Annual report 2009

DEXIA

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Annual report 2009

Management report

Group profile

Dexia is a European bank, with 35,234 members of staff and core shareholders' equity of EUR 18.5 billion as at 31 December 2009. The Dexia Group focuses on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey, and on Public and Wholesale Banking, providing local public finance operators with comprehensive banking and financial solutions. Asset Management and Services provides asset management, investor and insurance services, in particular to the clients of the other two business lines. The different business lines interact constantly in order to serve clients better and to support the Group's commercial activity.

Business lines

Retail and Commercial Banking

Dexia offers a wide range of retail, commercial and private banking services to over 8 million customers.
Dexia ranks among the three largest banks in Belgium and Luxembourg. In Belgium, Dexia serves its 4 million customers through over 900 branches. The Luxembourg operation is the international wealth management centre within the Group; it also covers the country with a nationwide network of branches. Dexia also holds a strong position in Turkey, through DenizBank. This fully-fledged bank currently stands in sixth position among privately-held banks and serves its customers through a nationwide network of 450 branches. In addition Dexia is also present in Slovakia.
The Group aims at fully extracting the potential from its historical franchises in Belgium and Luxembourg while developing its Turkish operations.

Public and Wholesale Banking

Dexia plays a major role in the financing of local facilities and infrastructures, the health and social housing sectors and the social economy. Thus the Group assists public and semi-public operators in implementing their projects, and participates in the development of local infrastructures and services.
Dexia focuses its activities on its historical markets, France and Belgium, but is also present in Italy and the Iberian Peninsula. Furthermore, the Group is established in Germany with a platform granting access to the Pfandbriefe market. Dexia is also active in Project Finance in selective sectors such as infrastructures and renewable energies, both in Europe and in North America.
Close to its clients and fully in tune with their requirements, Dexia is constantly developing and broadening its range of products and services. The aim is to go well beyond the role of specialist lender and, by providing the benefit of its experience, to offer public and semi-public operators the solutions most suited to their needs.

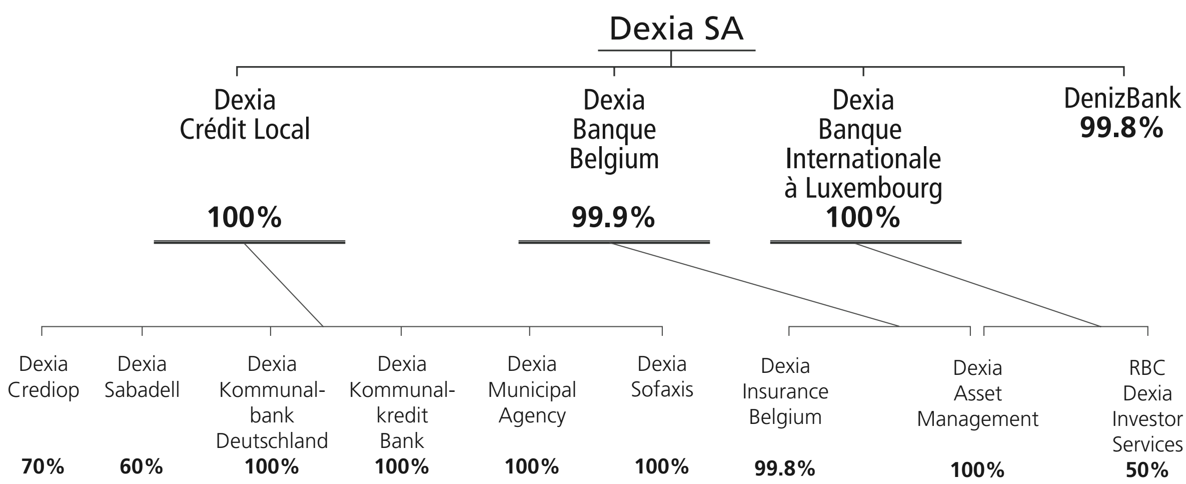
Asset Management and Services

This business line includes Dexia's activities in the field of Asset Management, Investor Services and Insurance activities.
With EUR 82.4 billion in assets under management as at 31 December 2009, Dexia Asset Management is the Group's asset management centre. Its four management centres (based in Belgium, France, Luxembourg and Australia) serve a broad client base.
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 all around the world. Total assets under administration amounted to USD 2,456 billion as at 31 December 2009.
Dexia's insurance activities are mainly concentrated on the Belgian and Luxembourg markets. The Group offers a complete range of contracts to retail, commercial and private banking customers (for both life and non-life insurance) as well as to Dexia's public and semi-public clients. This is done both through a banking-insurance approach and through a network of tied agents.

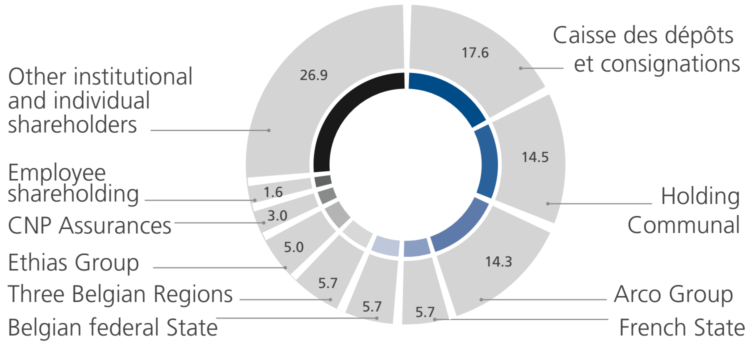
Ratings

The Group's main operating entities (Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg) are rated A+ by Fitch, A1 by Moody's and A by Standard & Poor's. Three of Dexia's European subsidiaries (Dexia Municipal Agency, Dexia Kommunalbank Deutschland and Dexia Lettres de Gage Banque) issue triple-A rated covered bonds.

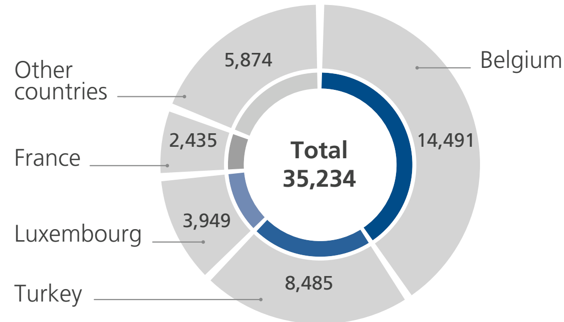
SIMPLIFIED GROUP STRUCTURE



DEXIA SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2009 (IN %)



MEMBERS OF STAFF AS AT 31 DECEMBER 2009 (1)



(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	2005	2006	2007	2008	2009
Income	3,740	5,631	5,157	5,160	5,392	5,976	7,005	6,896	3,556	6,163
Costs	(2,050)	(3,323)	(3,037)	(3,056)	(3,012)	(3,229)	(3,474)	(3,834)	(4,119)	(3,607)
Gross operating income	1,690	2,308	2,120	2,104	2,380	2,747	3,531	3,062	(563)	2,556
Net income Group share	1,001	1,426	1,299	1,431	1,772	2,038	2,750	2,533	(3,326)	1,010

BALANCE SHEET	Dexia GAAP					IFRS as adopted by EU				
(in billions of EUR)	31/12/00	31/12/01	31/12/02	31/12/03	31/12/04	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09
Balance-sheet total	**257.8**	**351.4**	**350.9**	**349.9**	**389.2**	**508.8**	**566.7**	**604.6**	**651.0**	**577.6**
Loans and advances to customers	134.4	156.4	157.8	161.9	166.2	192.4	226.5	242.6	368.8	354.0
Financial assets at fair value through profit and loss and financial investments	77.7	125.9	134.7	127.9	144.5	198.9	223.2	257.9	141.1	115.3
Customers borrowings and deposits	52.4	84.0	85.3	92.3	97.6	97.7	116.2	126.7	114.7	121.0
Debt securities	134.4	140.9	146.5	134.9	143.9	175.7	184.7	204.0	188.1	213.1
Core shareholders' equity (1)	8.1	10.3	10.9	11.6	12.3	11.5	14.4	16.1	17.5	18.5

(1) For the years 2000-2004: shareholders' equity + general banking risks reserve.

