged bid rigging of municipal guaranteed investment contracts (GICs) that is also being investigated by the US Department of Justice (DOJ). FSA is in discussions with the DOJ and the SEC regarding a proposal that, if agreed to, would settle the matter with the DOJ, the SEC and the Internal Revenue Service, also with regard to the Wells Notice received in February 2008. FSA is also a defendant in class action and other civil litigation related to the subject matter of the government investigation, including actions on behalf of various states that purchased municipal GICs. The states may elect to participate in the global settlement proposal, which would resolve any civil litigation by the respective states.

4.5. STATEMENT OF INCOME

4.5.1. Operating income

Other operating income relates to the recovery of costs (EUR 2.6 million) as well as structural reductions regarding professional withholding tax (EUR 0.1 million).

Miscellaneous services and other goods increased by EUR 43.6 million to EUR 150.9 million.

This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, which amounted to 82.1 EUR million against EUR 65.1 million in 2007. The increase of fees is principally associated with the services provided by Group subsidiaries. These fees are also due for guidance and control tasks performed by corporate teams of the Dexia Group.

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 1.7 million.

Other operating costs (leasing of premises, telecommunications, travel, trainings, memberships and supplies) totaled EUR 33.9 million compared with EUR 32.8 million in 2007, that growth being linked to the evolution of the cost of living.

Printing and advertising costs linked to corporate publications were EUR 2.9 million compared to EUR 3.7 million in 2007 whilst costs associated with the Group transformation plan are EUR 26.1 million.

The compensations paid to members of the Board of Directors amount to EUR 4.2 million.

The cost of remunerations and social charges remained stable despite the growth of the average number of people directly employed by Dexia, which rose from 242 to 261.

Amortization of formation expenses represented EUR 3.7 million, amortization of intangible fixed assets EUR 1.6 million and depreciation of tangible fixed assets EUR 0.5 million.

4.5.2. Financial results

Financial income from financial assets includes the dividends paid by Group entities (EUR 1,197.2 million) as well as interest received and earned for subordinated loans (EUR 163.9 million).

Income from current assets included the interest generated by the currency swap contracted with Dexia Crédit Local (EUR 7.1 million), proceeds from tax deferred advances (EUR 1.4 million) and income from money-market investments (EUR 52.9 million). The other financial income results from a hedge transaction of EUR 2.1 million and positive exchange differences on the dollar and the Turkish lira of EUR 0.9 million and EUR 10.5 million respectively.

Interest paid and due in relation to the loans granted by Group entities totaled EUR 157.7 million. Financial charges relating to the currency interest rate swap with Dexia Crédit Local were EUR 6.8 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 2.5 million), the cost of fiduciary services (EUR 0.5 million), the purchase fees related to own shares (EUR 0.1 million) and other financial charges (EUR 0.2 million).

Furthermore, conversion differences on latent exchange losses in relation to the dollar have been recorded for EUR 0.9 million.

4.5.3. Exceptional income

The sale to Crédit Local SA of the participating interest held in Dexia Habitat SA resulted in a gain of EUR 0.02 million.

Other exceptional charges relate to the value reduction of EUR 284.1 million on the participating interest in Dexia Holdings Inc. (cf. note 4.2.4. Financial fixed assets).

4.5.4. Corporate income tax

The corporate tax charge relates to a provision for tax charges (EUR 1.8 million) (see section 4.3.5. "Provision for tax charges"). This provision should be viewed in the context of the Belgian fiscal regulations regarding definitively taxed surplus revenue, under which this could not be carried forward to a later period. This point has in the meantime been the object of an Order by the European Court of Justice (ECJ 12 February 2009), which specifies that the Belgian legislation contradicts the Parents-Subsidiary Directive. It results that the said provision will be amended in 2009.

Proceeds from other 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 these permanent establishments and considered as an immediate gain (EUR 0.9 million in Luxembourg and EUR 65.8 million in France).

4.5.5. Net income for the year

Net income for 2008 totaled EUR 844.7 million.

4.6. STATEMENT OF FORMATION EXPENSES

(in EUR)	Amounts
NET BOOK VALUE AS AT DEC. 31, 2007	**6,862,955**
Movements during the period:	
- New expenses incurred & expenses of capital increase	5,576,603
- Depreciation	(3,679,250)
NET BOOK VALUE AS AT DEC. 31, 2008	**8,760,308**
Detailing: - Expenses of formation or capital increase, loan issue expenses and other formation expenses	8,760,308

4.7. STATEMENT OF INTANGIBLE ASSETS (LICENCES)

(in EUR)	Amounts
ACQUISITION VALUE AS AT DEC. 31, 2007	**6,555,616**
Movements during the period:	
- Acquisitions, including produced fixed assets	3,045,708
- Sales and disposals	(36,263)
ACQUISITION VALUE AS AT DEC. 31, 2008	**9,565,061**
DEPRECIATION AS AT DEC. 31, 2007	**4,797,708**
Movements during the period:	
- Recorded	1,588,718
- Cancelled owing to sales and disposals	(36,263)
DEPRECIATION AS AT DEC. 31, 2008	**6,350,163**
NET BOOK VALUE AS AT DEC. 31, 2008	**3,214,898**