RATIOS	Dexia GAAP					IFRS as adopted by EU				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cost-income ratio (1)	54.8%	59.0%	58.9%	59.2%	55.9%	54.0%	49.6%	55.6%	115.8%	58.5%
Return on equity (2)	17.7%	18.7%	16.2%	16.5%	19.8%	20.0%	23.1%	17.8%	-22.6%	5.6%
Tier 1 ratio	9.3%	9.3%	9.3%	9.9%	10.7%	10.3%	9.8%	9.1%	10.6%	12.3%
Capital adequacy ratio	9.8%	11.5%	10.7%	11.2%	11.7%	10.9%	10.3%	9.6%	11.8%	14.1%

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

QUALITY OF RISKS	Dexia GAAP					IFRS as adopted by EU				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Impaired loans to customers (in millions of EUR)	905	1,897	1,942	1,708	1,722	1,473	1,359	1,218	3,535	4,808
Assets quality ratio (1)	0.68%	1.20%	1.23%	1.05%	1.04%	0.78%	0.61%	0.50%	0.99%	1.39%
Coverage ratio (2)	65.0%	66.7%	68.0%	72.8%	73.2%	69.1%	69.3%	67.2%	58.9%	55.3%

(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	2005	2006	2007	2008	2009
Earnings per share (1)	1.15	1.25	1.13	1.24	1.58	1.87	2.49	2.18	(2.54)	0.57
Gross dividend	0.43	0.48	0.48	0.53	0.62	0.71	0.81	0.91	- (2)	- (3)
Net assets (4)	8.02	8.39	8.79	9.25	9.95	9.86	11.60	12.87	9.92	10.50
Pay-out ratio (5)	41.9%	39.3%	43.0%	42.1%	38.7%	37.9%	34.3%	42.0%	- (2)	- (3)

(1) The ratio between the net income Group share and the average weighted number of shares (undiluted for the years under IFRS as adopted by EU).
(2) The Board of Directors decided to propose to the Shareholders' Meeting on 13 May 2009 that exceptionally no dividend be paid for 2008.
(3) The Board of Directors wants shareholders to benefit from Dexia's positive result in 2009 in the form of new shares, and as a consequence it will make a proposal to the Extraordinary Shareholders' Meeting on 12 May 2010 to proceed with a capital increase of approximately EUR 350 million. For more information, see chapter "Shareholder information" on page 49 of this annual report.
(4) 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.
(5) The ratio between the total dividend and the net income Group share.

NOTATIONS	Long term	Outlook	Short term
Fitch			
Dexia Bank Belgium	A+	Stable outlook	F1 +
Dexia Crédit Local	A+	Stable outlook	F1 +
Dexia Banque Internationale à Luxembourg	A+	Stable outlook	F1 +
Dexia Municipal Agency (*obligations foncières*)	AAA	-	
Moody's			
Dexia Bank Belgium	A1	Stable outlook	P-1
Dexia Crédit Local	A1	Stable outlook	P-1
Dexia Banque Internationale à Luxembourg	A1	Stable outlook	P-1
Dexia Municipal Agency (*obligations foncières*)	Aaa	-	
Standard & Poor's			
Dexia Bank Belgium	A	Negative outlook	A-1
Dexia Crédit Local	A	Negative outlook	A-1
Dexia Banque Internationale à Luxembourg	A	Negative outlook	A-1
Dexia Municipal Agency (*obligations foncières*)	AAA	Stable outlook	
Dexia Kommunalbank Deutschland (*Pfandbriefe*)	AAA	Negative outlook	

The Group's principal banking entities – Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg – are rated A + with stable outlook by Fitch (9 February 2010), A1 with stable outlook by Moody's (12 February 2010) and A with negative outlook by Standard & Poor's (10 February 2010).
*The triple-A rating of the covered bonds (*obligations foncières*) issued by Dexia Municipal Agency was affirmed by Fitch (22 March 2010), Moody's (23 January 2009) and Standard & Poor's (4 February 2010, stable outlook).*

Message from the Chairmen

When we joined Dexia at the height of the crisis in October 2008, we set ourselves a single objective: to save the Group and to build a sustainable future for it. Together we made clear and precise undertakings, launching an in-depth transformation of our company. Today our undertakings are essentially on track and, at the price of all the considerable work done by everyone, we are ahead of our initial schedule.

We can be proud of what we have achieved. Last February, the progress we had made with our transformation plan was aknowledged by the European Commission, which validated our restructuring plan.

We had to deal with one urgent matter: to re-establish Dexia's liquidity situation. The task is not yet completed but we have exceeded our targets. One half of the medium and long-term funding programme, amounting to 46 billion euros in 2009, has been realised without calling on the State guarantee. This is an extremely encouraging sign for the return of the Group's funding autonomy, a sign which has led us to accelerate the schedule for exit from the guarantee on our funding. As at 31 December 2009, we had disposed of 16.5 billion euros of bonds, with hardly any impact on our accounts. All of these elements are reflected by a considerable reduction of our reliance on short-term funding.

We also undertook with regard to the Board of Directors to reduce our exposure to the United States with the disposal of our credit enhancement subsidiary FSA. The task was completed on 1 July last, when we finally disposed of 400 billion dollars of exposure to the US market. The Financial Products portfolio which we retain after the sale of FSA has been placed in run-off and benefits from a guarantee granted by the Belgian and French States.

Within the context of close consultation and with every respect for our social partners, we are continuing to implement the transformation plan with one guiding thought: our organisation must increase its efficiency, it must be oriented towards the needs of our clients and it must adapt to fiercer competition on all of our historical markets.

We have refocused the activity in our core business lines.

First of all, we focused on Retail and Commercial Banking, which posted an excellent operational performance in 2009. The revival of deposit collection, which enabled us to collect more than eight billion euros more in 2009, is proof of the dynamism of all teams and the work we do with our clients on a daily basis. We also recorded excellent performances in Turkey.

Then we redefined the framework of our Public and Wholesale Banking business line. We refocused our activity on our historical markets and were able to defend our core client franchises whilst containing use of our balance sheet, and that constitutes a real success.

So a great deal has been done in 2009, thanks to the commitment and support of everyone, members of staff, shareholders and clients. And the Group's renewed profitability over four consecutive quarters is the proof that we are going in the right direction. In 2009 we realised a net profit of 1,010 million euros, compared to a loss of 3,326 million euros in 2008. We want shareholders to benefit from this result by a distribution of new shares for an amount equivalent to approximately 350 million euros.

However, both the banking system and Dexia will evolve in 2010 in a persistently uncertain and difficult environment. More than ever, the transformation will put a strain on each of us. And the momentum we have gained must not only be maintained but accelerated, in accordance with the agreement with the European Commission. Relying above all on our own strengths, we will do all in our power to assist our clients without faltering whilst relentlessly improving our operational excellence.

These are the conditions that will allow us to build the future of Dexia.

Building a sustainable future is first of all a matter of regaining our total funding autonomy. That is our collective challenge: to free ourselves from the guarantee of the French, Belgian and Luxembourg States on all of our funding by the end of June 2010.

In accordance with the agreement with the European Commission, we must continue to improve our liquidity profile. We have undertaken to reduce the size of our balance sheet by 35 % between 2008 and 2014. We will also reduce our reliance on short-term funding, which will represent approximately 10% of the balance-sheet total in 2014. Finally, our funding will be longer term, and of better quality, based on deposits and on bonds issued by our three covered bond issuers with well-established franchises.

Market conditions and competition are changing, and we must find the means to adapt to them. In our Retail and Commercial Banking activities, the implementation of the new distribution model remains a priority, to modernise and to give momentum to our network of branches in Belgium. We also want to optimise our wealth management capacities and our client base in Luxembourg, and to capitalise on the strong commercial impetus in Turkey. In our Public and Wholesale Banking activities, as a historical partner to local authorities in France and in Belgium, we will do all we can to accompany our clients in their new initiatives, whilst protecting the Group's profitability.

In order to ensure even better visibility of our core business lines, we have decided to place our portfolios in run-off (including the Financial Products portfolio) as well as certain non-core public sector loans in a specific division. The assets of this "Legacy Division" will remain on the Group balance sheet but they will benefit from clearly allocated funding.

The feeling we shared in October 2008 was that Dexia, refocused on what is essential, had a sustainable future. The path we took and each milestone we passed over the last year have transformed that feeling into deeply-held belief. The progress we have made has been acknowledged by the European Commission. Supported by these results and thanks to the mobilisation of everyone, members of staff, shareholders and clients, we will continue to building a better outlook for Dexia.

Jean-Luc Dehaene

Chairman
of the Board of Directors

Pierre Mariani

Chief Executive Officer

2009 and early 2010 highlights

2009 was strongly marked by the consequences of the financial crisis which shook the banking system in 2008 and by the transformation commenced by Dexia in November 2008 to re-establish a solid base for the Group. The aims of that transformation plan, the lines of which were announced in January 2009, are to refocus Dexia on its core client franchises, to improve its risk profile and to optimise its cost base.
Various measures were implemented in 2009 and at the beginning of 2010, and significant progress has already been made.

Refocusing on the Group's historical markets and franchises

As part of the transformation plan, Dexia refocused its business lines on its historical markets (Belgium, France, Luxembourg) and on Turkey. This refocusing, which contributes to the balance-sheet deleverage, is reflected by several disposals, the most important being the sale of FSA Insurance.

Retail and Commercial Banking

Sale of Crédit du Nord

Dexia sold its 20% stake in Crédit du Nord to Société Générale for a cash consideration of EUR 676 million.
The transaction was finalised on 11 December 2009 and generated a capital gain of EUR 153 million for the Group.
At the same time, Dexia purchased the 20% stake of Crédit du Nord in Dexia Crédit Local de France Banque for a cash consideration of EUR 13 million. Pursuant that acquisition, Dexia controls 100% of Dexia Crédit Local de France Banque.

Sale of Dexia Épargne Pension

In December 2009, Dexia signed an agreement relating to the sale of Dexia Épargne Pension, a Dexia subsidiary specialising in the sale of life insurance products in France, to BNP Paribas Assurance.
The transaction is subject to approval from the competent supervisory authorities and is expected to be finalised in the first half of 2010.

Other disinvestments

Dexia refocused its private banking activities on Luxembourg and Switzerland. Some private banking establishments were therefore disposed of or closed.

Public and Wholesale Banking

Disposal of FSA Insurance

The sale of FSA Insurance to Assured Guaranty, announced in November 2008, was finalised on 1 July 2009. The total amount of the sale was USD 816.5 million, of which USD 546 million in cash and 21.85 million common shares of Assured [1], representing 13.9% of the capital of Assured at the time of finalisation.
Dexia retained FSA's Financial Products portfolio, which amounts to USD 15.5 billion as at 31 December 2009. This portfolio has been placed in run-off and is for the most part counter-guaranteed by the Belgian and French States [2]. That guarantee was approved by the European Commission on 13 March 2009 and provides for Dexia to cover a first loss of USD 4.5 billion, of which USD 2 billion is already provisioned as at 31 December 2009. If final losses exceed USD 4.5 billion, Dexia can ask the States to intervene in exchange for common shares or profit shares in Dexia. The mechanism for issuing shares and profit shares was approved by the Dexia Extraordinary Shareholders' Meeting on 24 June 2009.
This sale enabled Dexia to get rid of a USD 416 billion exposure to the US market, of which USD 113 billion in asset-backed securities.

Disposal of the Assured Guaranty shares

On 11 March 2010, Dexia finalised a secondary public offering of 21,848,934 common shares in Assured Guaranty, in its possession since the sale of the insurance activities of FSA to Assured Guaranty. The shares sold represent all the common Assured shares held by Dexia. The transaction is expected to generate a gross capital gain of USD 225 million.

(1) Closing price of Assured shares as at 30 June 2009: USD 12.38.
(2) The Financial Products portfolio is subdivided into two parts:
USD 11.2 billion in assets covered by the guarantee;
USD 4.3 billion of high quality assets (100% investment grade) are excluded from the guarantee.

Exit of Kommunalkredit Austria

As part of the recapitalisation plan for Kommunalkredit Austria, announced on 3 November 2008, Dexia sold its 49% stake in Kommunalkredit Austria and purchased the Kommunalkredit Austria stake in Dexia Kommunalkredit Bank, thus taking its stake to 100%.
This double transaction was finalised on 19 March 2009. It had a limited impact on the Dexia accounts but enabled the Group to reduce its balance sheet by EUR 37.5 billion.

Other disinvestments

The Dexia subsidiary in India was disposed of, and the Mexican entity was closed and its assets transferred to the Dexia branch in New York, where they were placed in run-off. The number of staff in the Dexia subsidiary in Australia and its branch in Japan was halved in 2009 and the activities were placed in run-off. The public finance commercial activities in Switzerland were also ceased. The Swedish entity was closed and its assets transferred and placed in run-off at the Dexia head office in Paris.

Reorganisation of trading activities

The reorganisation of trading activities commenced in 2008 has been effective since the beginning of 2009 and reflected by:

- the cessation of proprietary trading activities;
- the reduction by one half of the VaR limits and the centralisation of other trading activities in Brussels; and
- the centralisation of the management of the bond portfolios in run-off in Dublin.

Active balance-sheet deleveraging policy

In 2009 the Group continued the active balance-sheet deleveraging policy it began at the end of 2008.
The bond portfolio in run-off was reduced by EUR 24 billion in 2009, and amounted to EUR 134 billion as at 31 December 2009. Bonds were sold for a total of EUR 16.5 billion in 2009 (EUR 15 billion of net sales within the bond portfolio in run-off and EUR 1.5 billion from ALM portfolios).
The Financial Products portfolio was written down by 4% in 2009 and amounted to USD 15.5 billion as at 31 December 2009.
The Group also sold loans for a total amount of EUR 1.7 billion in 2009.
On the other hand, the outstanding of undrawn liquidity lines in the United States was reduced by USD 6 billion in 2009.
The total losses resulting from bond sales amounted to EUR 136 million and losses associated with loan sales stood at EUR 39 million in 2009.
This policy, combined with the natural amortisation of the portfolios, enabled Dexia to reduce its balance sheet by 11%, or EUR 73 billion in 2009. As at 31 December 2009, Dexia's total assets were EUR 578 billion.

Improvement to the liquidity profile

Considerable progress was made in 2009 in terms of Group liquidity consolidation.
To recall, in October 2008, the Belgian, French and Luxembourg States granted Dexia a guarantee on a large proportion of its short and medium-term funding to assist the Group in facing the liquidity crisis confronting it.
The remuneration paid to the States for this guarantee was 50 basis points for any transaction of less than 12 months and 86.5 basis points for any transaction of more than one year.
By an endorsement signed on 14 October 2009, that guarantee was extended until 31 October 2010, and the following changes were made to the mechanism:

- the cap on guaranteed outstandings was lowered from EUR 150 billion to EUR 100 billion;
- the maturity of the new long-term debts was extended to maximum four years.