4.8. STATEMENT OF TANGIBLE FIXED ASSETS

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets
ACQUISITION VALUE AS AT DEC. 31, 2007	**771,885**	**8,496,752**	**235,944**
Movements during the period:			
- Acquisitions	8,513	306,024	263,793
- Sales and disposals	(211,987)	(1,016,783)	0
ACQUISITION VALUE AS AT DEC. 31, 2008	**568,411**	**7,785,993**	**499,737**
DEPRECIATION AS AT DEC. 31, 2007	**642,807**	**5,850,874**	**125,005**
Movements during the period:			
- Recorded	20,581	452,391	77,891
- Canceled due to sales and disposals	(211,987)	(545,696)	0
DEPRECIATION AS AT DEC. 31, 2008	**451,401**	**5,757,569**	**202,896**
NET BOOK VALUE AS AT DEC. 31, 2008	**117,010**	**2,028,424**	**296,841**

4.9. STATEMENT OF FINANCIAL FIXED ASSETS

1. Participating interests and shares

(in EUR)	Amounts
ACQUISITION VALUE AS AT DEC. 31, 2007	**18,952,029,542**
Movements during the period:	
- Acquisitions	6,217,522,246
- Sales and disposals	(2,980,000)
ACQUISITION VALUE AS AT DEC. 31, 2008	**25,166,571,788**
AMOUNTS WRITTEN DOWN AS AT DEC. 31, 2007	**0**
Movements during the period:	
- Recorded	284,146,133
AMOUNTS WRITTEN DOWN AS AT DEC. 31, 2008	**284,146,133**
NET BOOK VALUE AS AT DEC. 31, 2007	**24,882,425,655**

2. Amounts receivable

(in EUR)	1. Affiliated	2. With participation link
NET BOOK VALUE AS AT DEC. 31, 2007	**3,378,983,557**	**757,018**
Movements during the period:		
- Additions	0	34,562
- Repayments	0	(1,000)
- Exchange differences	91,910,438	0
NET BOOK VALUE AS AT DEC. 31, 2008	**3,470,893,995**	**790,580**

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			Information from the most recent period for which annual accounts are available			
	The enterprise (directly)		Subsid-iaries	Primary financial statement	Mon-etary unit	Capital and reserves	Net result
	Number	%	%			(+) or (-) (in monetary unit)	
Associated Dexia Technology Services SA - FC (1) 23, Z.A. Bourmicht L-8070 Bertrange Common shares	1,493	99.53	0.47	31/12/2007	EUR	1,517,444	41,718
Deniz Faktoring - FC (1) Rihtim Caddesi – Karaköy 26 T-Istanbul Common shares	1	0.01	99.99	31/12/2008	TRY	77,678,299	20,149,721
Deniz Finansal Kiralama - FC (1) Rihtim Caddesi – Karaköy 26 T-Istanbul Common shares	72	0.01	99.99	31/12/2008	TRY	345,558,671	71,762,223
Dexia Banque Belgique SA Boulevard Pachéco 44 B-1000 Bruxelles BE 0403.201.185 Common shares	359,412,609	100.00	0.00	31/12/2007	EUR	2,980,564,579	793,207,820
Dexia Banque Internationale à Luxembourg SA - FC (1) 69, route d'Esch L-1470 Luxembourg Common shares	1,163,720	57.68	42.27	31/12/2007	EUR	1,676,006,981	202,487,233
Dexia Crédit Local SA - FC (1) 1, passerelle des Reflets Tour Dexia – La Défense 2 F-92913 Paris Common shares	87,045,743	100.00	0.00	31/12/2007	EUR	2,756,281,600	319,477,197
Dexia Employee Benefits SA Avenue Livingstone 6 B-1000 Bruxelles BE 0866.161.005 Common shares	14,999	100.00	0.00	31/12/2007	EUR	1,019,530	318,129
Dexia Funding Luxembourg SA - FC (1) 180, rue des Aubépines L-1145 Luxembourg Common shares	31	100.00	0.00	31/12/2007	EUR	(40,974)	(71,974)
Dexia Holdings Incorporated - FC (1) 31 West 52nd street New York, NY 10019 – USA Common shares	1	10.00	90.00	31/12/2007	USD	3,449,009,767	147,144,578
Dexia Management Services Ltd - FC (1) 4 Battle Bridge Lane, 2nd floor Shackleton House UK-London SE1 2RB Common shares	10,000	100.00	0.00	31/12/2007	GBP	64,835	(10,183)
Dexia Nederland Holding NV - FC (1) Piet Heinkade 55 NL-1019 GM Amsterdam Common shares	50,000	100.00	0.00	31/12/2008	EUR	452,147,000	(44,116,000)
Dexia Participation Belgique SA Place Rogier 11 B-1210 Bruxelles BE 0882.068.708 Common shares	103,515	95.39	4.61	31/12/2008	EUR	2,768,934,104	(1,564,653)
Dexia Participation Luxembourg SA - FC (1) 69, route d'Esch L-1470 Luxembourg Common shares	25,759	99.99	0.01	31/12/2008	EUR	1,408,358,098	127,842,363

(1) FC: foreign company

4.11. INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS

(in EUR)	Previous period	Period
Other investments	**182,529**	**182,529**

4.12. DEFERRED CHARGES AND ACCRUED INCOME FROM THE ASSETS

(in EUR)	Period
Deferred charges	1,723,850
Accrued income: interest	45,934,194
Accrued income: Provided services	306,000

4.13. STATEMENT OF CAPITAL AND SHAREHOLDERS' STRUCTURE

A. Issued capital

	Amounts (in EUR)	Number of shares
ISSUED CAPITAL AS AT DEC. 31, 2007	**5,307,005,112**	
Changes during the period:		
- exercise of warrants for Group staff	457,393	99,650
- capital increase	2,781,557,749	606,060,606
- destruction of own shares	0	22,258,236
ISSUED CAPITAL AS AT DEC. 31, 2008	**8,089,020,254**	

B. Structure of the capital

	Amounts (in EUR)	Number of shares
Different categories of shares		
- Shares without indication of nominal value, each representing 1/1.762.478.783 of the issued capital	8,089,020,254	1,762,478,783
- Registered shares		853,741,855
- Bearer shares		908,736,928

C. Own shares held by:

	Amount of capital (in EUR)	Number of shares
- the company itself	0	0
- its direct subsidiaries	1,347,486	293,570

D. Commitments to issue shares

	Amount of capital (in EUR)	Number of shares
Following the exercising of subscription rights		
- Number of outstanding subscription rights		71,787,214
- Amount of capital to be issued	329,503,312	
- Maximum number of shares to be issued		71,787,214

E. Amount of authorized capital, not issued

	Amounts (in EUR)
	1,618,019,248

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:

Caisse des dépôts et consignations: 17.61%
Holding Communal: 14.34%
Arcofin: 13.92%
Société de Prise de Participation de l'État (SPPE): 5.73%
Société fédérale de participations et d' investissement (SFPI): 5.73%
Ethias Group: 5.04%
CNP Insurances: 2.97%

4.14. PROVISIONS FOR OTHER RIKS AND CHARGES

	Period
Commitment as head of a fiscal consolidation (France)	19,430,427

4.15. DEBT SITUATION

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**	**200,000,000**	**0**
5. Other loans	0	200,000,000	0
TOTAL	**0**	**200,000,000**	**0**

4.16. AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	567,925
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	24,717,554

4.17. ACCRUED CHARGES AND DEFERRED INCOME IN THE LIABILITIES

(in EUR)	Period
Accrued charges: interest	27,596,281
Accrued charges: general operating expense	4,303,170

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	21,684	90,949
Employees recorded in the personnel register in Belgium		
a) Total number at the closing date	239	252
b) Average number of employees in full-time equivalents	219.0	234.2
c) Number of actual working hours	326,355	367,047
Personnel charges		
a) Remuneration and direct social benefits	38,462,616	34,101,047
b) Employers' contribution for social security	6,173,063	9,468,227
c) Employers' premium for extra statutory insurance	3,499,210	4,266,663
d) Other personnel charges	647,060	892,166
Provisions for liabilities and charges		
Increases	1,042,559	397,443
Decreases	15,616,340	578,309
Other operating charges		
Taxes related to operations	182,528	469,717
Other charges	23,344	16,269
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	2	1
b) Average number of employees in full-time equivalents	1.9	1.9
c) Number of actual working hours	3,306	3,352
d) Charges to the enterprise	108,047	132,665

4.19. FINANCIAL RESULTS

(in EUR)	Previous period	Period
Other financial income		
Exchange differences	60,417	11,384,428
Income related to a swap	3,677,225	2,112,997
Other financial income	31	0
Other financial charges		
Charges linked to the payment of dividends	5,795,502	2,492,757
Impairments at the realization of current assets	15,516,340	0
Exchange differences	2,814,745	11,001
Conversion differences	64,956	874,992
Other financial charges	535,149	687,371
Charges linked to the purchase of own shares	88,739	114,977

4.20. INCOME TAXES

(in EUR)	Period
Income taxes of the current period	**1,782,450**
a) Taxes and withholding taxes due or paid	148,212
b) Excess of income tax prepayments and withholding taxes capitalized	(148,212)
c) Estimated additional charges for income taxes	1,782,450
Income taxes on previous periods	**2,608**
a) Additional charges for income taxes due or paid	2,608
b) Additional charges for income taxes estimated or provided for	0
Taxes of the current period that are materially affected by differences between the profit before taxes and the estimated taxable profit	
Definitively taxed income	493,812,751
Exempted results of the subsidiaries	566,945,935
Non-deductibility of the loss on financial fixed assets	284,146,133
Impact of the exceptional results in the taxes on the profit of the year	
The exceptional results have no impact on the taxes related to the current period. The amount written off on Dexia Holdings Inc. is not tax deductible in Belgium and the capital gain on the shares of Dexia Habitat is for 95% exempted of tax in France.	
Status of deferred taxes	
a) Deferred taxes representing assets	
Other deferred taxes representing assets	
- Surplus on depreciations	1,476,636

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)	2,182	30,808
2. By the enterprise	10,616	69,888
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	15,062,412	14,128,371
2. Withholding taxes on investment income	93,829,529	110,137,267

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	**500,039,300**
Whereof:	
- Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise	500,039,300
Forwarded transactions	
- Currencies purchased (to be received)	141,168,500
- Currencies sold (to be delivered)	96,078,863