Moreover, since 16 October 2009, Dexia has waived the benefit of the guarantee for all new contracts with a maturity below one month and for all new contracts with no fixed maturity. The Group could easily replace guaranteed by non-guaranteed funding.
On 30 October 2009, the European Commission provisionally authorised the extension of the guarantee in the funding until the end of February 2010. Then, under the agreement with the European Commission on 5 February 2010, an early exit from the guarantee mechanism was announced, the details of which are given later in this chapter.
In 2009, the Group issued a total of EUR 45.7 billion of medium and long-term funds. The proportion of debt not covered by the State guarantee was 51%, rising constantly over the year.
This good performance, combined with a voluntary deleveraging policy, allowed Dexia to sharply reduce its guaranteed outstandings. Indeed, as at 31 December 2009, the total amount of short and medium-term guaranteed debt stood at EUR 50.4 billion, down EUR 45.4 billion compared to a peak of EUR 95.8 billion in May 2009. As at 15 March 2010, the guaranteed outstandings amounted to EUR 45,8 billion.
More detailed information on the improvement of Dexia's short and long-term liquidity profile is provided in the Liquidity part of the chapter on Risk Management in this annual report (pages 62-63).

Cost reduction

In order to maintain the Group's profitability refocused on its main franchises, in 2008 Dexia announced a target for the reduction of its cost base by 15% in three years, with a positive impact of EUR 200 million expected on the accounts from 2009 and EUR 600 million at the end of 2011.
The 2009 target was exceeded with an effective cost reduction of EUR 350 million over the year as a whole, or an additional saving of EUR 150 million.

Activity review and job adjustments

In 2009 the refocusing of the Group was accompanied by a complete activity review, the direct consequence of which was a workforce adjustment.

Firstly, projects associated with the transformation of the Public and Wholesale Banking business line and Treasury and Financial Markets activity were reflected by a loss of 888 jobs in 2009.

Secondly, there were discussions on the transformation of the Retail and Commercial Banking and Insurance business lines and on the tighter organisation of all the Group support lines (Human Resources, Communications & Brand, Operations & Information Technology, Audit, Risks, Finance and Compliance, Legal & Tax).

The plan to transform support lines relies on four guiding principles:

• to create a tighter structure through a simple and clear organisation in order to optimise decision-taking processes and information flows;

• to harmonise the scope of the support lines between all the entities in order to facilitate coordinated governance;

• to widen the scope of delegation of entities and to increase their responsibilities at the same time as strengthening of the Group's hierarchical lines and control procedures;

• to increase the Group's task of guidance and to develop its roles of impetus and control.

Two support line organisation models are created: a strong operational model and a directive model.

In the strong operational model, formal responsibility for the decision is shared between two or more parties although the initiative and control of processes only fall upon one of the parties (in principle the support line). The Human Resources, Communications & Brand and Operations & Information Technology support lines operate under the strong operational model.

In the directive model, both the initiative and control of processes and formal responsibility for the decision, after consultation with third parties to be involved within the support line and/or the entity, fall upon a single party. The Audit, Risks, Finance and Compliance, Legal & Tax support lines operate under the directive model.

The Risks and Finance support lines, by their very nature vital to the Group, were the first to propose a new organisation.

The plans to transform the Retail and Commercial Banking and Insurance business lines and the tightening of the organisation of all the Group support lines will be reflected by the loss of 602 jobs in 2010.

These 1,490 job losses in 2009 and 2010 fall within the context of the programme to reduce the cost base by EUR 600 million.

Agreement with the European Commission

A new major milestone was passed by the Dexia Group on 5 February 2010, ending a long period of uncertainty. After several months of discussion, the Belgian, French and Luxembourg States and the European Commission concluded an agreement in principle on the Dexia Group restructuring plan which was definitively confirmed by the new Commission on 26 February 2010.

It is a positive and consistent agreement which enables the Group to continue to develop its core businesses on its historical markets, France, Belgium and Luxembourg as well as in Turkey.

On the other hand, it is perfectly in line with the dynamics of the Group transformation plan.

In addition to the measures detailed above, which were acknowledged by the Commission, the agreement provides the following additional measures, the implementation of which will be the subject of a half-yearly report to the European Commission by an independent expert.

Additional disposals

During negotiations with the European Commission, it was decided to sell Dexia Crediop in Italy (70% stake) and Dexia banka Slovensko in Slovakia (85.5% stake) by 31 October 2012, as well as Dexia Sabadell in Spain (60% stake) by 31 December 2013.

Dexia also undertook to:

• divest of Adinfo, its subsidiary active in the provision of IT services to local authorities in Belgium (51% stake) by 31 December 2010, as well as its stake in SPE, second supplier of energy (gas and electricity) in Belgium by 31 December 2010;

• to divest or float DenizEmeklilik, the insurance subsidiary of DenizBank in Turkey by 31 October 2012.

On the basis of an application prompted by the Belgian, French and Luxembourg States, the Commission may authorise Dexia to:

• postpone the disposal of one or more of the above assets;

• substitute the disposal of one or more assets by one or more other assets representing an equivalent amount in the Dexia balance sheet.

The Commission may also decide that one or more of the above commitments ceases to apply.

Creation of a "Legacy Division"

In agreement with the European Commission, Dexia will bring together its portfolios in run-off as well as some non-core Public and Wholesale Banking loans and off-balance-sheet commitments within a specific division, alongside its core businesses.
This division will hold:

- the bond portfolio in run-off (EUR 134 billion as at 31 December 2009);
- non-core public sector loans (EUR 17.7 billion as at 31 December 2009);
- the Financial Products portfolio (USD 15.5 billion as at 31 December 2009).

These assets will remain on the Group balance sheet and benefit from clearly identified and allocated funding. Thus all State guaranteed funding will be allocated to the division.
The division will also include EUR 25 billion in off-balance-sheet commitments of the Public and Wholesale Banking business line in the United States and Canada, corresponding principally to undrawn liquidity lines in run-off.
This new analytical segmentation will enable the visibility of the core businesses to be considerably improved.

Restrictions on dividends, hybrid instruments and acquisitions

The agreement also provides certain restrictions on dividends, hybrid instruments and acquisitions.
Until 31 December 2011, Dexia and its exclusively or jointly controlled subsidiaries shall not acquire more than 5% of the capital of a credit institution, investment company or insurance company without the prior agreement of the Commission. In addition, Dexia will inform the Commission of any planned acquisition, including any plan envisaged by entities which Dexia controls jointly.
Dexia may only pay dividends on common shares in the form of new common shares until the end of 2011. During that period, the amount of dividend in shares may not exceed 40% of the net income Group share for the financial year to which the dividend relates.
Dexia may only pay coupons on subordinated debt and hybrid capital instruments if deemed contractually mandatory, and will make no call until the end of 2011.
On the other hand, and until 31 December 2014, Dexia will limit any form of dividend on its common shares and any call or discretionary payment of coupon on subordinated debt and hybrid capital instruments so that, after payment, the Group's core Tier 1 ratio remains above or equal to:

- 10.6% as at 31 December 2010 and then decreasing each year to 10.2% as at 31 December 2014;
- the sum of 12.5% of the weighted risks of the "Legacy Division" and 9.5% of the weighted risks of the other business lines.

Dexia will also waive the EUR 376 million convertible bond, to be subscribed by the Grand Duchy of Luxembourg.

Undertakings concerning management remuneration

Dexia will continue to implement the principles of remuneration settled by the G20 in Pittsburgh and the national bodies concerned regarding the remuneration of members of the Management Board and the Executive Committee of Dexia SA and its main operating entities.

Early exit from the State guarantee on funding

The improvement of the Group's liquidity requirements will enable Dexia to exit the State guarantee earlier than was planned. The Group will no longer make use of the guarantee:

- for its deposit contracts, particularly interbank deposits, as from 1 March 2010, anticipating the calendar agreed with the European Commission;
- for its short-term issues after 31 May 2010;
- for its long-term issues after 30 June 2010.