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 which 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

(in EUR)	Affiliated enterprises Previous period	Affiliated enterprises Period
FINANCIAL FIXED ASSETS	**22,331,013,099**	**28,353,319,650**
Investments	18,952,029,542	24,882,425,655
Subordinated amounts receivable	3,378,983,557	3,470,893,995
AMOUNTS RECEIVABLE	**35,052,654**	**50,249,322**
After one year	34,048,252	44,235,576
Within one year	1,004,402	6,013,746
CURRENT INVESTMENTS	**0**	**0**
Shares	0	0
Amounts receivable	0	0
AMOUNTS PAYABLE	**3,452,564,090**	**3,820,949,561**
After one year	200,000,000	200,000,000
Within one year	3,252,564,090	3,620,949,561
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	**203,832,042**	**214,730,513**
FINANCIAL RESULTS		
From financial fixed assets	1,360,836,093	1,361,054,516
From current assets	11,741,751	61,374,836
Other financial income	0	0
From interests on liabilities	178,761,391	164,731,595
Other financial charges	21,466,938	2,364,425
GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS	**0**	**0**
Obained captial gains	0	20,000

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	4,200,005

5.3. RELATIONSHIPS WITH AFFILIATED AUDITOR

Compensation of the auditor	**180,000**
Remuneration for exeptional tasks executed within the enterprise by the Auditor	
Other tasks	297,200
Tax advise	94,500
Other (non - assistance)	0

6. Derivatives not measured at fair value

In this case an estimate of the fair value of financial derivatives not measured at fair value with indication about the nature and the volume of the instruments

Currency interest rate swap: 1 contract – Excluding accrued interests	37,421,689

7. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consilidated financial statement.

8. Social report

8.1. STATEMENT OF THE PERSONS EMPLOYED IN 2008

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	203.9	42.3	234.2	(FTE)	219.0	(FTE)
Number of actual working hours	354,527	12,520	367,047	(T)	326,355	(T)
Personnel charges (in EUR)	40,744,895	1,438,864	42,183,759	(T)	42,272,673	(T)
Advantages of the benefits in addition to wage (in EUR)					587,150	(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	**208**	**44**	**239.3**
b. By nature of the employment contract			
Contract of indefinite period	207	44	238.3
Contract of definite period	1	0	1.0
c. According to gender and by level of education			
Male:	126	28	145.3
secondary education	9	0	9.0
higher non-university education	13	2	14.3
university education	104	26	122.0
Female:	82	16	94.0
secondary education	5	1	5.8
higher non-university education	29	4	31.3
university education	48	11	56.9
d. By professional category			
Management staff	23	17	35.3
Employees	185	27	204.0

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	3,352	0
Charges of the enterprise (in EUR)	132,665	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	**27**	**1**	**27.9**
b. By nature of the employment contract			
Contract for an indefinite period	27	1	27.9

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	**14**	**1**	**14.7**
b. By nature of the employment contract			
Contract for an indefinite period	14	1	14.7
c. According to the reason for termination of the employment contract			
Retirement	1	0	1.0
Dismissal	3	1	3.7
Other reason	10	0	10.0
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. INFORMATION ON TRAINING PROVIDED TO EMPLOYEES DURING THE FINANCIAL YEAR

Total of formal continuing vocational training initiatives for workers paid by the employer	Male	Female
Number of employees involved	72	53
Number of training hours	3,061	2,472
Costs for the enterprise (in EUR)	550,995	444,965
- whereof gross costs directly associated with the company (in EUR)	550,995	444,965

Total of less formal and informal continuing vocational training initiatives for workers paid by the employer	Male	Female
Number of employees involved	23	19
Number of training hours	159	203
Costs for the enterprise (in EUR)	64,738	82,677

Dexia SA

Statutory auditor's report for the year ended December 31, 2008 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments and information.

UNQUALIFIED AUDIT OPINION ON THE FINANCIAL STATEMENTS, WITH EXPLANATORY PARAGRAPH

We have audited the financial statements of Dexia SA for the year ended December 31, 2008, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of EUR 28,512,800 (000) and a profit for the year of EUR 844,685 (000).

The Board of Directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements 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 financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of December 31, 2008 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Without amending our unqualified opinion, we draw the attention to the comments included in the management report of Dexia Group, which is attached to the statutory annual accounts, relating to the impact of the financial crisis on the liquidity position of Dexia.

ADDITIONAL COMMENTS AND INFORMATION

The preparation and the assessment of the information that should be included in the Directors' report and the company's compliance with the requirements of the Companies' Code and its articles of association are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments and information which do not change the scope of our audit opinion on the financial statements:

- The Directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained 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.
• No transactions have been undertaken or decisions taken in violation of the company's articles or the Companies' Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles.
• 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 February 28, 2008 relating to the remuneration of the former representative Director and the former President of the Board of Directors and of the Board of Directors of November 13, 2008 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.