In accordance with what was agreed on renewal of the guarantee in October 2009, the total guaranteed amount will not exceed EUR 100 billion.
If the threshold of EUR 60 billion is exceeded, Dexia will pay the States additional remuneration of 50 basis points (increasing by threshold).

Improvement of the funding structure

The Dexia balance sheet will be reduced by 35% between 2008 and 2014, or by EUR 224 billion. As at 31 December 2014, Dexia's balance-sheet total will be EUR 430 billion, including EUR 80 billion for the "Legacy Division" and EUR 350 billion for the other business lines.
The reliance on short-term funding will be reduced, and will represent maximum 11% of the balance-sheet total at the end of 2014, with a target of 23% at the end of 2010.
The average life of funding excluding deposits will be extended by one year by December 2014 in order to reduce the assets/liabilities duration gap.
A major proportion of the Group's funding will rely on stable and/or long-term resources: deposits with the Retail and Commercial Banking and Public and Wholesale Banking, but also bonds issued by Dexia's three well-established covered bond issuers. The ratio of stable funding (defined as the sum of covered bonds and deposits) to total assets will gradually increase, to reach 58% by the end of 2014, with a target of 40% by the end of 2010.
Globally, funding will be longer dated and the mix will be of better quality.

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Business lines refocused on the historical markets and Turkey

With a healthy funding structure, Dexia will be able fully to exploit the potential of its historical franchises (Belgium, France and Luxembourg) both in the field of Retail and Commercial Banking and of Public and Wholesale Banking.

For the **Retail and Commercial Banking** business line, the Group will continue to develop its new distribution model in Belgium. A EUR 350 million investment programme has been validated, with EUR 105 million committed in 2009. Approximately 80 branches will be closed in 2010, in order to rationalise the network.

Dexia will optimise its wealth management capabilities (refocused in 2009 on Luxembourg and Switzerland) and its client base in Luxembourg.

The Group will also continue to develop its retail banking activities in Turkey, whilst ensuring the full funding autonomy of DenizBank.

In accordance with the decision by the European Commission, Dexia will end the intra-Group finance provided to DenizBank at the latest by 30 June 2011, and will not grant it any new financing until 31 December 2014. Dexia also undertakes to discharge its shareholder duty vis-à-vis its subsidiary.

As for **Public and Wholesale Banking**, Dexia holds solid franchises and sustainable competitive advantages: complete banking relations with local authorities in Belgium, great expertise in the local sector in France. This position will continue to be developed, in line with the Group's funding conditions. In real terms, Dexia will align its lending activity to its ability to issue covered bonds. New production by the business line will be limited to EUR 15 billion in 2010, and to EUR 18 billion in 2014, and will respect a level of risk-adjusted return on capital (RAROC) at minimum 10%.

As for the **Asset Management and Services** business line, synergies will be developed with the rest of the Group and strict cost control maintained.

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 1 January 2005, and was revised for the first time in 2009 in order to take account, in particular, of recent developments in the regulatory environment in Belgium and Europe, as well as the new aspirations of civil society and stakeholders as to the conduct of companies and their executives.
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 3 February 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 13 November 2008, the Board of Directors of Dexia SA amended its internal rules in order to strengthen its governance and risk management even more.
On the one hand, the Audit Committee was split into two specialist committees: the Accounts Committee and the Internal Control, Risks and Conformity Committee. These two committees together form the Audit Committee, in accordance with the law of 17 December 2008 in particular instituting an audit committee in publicly traded companies and financial establishments. On the other hand, the Appointment Committee and the Compensation Committee were combined in one single committee. In 2009, the internal rules of the Board of Directors were further amended in order in particular to align the criteria of directors' independence retained by Dexia SA with the new legal criteria defined by the Company Code, and to strengthen the rules applicable to the executives of Dexia SA involved in proprietary trading in Dexia shares.
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 organisational 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 summarises the features of Dexia capital and shares. The fourth section summarises 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 31 December 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 at 31 December 2009):

Name of shareholder	Percentage of Dexia SA's existing shares held as at 31 December 2009
Caisse des dépôts et consignations	17.61%
Holding Communal	14.51%
Arco Group	14.25%
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	2.96%
Flemish Region through Vlaams Toekomstfonds	2.87%
Walloon Region	2.01%
Brussels-Capital Region	0.86%

As at 31 December 2009, Dexia SA directly or indirectly held 0.02% of its own shares. Members of staff of the Dexia Group held 1.56% 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, Société fédérale de participations et d'investissement, CNP Assurances, the Flemish Region (through Vlaams Toekomstfonds) and the Walloon Region, held 1% or more of the capital of Dexia SA.
In addition, the directors of Dexia SA held 10,420 shares in the company as at 31 December 2009.

Relations among shareholders

On 30 August 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 1 April 2007 on public tender offers (see section 6.4. of the General Information chapter in this annual report on page 93).
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

Dexia maintains regular relations with its individual shareholders, with a Shareholders' Meeting held on the second Wednesday of May each year in Brussels. In addition to the meeting, over the years Dexia has developed a strict, regular and interactive mechanism for the provision of information to its shareholders, revolving around the European Club for Individual Shareholders and the European Advisory Board of Individual Shareholders. Individual shareholders also have the benefit of a call centre and dedicated sections on the internet site.

Dexia SA Shareholders' Meeting

A key moment in the life of the company, the annual 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 financial 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 Ordinary Shareholders' Meeting was held on 13 May 2009 in Brussels, directly followed by an Extraordinary Shareholders' Meeting.
A second Extraordinary Shareholders' Meeting was held on 24 June 2009 to rule in particular on the issue of subscription rights in favour of the Belgian and French States within the context of the guarantee granted by them for certain of Dexia's liabilities associated with the Financial Products activity, retained by Dexia after the sale of FSA Insurance to Assured Guaranty on 1 July 2009.

Meetings with individual shareholders

In 2009, the Dexia management met Parisian shareholders at the Espace Grande Arche in La Défense. That meeting was chaired by Pierre Mariani, CEO, and Jean-Luc Dehaene, Chairman of the Board of Directors.

The European Club for Individual Shareholders

The European Club for Individual Shareholders today has nearly 14,000 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*.

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 2009, the Advisory Board met twice, a first time in March to deal with the Group's annual financial statements, and a second time in September to receive a presentation of the half-yearly results and an update on the transformation plan.

Telephone information service for individual shareholders

This service is accessible from France, free of charge, on 0800 355 000, from Monday to Friday and from 09.00 to 19.00.
It is also accessible from Belgium and Luxembourg via a bilingual (French/Dutch) toll-free number 00 800 33 942 942, during the same times (only from a fixed-line telephone).
This service is regularly called by shareholders with any questions relating to Dexia and to its organisation in general, but also for more specific questions regarding the share price, taxation of shares, dividend amounts, its mode of taxation, VVPR strips and Dexia SA's Shareholders' Meetings.

Relations with institutional shareholders

Relations with institutional shareholders, who hold almost 15% 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.

Contact with institutional shareholders

After each presentation of results or in other circumstances, road shows are organised 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.

Information channels

Regular information channels

During the year, Dexia regularly publishes information through theme presentations and press releases on the business, financial results and Group news. When the results are published, Dexia also provides quarterly, half-yearly and annual reports. All this information is available as from publication on the website *www.dexia.com* on the page "Shareholders/ Investors". It can also be obtained by e-mail.

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

With 75,700 visitors in a month, the website *www.dexia.com* confirmed that it is a major forum for information about the Dexia Group for individual shareholders, journalists as well as institutional investors. Trilingual English, Dutch and French, the site provides rapid access to all the information concerning the life of the Group, its publications, activities, news and Dexia share prices. It is consulted for the most part by European surfers, principally Belgian and French.
In 2009, *www.dexia.com* received almost 64,000 visitors to the shareholder space and 45,412 visitors to the investor space. As from the end of 2009, these two spaces were merged with a common access point, "Shareholders / Investors".