Antwerp, April 2, 2009

The statutory auditor

DELOITTE Bedrijfsrevisoren/Reviseurs d'Entreprises
BV o.v.v.e. SC s.f.d. SCRL
Represented by

Frank Verhaegen Bernard De Meulemeester

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

Adinfo
Boulevard Pachéco 44
B-1000 Brussels
Phone: + 32 2 222 81 74
Fax: + 32 2 222 24 37
www.adinfo.be

Associated Dexia Technology Services
23, ZA Bourmicht
L-8070 Bertrange
Phone: + 352 4590 3093
Fax: + 352 4590 5754

Ausbil Dexia Ltd
Veritas House – Level 23
207 Kent Street
Sydney NSW 2000
Australia
Phone: + 61 2 925 90 200
Fax: + 61 2 925 90 222
www.ausbil.com.au

CBX.IA 2
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 77 77
Fax: + 33 1 58 58 70 00

Corona
Avenue de la Métrologie 2
B-1130 Brussels
Phone: + 32 7 815 14 15
Fax: + 32 2 216 23 98
www.corona.be

DenizBank AG Austria
Thomas-Klestil-Platz 1
A-1030 Wien
Phone: + 43 505 105 2020
Fax: + 43 505 105 2029
www.denizbank.at

DenizBank AS
Büyükdere Cad. No. 106
34394 Esentepe/Istanbul
Turkey
Phone: + 90 212 355 08 00
Fax: + 90 212 274 79 93
www.denizbank.com

Dexia Asset Management Alternative Dublin Ltd
George's Dock 6
IRL-Dublin 2
Phone: + 353 1 440 65 15

Dexia Asset Management Belgium
Rue Royale 180
B-1000 Brussels
Phone: + 32 2 222 52 42
Fax: + 32 2 222 07 07
www.dexia-am.com

Dexia Asset Management France
40, rue Washington
F-75408 Paris Cedex 08
Phone: + 33 1 53 93 40 00
Fax: + 33 1 45 63 31 04
www.dexia-am.com

Dexia Asset Management Luxembourg SA
136, route d'Arlon
L-1150 Luxembourg
Phone: + 352 254 2797-1
Fax: + 352 254 2797-4940
www.dexia-am.com

Dexia Asset Management Luxembourg SA Canadian Representative Office
77, King Street West
Royal Trust Tower (32nd floor)
Toronto, Ontario
Canada
Phone: +1 416 974 9055

Dexia Asset Management Luxembourg SA Middle East Representative Office
Bahrain Financial Harbour West,
Financial center
West Harbour Tower, Level 23
King Faisal Highway
PO Box 75766
Manama
Kingdom of Bahrein
Phone: + 973 17 566 727

Dexia Asset Management Luxembourg SA Spólka Akcyjna, Oddzial W Polsce
ul. Sienna, 39
PL-00-121 Warszawa
Phone: +48 22 528 6682
Fax: +48 22 520 6701
www.dexia-am.com

Dexia Asset Management Luxembourg SA Succursale de Genève
2, rue de Jargonnant
CH-1207 Genève
Phone: + 41 22 707 90 00
Fax: + 41 22 707 90 99
www.dexia-am.com

Dexia Asset Management Luxembourg SA Sucursal en España
Calle Ortega y Gasset, 26
E-28006 Madrid
Phone: + 34 91 360 94 75
Fax: + 34 91 360 98 99
www.dexia-am.com

Dexia Asset Management Luxembourg SA Succursale italiana
Corso Italia 1
I-20122 Milano
Phone: + 39 02 31 82 83 61
Fax: + 39 02 31 82 83 84
www.dexia-am.com

Dexia Asset Management Luxembourg SA Svenska Filial
Engelbrektsplan 2
PO Box 7573
SE-10393 Stockholm
Phone: + 46 8 407 57 80
Fax: + 46 8 407 57 01
www.dexia-am.com

Dexia Asset Management Luxembourg SA Zweigniederlassung Deutschland
An der Welle 4
D-60422 Frankfurt
Phone: + 49 69 7593 8823
Fax: + 49 69 7593 7301

Dexia Asset Management Luxembourg SA Zweigniederlassung Österreich
Regus Vienna Opera
Kärntner Ring 5-7
A-1010 Wien
Phone: +43 1 205 1160 1026
Fax: +43 1 205 1160 1008
www.dexia-am.com

Dexia Asset Management Nederlands bijkantoor
Lichtenauerlaan 102-120
NL-3062 ME Rotterdam
Phone: + 31 10 204 56 53
Fax: + 31 10 204 58 79
www.dexia-am.com

Dexia Bail
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 84 06
Fax: + 33 1 58 58 76 22

Dexia Bank Belgium
Boulevard Pachéco 44
B-1000 Brussels
Phone: + 32 2 222 11 11
Fax: + 32 2 222 40 32
www.dexia.be
www.axionweb.be

Dexia Bank Belgium Dublin Branch
6 George's Dock
IRL-IFSC Dublin 1
Phone: + 353 16 45 50 31
Fax: + 353 18 29 15 77

Dexia Bank Belgium London Branch
Shackleton House, Hay's Galleria
4 Battle Bridge Lane
UK-London SE1 2GZ
Phone: + 44 20 7556 3060
Fax: + 44 20 7556 2560

Dexia Bank Denmark A/S
Grønningen 17
DK-1270 København K
Phone: + 45 33 46 11 00
Fax: + 45 33 32 42 01
www.dexia-bank.dk