Other supports

Several times a year, Dexia publishes a *Letter to the Shareholders* in English, French and Dutch. Individual shareholders are thus kept regularly informed of Group developments, news, results and minutes of the Dexia SA Shareholders' Meetings.
The *Letter to the Shareholders* issues are sent to members of the Club and to shareholders who request it, and are also available on the internet site.
Dexia publishes complete annual information for shareholders and investors. The Dexia annual report is available in three languages: English, Dutch and French. The risk report is also available in English on the internet site. Finally, Dexia publishes a sustainable development report in four languages (English, Dutch, French and Italian) on its site.

Circular FMI/2007-02 from the Banking, Finance and Insurance Commission

A Royal Decree of 14 November 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.
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 at 31 December 2009) (1)

The articles of association of Dexia SA stipulate that the Board is composed of between sixteen and twenty directors.
As at 31 December 2009, the Board of Directors was composed of seventeen members and two observers.
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 6 August 1931 (*Belgian Gazette *of 14 August 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
JEAN-LUC DEHAENE *Independent director* 69 years old Belgian Director since 2008 Holds 700 Dexia shares	Chairman of the Appointment and Compensation Committee Chairman of the Strategy Committee	**2008-2013**	Chairman of the Board of Directors, Dexia SA	Member of the European Parliament Vice-Chairman of the Board of Directors: • Fondation Roi Baudouin Director: • Inbev • Lotus Bakeries • Umicore • Trombogenics • Novovil Other functions in 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

BIOGRAPHY
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
PIERRE MARIANI 53 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	Member of the Executive Committee: • FBF Vice-Chairman: • AFB Director: • EDF Other functions in the Dexia Group: Director: • Dexia Bank Belgium • Dexia Crédit Local • Dexia Banque Internationale à Luxembourg

BIOGRAPHY

Graduate in law, graduate 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.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
GILLES BENOIST *Independent director* 63 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: • Group Caisse des Dépôts Chairman: • Fédération française des sociétés anonymes d'assurance Director and member of the strategy committee: • Suez Environnement Company SA

BIOGRAPHY

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 9 July 1998; he was appointed Managing Director when the company's corporate governance was changed on 10 July 2007.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
OLIVIER BOURGES 42 years old French Director since 2009 Holds no Dexia share	Member of the Internal Control, Risks and Conformity Committee	**2009-**	Deputy Managing Director of the Agence des participations de l'État (APE)	Director: • GDF Suez Director, member of the Accounts Committee and member of the Compensation Committee: • THALES Director, member of the Supervisory Board and member of the Audit Committee: • BPCE

BIOGRAPHY

Graduate of the French École nationale d'administration (ENA), the Institut d'études politiques de Paris (IEP) and has a Scientific Baccalaureat. From 1992 to 2000 he held various functions in the Treasury Department (Direction du Trésor, Paris), i.e. as deputy head to the Banks Agency from 1992 to 1996 and from 1998 to 2000 as head of the 'Housing Financing' Agency (Bureau Financement du Logement). From 1996 to 1998 he was employed as Alternate Executive Director of the World Bank, IBRD. In 2000 he joined Renault, initially as Financial Relations Director, and was subsequently appointed Director of Vehicle Profitability. In 2006 he was made Vice-President, Corporate Planning and Program Management Office at Nissan North America. In 2008 he returned to Renault, as Senior Vice-President and Director of the Management Control Department at group level.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
STEFAAN DECRAENE 45 years old Belgian Director since 2009 Holds 2,897 Dexia shares		**2009-**	Member of the Management Board of Dexia SA Chairman of the Management Board of Dexia Bank Belgium	Member of the Advisory Board: • Ethias Droit Commun Chairman of the Board of Directors: • Febelfin Member of the Management Board: • Fédération des Entreprises de Belgique (FEB) Director: • VOKA Other functions in the Dexia Group: Director: • Dexia Bank Belgium • Dexia Banque Internationale à Luxembourg • Dexia Insurance Belgium • Dexia Nederland Holding • Dexia banka Slovensko • DenizBank • RBC Dexia Investor Services Chairman of the Board of Directors: • Dexia AM Luxembourg • Dexia Participations Luxembourg Member of the Council of Auditors: • Dexia Bank Nederland

BIOGRAPHY

Graduate in applied economics from K.U. Leuven, specialising in international relations. The first part of his career revolved around corporate banking and investment banking in Belgium. In 2001 he was appointed chairman of the Management Board of Banque Artesia Nederland, and became a member of the Management Board of Dexia Bank Nederland in 2002. In 2003 he became member of the Management Board of Dexia Bank Belgium, in charge of Insurance and Development of International Retail activities, and from 2004 in charge of Public and Wholesale Banking. Since January 2006, he has been chairman of the Management Board of Dexia Bank Belgium. In 2008 he was appointed member of the Management Board of Dexia SA.

AUGUSTIN DE ROMANET DE BEAUNE 48 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: • CDC Entreprises • CNP Assurances • Icade • Veolia Environnement • FSI-PME Portefeuille Chairman of the Supervisory Board: • Société nationale immobilière Chairman of the Board of Directors: • Fonds stratégique d'investissement

BIOGRAPHY

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
ROBERT DE METZ *Independent director* 58 years old French Director since 2009 Holds no Dexia share	Member of the Accounts Committee	**2009-**	Executive director La Fayette Management Ltd	Member of the Supervisory Board: • Canal+ France Director: • Média-Participations (Paris-Brussels) • L.A. Finances (Paris) Chief Executive Officer: • Bee2Bees SA (Brussels) Member of the Executive Committee: • Fondation Demeure Historique pour l'avenir du patrimoine

BIOGRAPHY

Graduate of the Institut d'études politiques de Paris (IEP) and of the École nationale d'administration (ENA), he began his career in the General Finance Inspectorate. Robert de Metz joined Banque Indosuez in 1983 where he held posts in Hong Kong and in France before joining Demachy Worms & Cie. At Paribas since 1991, he exercised many functions, notably mergers-acquisitions before being appointed to the Management Board, responsible from London for fixed income, forex and derivatives markets. He was a director at Cobepa from 1993 to 1999. Between 2002 and 2007, he was Deputy Director General of the Vivendi Group in charge of mergers-acquisitions and strategy.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
CHRISTIAN GIACOMOTTO *Independent director* 69 years old French Director since 2009 Holds no Dexia share	Member of the Appointment and Compensation Committee	**2009-**	Chairman of the Management Board of Gimar Finance	Vice-Chairman: • Réunion des musées nationaux

BIOGRAPHY

Graduate in higher legal studies, of the Institut d'études politiques de Paris (IEP) and of the New York University (American Finance), he is Chairman of the Management Board of Gimar Finance. He began his career at the Bank of the European Union before becoming Deputy Director General of the CIC in 1982. In 1987 he created the Arjil Bank, of which he became Chairman of the Management Board before holding various managerial posts and directorships with the Lagardère Group, then Kleinwort Benson in London, the bank with which he founded Kleinwort Benson, Gimar & Cie in Paris in 1994. He is Vice-Chairman of the Réunion des musées nationaux (National Museums Association). He is a Commander of the Legion of Honour and Commander of the Order of Arts and Letters.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
CATHERINE KOPP *Independent director* 60 years old French Director since 2008 Holds 250 Dexia shares		**2008-2012**		Director: • Schneider Electric

BIOGRAPHY

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 and member of the Executive Committee of the LVMH Group. From 2002 to 2010, 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 Modernisation of the Labour Market (2008), which both resulted in an agreement. In 2009 she was appointed by the French Prime Minister as a member of the High Council for Integration. Catherine Kopp is Knight of the National Order of the Legion of Honour and Officer of the National Order of Merit.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
SERGE KUBLA 62 years old Belgian Director since 2005 Holds no Dexia share		**2006-2010**	Mayor of Waterloo	Other function in the Dexia Group: • Director of Dexia Bank Belgium

BIOGRAPHY
Solvay Business School. From 1976 a councillor 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.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
HUBERT REYNIER 47 years old French Director since 2009 Holds no Dexia share	Member of the Accounts Committee	**2009-**	Director of Finance, Strategy and Sustainable Development for the Caisse des Dépôts Group	Director: • Qualium Investissement Member of the Supervisory Board: • Société Nationale Immobilière (SNI)

BIOGRAPHY
Graduate of the French École nationale d'administration (ENA), the Institut d'études politiques de Paris (IEP), he holds a Master of Advanced Studies in Economics and is a General Inspector of Finance. After completing his studies in 1988 he embarked on a career at Inspection Générale des Finances, before transferring to Banque Nationale de Paris (BNP) in 1992. From 1993 to 1994 he was Senior Vice-President in the Investment Banking (New York) department, and then became General Manager of the London branch. From 1998 he held the post of Director General of the BNP group for Belgium and the Netherlands. In May 2000 he started at COB where he was responsible for the First Market sector, subsequently becoming Head of the Operations and Financial Information Department. In 2004, shortly after the creation of the Financial Markets Authority (AMF), he became Deputy General Secretary in charge of the Department of Regulation and International Trade. At the same time he also chaired the work of the Permanent Committee of the International Organisation of Securities Commissions.

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
FRANCINE SWIGGERS 57 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	Director and Chairman of the Management Board: • Arcoplus • Auxipar • Arcopar • Arcofin • Procura vzw Director: • Arcosyn • Aquafin • Interfinance • De Warande vzw • Hogeschool Universiteit Brussel • L'Économie Populaire • Sociaal en Familiaal Toerisme Director and member of the Audit Committee: • VDK Spaarbank Member of the College of Principals: • Belgian National Bank Other functions in the Dexia Group: • Director of Dexia Crédit Local • Director of Dexia Bank Belgium

BIOGRAPHY
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
BERNARD THIRY 54 years old Belgian Director since 2009 Holds 2,000 Dexia shares		**2009-**	Chairman of the Management Board of Ethias SA and Ethias Droit Commun AAM	Professor at the HEC – Management College of the University of Liège Member of the Executive Board: • Groupement des entreprises mutuelles d'assurance (GEMA) Director: • Ethias Banque • AMICE • AME Holding • AME Ré • AME LIFE LUX • AME LUX • AZUR-GMF Mutuelles d'Assurances Associées • SOLIDARIS Chief Executive Officer: • Ethias Finance Chairman: • AUDI • Bel Ré • Nateus • Nateus Life • MNEMA ASBL • UAAM • NRB Vice-Chairman: • FEBECOOP Chairman of the Management Board: • LEGIBEL Manager: • GIEI • GI Director General: • CIRIEC ASBL Other function in the Dexia Group: • Director of Dexia Bank Belgium

BIOGRAPHY

Doctor of Economics from the University of Liège and graduate from Stanford University, he is Chairman of the Management Board of Ethias. He began his career in the Faculty of Economics, Management and Social Sciences of the University of Liège where he was a professor until 2006. Between 2000 and 2001, he was Administrative Director and member of the Management Board of the Belgian Commission for Electricity and Gas Regulation. In 2006, he joined Ethias as Director of International Relations. He became a member of the Management Board in February 2008 and Chairman in October 2008. He is also a professor at HEC, the Management College of the University of Liège.

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NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
MARC TINANT 55 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, Arco Group (Arcofin, Arcopar, Arcoplus)	Vice-Chairman of the Management Board and Director: • Arcofin • Arcoplus • Arcopar • Arcosyn • Interfinance Vice-Chairman of the Board of Directors: • Auxipar Chief Executive Officer and Vice-Chairman of the Board of Directors: • EPC Director: • Retail Estates (Sicafi listed in Brussels) • Société régionale d'investissement de Wallonie (SRIW) • Mediabel SA • SOFATO ASBL • SYNECO ASBL • Barthel Pauls Söhne AG Chief Executive Officer and Director: • FINEXPA • CETS ASBL Member of the Financial Committee: • Université catholique de Louvain (UCL) Other function in the Dexia Group: • Director of Dexia Insurance Belgium

BIOGRAPHY
Graduate and Master's Degree in economics. Before joining the Arco Group in 1991, he was General Advisor to the Management Board of the Société régionale d'investissement de Wallonie (SRIW).

NAME	SPECIALIST COMMITTEES	BEGINNING AND END OF CURRENT MANDATE	PRIMARY FUNCTION	OTHER MANDATES AND FUNCTIONS
BRIAN UNWIN *Independent director* 74 years old British Director since 2000 Holds no Dexia share		**2006-2010**	Chairman of Assettrust Housing, Limited	Chairman: • European Centre for Nature Conservation Director: • Federal Trust for Education & Research

BIOGRAPHY
Studied at Oxford and Yale. This 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
KOEN VAN LOO 37 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	**2009-2013**	Managing Director and Member of the Strategy Committee of the Société fédérale de participations et d'investissement	Chairman of the Board of Directors: • FEDIMMO Director: • SN Airholding • Zephyr FIN • Certi-Fed • Bel to mundial vzw • Zilver Avenue Participatiemaatschappij NV • Société Belge d'Investissement International • Fonds de réduction du coût global de l'énergie

BIOGRAPHY
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 73 years old Belgian Director since 2004 Holds 3,100 Dexia shares	Member of the Appointment and Compensation Committee Member of the Strategy Committee	**2009-2013**	Mayor of Zaventem	Chairman of the Board of Directors: • Holding Communal Director: • Elia • Asco Industries • Publi-T • Vivaqua Intercommunale

BIOGRAPHY
Former insurance inspector. Former manager of a tax office. He has occupied several parliamentary functions at federal and regional level.

ISABELLE BOUILLOT 60 years old French Observer since 2009 Holds no Dexia share		**2009-2010**	Chairman of China Equity Links	

BIOGRAPHY
Graduate of the French École nationale d'administration (ENA) and the Institut des études politiques de Paris (IEP), and holder of a post-graduate degree in Public Law. She has occupied different positions in French public administrations, among them economic advisor for the President of the Republic between 1989 and 1991 and Budget Director at the Ministry of Economy and Finance between 1991 and 1995. She joined the Caisse des dépôts et consignations as Deputy Chief Executive Officer in 1995 and was in charge of financial and banking activities. Between 2000 and 2003, she was Chief Executive Officer of the Investment Bank of the Group CDC IXIS. She is currently President of China Equity Links and a director of Umicore and Saint-Gobain.

BRIGITTE CHANOINE 44 years old Belgian Observer since 2009 Holds no Dexia share		**2009-2010**	Professor of finance and Rector of the ICHEC Brussels Management School	

BIOGRAPHY
Qualified as a Master in Business Engineering (ICHEC Brussels Management School), having a PhD in Finance and being Doctor in Business Administration (IAG – Université catholique de Louvain), she started her professional activities in 1988 as Health and Safety Manager at General Devices (Indianapolis). Since 1990 she has occupied different positions in the Finance Department of the ICHEC, of which she has been the Rector since September 2008. As a professor at ICHEC and at the Université catholique de Louvain, she also provides lessons, training and consulting services for companies.

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 15 November 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 appointing 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 specialisation 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.
The candidate must have the necessary availability, moreover, to fulfil his obligations as a director.
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.
At its meeting on 1 July 2009, the Board of Directors looked into its own operation, particularly having regard to the recommendations in the revised version of the Belgian Code of corporate governance.