Dexia Bank Nederland
Piet Heinkade 55
Postbus 808
NL-1000 AV Amsterdam
Phone: + 31 900 339 4222
Fax: + 31 20 523 7560
www.dexiabank.nl

Dexia banka Slovensko
Hodzova 11
01011, Zilina
Slovakia
Phone: + 421 41 51 11 101, 102
Fax: + 421 41 56 24 129
www.dexia.sk

Dexia Banque Internationale à Luxembourg
69, route d'Esch
L-2953 Luxembourg
Phone: + 352 4590 1
Fax: + 352 4590 2010
www.dexia-bil.lu

Dexia Banque Privée Suisse SA
Beethovenstraße, 48
Postfach 2192
CH-8022 Zürich
Phone: + 41 1 286 92 92
Fax: + 41 1 201 14 71
www.dexia-privatebank.ch

Dexia BIL Singapore Branch
Raffles Place # 29-01
Republic Plaza
Singapore 048619
Phone: + 65 6 222 76 22
Fax: + 65 6 536 02 01
www.dexia-bil.lu

Dexia CLF Banque
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 72200
F-92919 La Défense Cedex
Phone: + 33 1 58 58 88 02
Fax: + 33 1 58 58 88 10

Dexia CLF Régions Bail
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 84 06
Fax: + 33 1 58 58 76 22

Dexia Commercial Finance
Place Rogier 11
B-1210 Brussels
Phone: + 32 2 282 66 33
Fax: + 32 2 282 66 99
www.dexia-factors.be

Dexia Crediop
Via Venti Settembre, 30
I-00187 Roma
Phone: + 39 06 47 71 1
Fax: + 39 06 47 71 59 52
www.dexia-crediop.it

Dexia Crédit Local
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 77 77
Fax: + 33 1 58 58 70 00
www.dexia-creditlocal.fr

Dexia Crédit Local
Canada Branch
800 Square Victoria, Bureau 1620
CP 201, Montréal (Québec)
Canada H4Z 1 E3
Phone: + 1 514 868 1200
Fax: + 1 514 868 1840

Dexia Crédit Local
Dublin Branch
6 George's Dock
IRL-IFSC Dublin 1
Phone: + 353 1 670 27 00
Fax: + 353 1 670 27 05

Dexia Crédit Local
New York Branch
445 Park Avenue
New York, NY 10022
USA
Phone: + 1 212 515 70 00
Fax: + 1 212 753 55 22
www.dexia-americas.com

Dexia Crédit Local Bank
Tokyo Branch
Meiji Seimei Kan 5F
2-1-1 Marunouchi Chiyoda-ku,
Tokyo 100-0005
Japan
Phone: + 81 3 6268 4000
Fax: + 81 3 6268 4015

Dexia Crédits Logement
Headquarters
Boulevard Pachéco 44
B-1000 Brussels
Operations
• Chaussée de Dinant 1033
B-5100 Wépion
Phone: + 32 81 46 82 11
Fax: + 32 81 46 05 55
• H. Consciencestraat 6
B-8800 Roeselare
Phone: + 32 51 23 21 11
Fax: + 32 51 23 21 45

Dexia Éditions
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 78 78
Fax : + 33 1 58 58 68 20
www.dexia-editions.com

Dexia Épargne Pension
75, rue de la Victoire
F-75009 Paris
Phone: + 33 1 55 50 15 15
Fax: + 33 1 45 26 34 20
www.dexia-ep.com

Dexia Finance
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 40 69 28 40
Fax: +33 1 40 69 28 58

Dexia Flobail
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 84 06
Fax: + 33 1 58 58 76 22

Dexia Ingénierie Sociale
13, rue Croquechâtaigne
PB 30064
F- 45380 Chapelle St-Mesmin
Phone: + 33 2 36 56 00 00
Fax: + 33 2 36 56 00 01
assurance@dexia-prevoyance.com

Dexia Insurance Belgium
Avenue Livingstone 6
B-1000 Brussels
Phone: + 32 2 286 76 11
Fax: + 32 2 286 76 99
www.dvvlap.be

Dexia Investment Company
Boulevard Pachéco 44
B-1000 Brussels
Phone: + 32 2 222 71 94
Fax: + 32 2 285 35 48

Dexia Investments Ireland
6 George's Dock
IRL-IFSC Dublin 1
Phone: + 353 1 645 50 00
Fax: + 353 1 829 15 77
www.dexia-investments.ie

Dexia Israel Bank Ltd
19 Ha'arbaha Str. – Hatihon Building
PO Box 709
61200 Tel Aviv
Israel
Phone: + 972 3 764 76 00
Fax: + 972 3 760 45 57

Dexia Kommunalbank
Deutschland AG
Charlottenstraße 82
D-10969 Berlin
Phone: + 49 30 25 59 8-0
Fax: + 49 30 25 59 8-2 00
www.dexia.de

Dexia LdG Banque SA
69, route d'Esch
L-1470 Luxembourg
Phone: + 352 4590-3639
Fax: + 352 4590-2164

Dexia Lease Belgium
Headquarters
Place Rogier 11
B-1210 Brussels
Operations
Avenue Livingstone 6
B-1000 Brussels
Phone: + 32 2 222 37 08
Fax: + 32 2 222 37 13
www.dexialease.be

Dexia Lease Services
Avenue Livingstone 6
B-1000 Brussels
Phone: + 32 2 222 38 36
Fax: + 32 2 222 37 13

Dexia Life & Pensions Luxembourg
2, rue Nicolas Bové
L-1253 Luxembourg
Phone: + 352 262 54 41
Fax: + 352 262 54 45 480
www.dexia-life.com

Dexia Location Longue Durée
22, rue des Deux Gares
F-92564 Rueil-Malmaison Cedex
Phone: + 33 1 57 69 55 55
Fax: + 33 1 57 69 65 87
www.dexia-lld.fr

Dexia Municipal Agency
1, passerelle des Reflets
Tour Dexia - La Défense 2
TSA 92202
F-92919 La Défense Cedex
Phone: + 33 1 58 58 77 77
Fax: + 33 1 70 77 66 25

Dexia Private Bank Jersey Ltd
PO Box 12
2-6, Church Street
St Helier, Jersey JE4 9NE
Phone: + 44 1534 83 44 00
Fax: + 44 1534 83 44 11
www.dexia-privatebank.je

Dexia Private Financial Services SA
World Trade Center
Avenida Luis A. de Herrera 1248
Torre II Piso 20
11300 Montevideo
Urugay

Dexia Private Financial Services SAM
Les Boulingrins
5bis, avenue Princesse Alice
MC-98000 Monaco

Dexia Public Finance Bank
Shackleton House
4, Battle Bridge Lane
UK-London SE1 2RB
Phone: + 44 207 378 77 57
Fax: + 44 207 378 71 88
www.uk-dexia.com

Dexia Public Finance Switzerland
2, rue de Jargonnant
CH-1207 Genève
Phone: + 41 22 718 01 20

Dexia Re
2, rue Nicolas Bové
L-1253 Luxembourg
Phone: + 352 227 343 1
Fax: + 352 227 347

Dexia Real Estate Capital Markets
1180 NW Maple Street Suite 202
Issaquah, WA 98027
USA
Phone: + 1 425 313 46 00
Fax: + 1 425 313 10 05
www.dexia-cmbs.com

Dexia Sabadell
Paseo de las Doce Estrellas 4
Campo de las Naciones
E-28042 Madrid
Phone: + 34 91 721 33 10
Fax: + 34 91 721 33 20
www.dexiasabadell.es

Dexia Securities France
112, avenue Kléber
F-75116 Paris
Phone: + 33 1 56 28 52 00
Fax: + 33 1 56 28 52 80

Dexia Sofaxis
Route de Creton
F-18100 Vasselay
Phone: + 33 2 48 48 10 10
Fax: + 33 2 48 48 10 11
www.dexia-sofaxis.com

Domiserve
6, rue André Gide
F-92320 Châtillon
Phone: + 33 8 10 55 55 55
Fax: + 33 1 55 92 25 55
www.domiserve.com

Elantis
Headquarters and operations
Rue des Clarisses 38
B-4000 Liège
Phone: + 32 4 232 45 45
Fax: + 32 4 232 45 01
Operations
Boulevard Saint-Michel 50
B-1040 Brussels
Phone: + 32 2 732 12 12
Fax: + 32 2 737 29 27
www.elantis.be

Eurco Ltd/Eurco Re Ltd
6, George's Dock
IRL-Dublin 1
Phone: + 353 1 851 5200
Fax: + 353 1 829 0433

Eurco Rück AG
Beethovenstraße 49
CH-8002 Zürich
Phone: + 41 43 34 43 350

Eurco SA
2, rue Nicolas Bové
L-1253 Luxembourg
Phone: + 352 227 343 1
Fax: + 352 227 347

Experta (Suisse) AG
Steinengraben 22
CH-4002 Basel
Phone: + 41 61 285 17 17
Fax: + 41 61 285 17 77
www.experta.ch

Experta Corporate and Trust Services SA
283, route d'Arlon
L-1150 Luxembourg
Phone: + 352 26 92 55 1
Fax: + 352 26 92 55 3366
www.experta.lu

Experta Trust Company (Bahamas) Limited
Trade Winds Building, 4th Floor
Bay Street
PO Box N-10697 Nassau
Bahamas
Phone: + 1 242 325 09 22
Fax: + 1 242 325 09 11
www.experta.bs

Experta Trust Services Jersey Ltd
PO Box 300
2-6, Church Street
St Helier, Jersey JE4 8YL
Phone: + 44 1534 83 44 44
Fax: + 44 1534 83 44 55
www.experta.je

Funds Management Services Hoche SA
105, rue Réaumur
F-75002 Paris
Phone: + 33 1 70 37 83 00
Fax: + 33 1 70 37 83 03
www.rbcdexia-is.com

Kommunalkredit Dexia Asset Management AG
Türkenstraße 9
A-1092 Wien
Phone: + 43 1 31 6 31 0
Fax: + 43 1 31 6 31 505
www.kdam.at

Popular Banca Privada SA
José Ortega y Gasset 29
E-28006 Madrid
Phone: + 34 914 18 93 40
Fax: + 34 914 18 93 50
www.popularbancaprivada.com

RBC Dexia Investor Services Australia PTY Limited
2 Park Street, Level 17
Sydney, NSW 2000
Australia
Phone: +61 2 8262 50 00

RBC Dexia Investor Services Bank SA
14, Porte de France
L-4360 Esch-sur-Alzette
Phone: + 352 26 05 1
Fax: + 352 24 60 95 00
www.rbcdexia-is.com

RBC Dexia Investor Services Bank France SA
105, rue Réaumur
F-75002 Paris
Phone: + 33 1 70 37 83 00
Fax: + 33 1 70 37 83 03
www.rbcdexia-is.com

RBC Dexia Investor Services Bank SA Esch-sur-Alzette Zürich Branch
Badenerstraße 567
P.O. Box 101
CH-8066 Zürich
Phone: + 41 44 405 97 00
Fax: + 41 44 405 97 52
www.rbcdexia-is.com

RBC Dexia Investor Services Belgium SA
Place Rogier 11
B-1210 Brussels
Phone: + 32 2 222 06 01
Fax: + 32 2 222 52 26
www.rbcdexia-is.com

RBC Dexia Investor Services Cayman Ltd
Royal Bank House
4th Floor
24 Shedden Road
PO Box 1586
Grand Cayman KY1-1110
Phone: + 352 2605 6761
www.rbcdexia-is.com

RBC Dexia Investor Services España SA
Fernando el Santo 20
E-28010 Madrid
Phone: + 34 91 360 99 00
Fax: + 34 91 360 99 101
www.rbcdexia-is.es

RBC Dexia Investor Services Holding (Hong Kong) Limited
51/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Phone: + 852 2978 5656
Fax: + 852 2845 0390
www.rbcdexia-is.com

RBC Dexia Investor Services Ireland Ltd
George's Quay House
43 Towsend Street
IRL-Dublin 2
Phone: +353 1 613 04 00
Fax: +353 1 613 04 01
www.rbcdexia-is.com

RBC Dexia Investor Services Italia S.p.A
Via Messina 38
I-20154 Milano
Phone: + 39 02 33 62 31
Fax: + 39 02 33 62 32 30
www.rbcdexia-is.com

RBC Dexia Investor Services Limited
77 Queen Victoria Street
UK-London EC4V 4AY
Phone: + 44 207 002 2700
Fax: + 44 207 236 0976
www.rbcdexia-is.com

RBC Dexia Investor Services (Malaysia) SDN.BHD
Prima Avenue, Block 3508
Jalan Teknokrat 6
63000 Cyberjaya
Malaysia
Phone: + 603 8686 3888
Fax: + 603 8686 3500

RBC Dexia Investor Services Netherlands NV
Piet Heinkade 55
NL-1019 GM Amsterdam
Phone: + 31 20 348 50 05
Fax: + 31 20 348 50 09
www.rbcdexia-is.com

RBC Dexia Investor Services Trust
Royal Trust Tower, 35th Floor
77 King Street West
Toronto, ON MW 1P9
Canada
Phone: +1 416 955 62 51
www.rbcdexia-is.com

RBC Dexia Trust Services Singapore Limited
20 Cecil Street
#28-01 Equity Plaza
Singapore 049705
Phone: + 65 6823 5000
Fax: + 65 6823 5118
www.rbcdexia-is.com

Sepia
Avenue Livingstone 6
B-1000 Brussels
Phone: + 32 2 286 63 27
Fax: + 32 2 284 74 76

SISL
180, rue des Aubépines
L-1145 Luxembourg
Phone: + 352 45 90 33 09
Fax: + 352 45 90 47 92

Société Luxembourgeoise de Leasing BIL Lease
48, rue d'Eich
L-1460 Luxembourg
Phone: + 352 22 77 33 1
Fax: + 352 22 77 44
www.dexia-bil.lu

Dexia's annual report 2008 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*

Dexia SA
Place Rogier 11
B-1210 Brussels
IBAN BE61-0682-1136-2017
BIC GKCCBEBB
RPM Brussels VAT BE 0458.548.296

In Paris
1, passerelle des Reflets
Tour Dexia – La Défense 2
F-92919 La Défense Cedex

In Luxembourg
69, route d'Esch
L-2953 Luxembourg

CONTACTS

Press department
E-mail: pressdexia@dexia.be
Phone Brussels: + 32 2 213 50 81
Phone Paris: + 33 1 58 58 59 05

Investor Relations
E-mail: dexia.investor-relations@dexia.com
Phone Brussels: + 32 2 213 57 46
Phone Paris: + 33 1 58 58 85 97

Website
www.dexia.com

FINANCIAL CALENDAR

Ordinary Shareholders' Meeting for the 2008 financial year
May 13, 2009

Results as of March 31, 2009
May 13, 2009

Results as of June 30, 2009
August 27, 2009

Results as of September 30, 2009
November 13, 2009

Results as of December 31, 2009
February 25, 2010

Ordinary Shareholders' Meeting for the 2009 financial year
May 12, 2010

Photographs: Marc Vanderslagmolen – **Concept:** édit&moi
Lay-out: Nord Compo – 7, rue de Fives – BP 123 – F-59653 Villeneuve d'Ascq – Tel. + 33 3 20 41 40 01 – **Printed** by Imprimerie Massoz – Alleur – Belgium

DEXIA

SDXI 0147-5 04-09