Changes in the composition of the Board of Directors of Dexia SA in 2009

During the 2009 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 13 May 2009:
• the definitive appointment as director, for a new mandate of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA, of Jean-Luc Dehaene, provisionally appointed by the Board of Directors to replace Pierre Richard, resigning;
• the definitive appointment as director, for a new mandate of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA, of Pierre Mariani, provisionally appointed by the Board of Directors to replace Axel Miller, resigning;
• the definitive appointment as director, for a new mandate of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA, of Bruno Bézard, provisionally appointed by the Board of Directors to replace Jacques Guerber, resigning;
• the definitive appointment as director, for a new mandate of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA, of Koen Van Loo, provisionally appointed by the Board of Directors to replace Guy Burton, resigning;
• the definitive appointment as director, for a new mandate of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA, of Alain Quinet, provisionally appointed by the Board of Directors to replace Dominique Marcel, resigning;
• the renewal of the mandate of Francis Vermeiren, for a term of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA;
• the renewal of the mandate of Bernard Lux, for a term of four years to expire at the end of the 2013 Ordinary Shareholders' Meeting of Dexia SA.
2. At its meeting on 1 July 2009, the Board of Directors unanimously co-opted Stefaan Decraene, Christian Giacomotto, Robert de Metz and Bernard Thiry as directors, with immediate effect, respectively to replace Jan Renders, Denis Kessler, André Levy-Lang and Bernard Lux, resigning.
Their definitive appointment will be submitted to the 2010 Ordinary Shareholders' Meeting of Dexia SA.
3. At its meeting on 26 August 2009, the Board of Directors decided to appoint Isabelle Bouillot and Brigitte Chanoine as permanent observers in accordance with Article 11 of the Company's articles of association. Their appointment as director will be proposed to the Ordinary Shareholders' Meeting of Dexia SA on 12 May 2010.
4. At its meeting on 12 November 2009, the Board of Directors decided to co-opt Olivier Bourges and Hubert Reynier as directors, with immediate effect, respectively to replace Bruno Bézard and Alain Quinet, resigning.
Their definitive appointment will be submitted to the 2010 Ordinary Shareholders' Meeting of Dexia SA.

New directors and observers

As indicated above, during the 2009 financial year, six new directors were appointed, namely Stefaan Decraene, Christian Giacomotto, Robert de Metz, Bernard Thiry, Olivier Bourges and Hubert Reynier, and two permanent observers, namely Isabelle Bouillot and Brigitte Chanoine.

• Stefaan Decraene graduated in applied economics from K.U. Leuven, specialising in international relations. The first part of his career revolved around corporate banking and investment banking in Belgium. In 2001 he was appointed Chairman of the Management Board of Banque Artesia Nederland, and became a member of the Management Board of Dexia Bank Nederland in 2002. In 2003 he became member of the Management Board of Dexia Bank Belgium, in charge of Insurance and Development of International Retail activities, and from 2004 in charge of Public and Wholesale Banking. Since January 2006, he has been Chairman of the Management Board of Dexia Bank Belgium. In 2008 he was appointed member of the Management Board of Dexia SA.

• Christian Giacomotto is a graduate in higher legal studies, of the Institut d'études politiques de Paris (IEP) and of the New York University (American Finance) and is Chairman of the Management Board of Gimar Finance. He began his career at the Bank of the European Union before becoming Deputy Director General of the CIC in 1982. In 1987 he created the Arjil Bank, of which he became Chairman of the Management Board before holding various managerial posts and directorships with the Lagardère Group, then Kleinwort Benson in London, the bank with which he founded Kleinwort Benson, Gimar & Cie in Paris in 1994. He is Vice-Chairman of the National Museums Association. He is a Commander of the Legion of Honour and Commander of the Order of Arts and Letters.

• Robert de Metz is a graduate of the Institut d'études politiques de Paris (IEP) and of the École nationale d'administration (ENA). He began his career in the General Finance Inspectorate. Robert de Metz joined Banque Indosuez in 1983 where he held posts in Hong Kong and in France before joining Demachy Worms & Cie. At Paribas since 1991, he exercised many functions, notably mergers-acquisitions before being appointed to the Management Board, responsible from London for fixed income, forex and derivatives markets. He was a director at Cobepa from 1993 to 1999. Between 2002 and 2007, Robert de Metz was Deputy Director General of the Vivendi Group in charge of mergers-acquisitions and strategy.

• Bernard Thiry is a Doctor of Economics from the University of Liège and a graduate from Stanford University, and is Chairman of the Management Board of Ethias. He began his career in the Faculty of Economics, Management and Social Sciences of the University of Liège where he was a professor until 2006. Between 2000 and 2001, he was Administrative Director and member of the Management Board of the Belgian Commission for Electricity and Gas Regulation. In 2006, he joined Ethias as Director of International Relations. He became a member of the Management Board in February 2008 and Chairman in October 2008. He is also a professor at HEC, the Management College of the University of Liège.

• Olivier Bourges is a graduate of the French École nationale d'administration (ENA), the Institut d'études politiques de Paris (IEP) and has a Scientific Baccalaureat. From 1992 to 2000 he held various functions in the Treasury Department (Direction du Trésor, Paris), i.e. as deputy head to the Banks Agency from 1992 to 1996 and from 1998 to 2000 as head of the 'Housing Financing' Agency (Bureau Financement du Logement). Between 1996 and 1998 he was Alternate Executive Director of the World Bank, IBRD. In 2000 he joined Renault initially as Financial Relations Director, and was subsequently appointed Director of Vehicle Profitability. In 2006 he was made Vice-President, Corporate Planning and Program Management Office at Nissan North America. In 2008 he returned to Renault, as Senior Vice-President and Director of the Management Control Department at group level. Since September 2009 he has been Deputy Director General of the Agence des Participations de l'État (APE).

• Hubert Reynier is a graduate of the French École nationale d'administration (ENA), the Institut d'études politiques de Paris (IEP), holds a Master of Advanced Studies in Economics and is a General Inspector of Finance. After completing his studies in 1988 he embarked on a career at Inspection Générale des Finances, before transferring to Banque Nationale de Paris (BNP) in 1992. From 1993 to 1994 he was Senior Vice-President in the Investment Banking (New York) department, and then became General Manager of the London branch. From 1998 he held the post of Director General of the BNP group for Belgium and the Netherlands. In May 2000 he started at COB where he was responsible for the First Market sector, subsequently becoming Head of the Operations and Financial Information Department. In 2004, shortly after the creation of the Financial Markets Authority (AMF), he became Deputy General Secretary in charge of the Department of Regulation and International trade. At the same time he also chaired the work of the Permanent Committee of the International Organisation of Securities Commissions.

• Isabelle Bouillot is a graduate of the École nationale d'administration (ENA) and the Institut des études politiques de Paris (IEP), and holder of a post-graduate degree in Public Law. She has occupied different positions in French public administrations, among them economic adviser for the President of the Republic between 1989 and 1991 and Budget Director at the Ministry of Economy and Finance between 1991 and 1995. She joined the Caisse des dépôts et consignations as Deputy Chief Executive Officer in 1995 and was in charge of financial and banking activities. Between 2000 and 2003, she was Chief Executive Officer of the Investment Bank in the Group CDC IXIS. She is currently President of China Equity Links and a director of Umicore and Saint-Gobain.

• Brigitte Chanoine is qualified as a Master in Business Engineering (ICHEC Brussels Management School), having a PhD in Finance and being Doctor in Business Administration (IAG – Université catholique de Louvain), she started her professional activities in 1988 as Health and Safety Manager at

General Devices (Indianapolis). Since 1990, she has occupied different positions in the Finance Department of the ICHEC, of which she has been the Rector since September 2008. As a professor at ICHEC and at the Université catholique de Louvain, she also provides lessons, training and consulting services for companies.

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 17 December 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 1 July 2011.

On 29 January 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 executive member of the Board of Directors, or as a member of the Management Board or delegate to everyday management, of Dexia SA or of a company or a person associated with it in the meaning of Article 11 of the Company Code.

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.

3. During a period of three years preceding his appointment, the independent director may not have been a member of the management personnel.

4. The independent director may not receive, or have received, compensation or other significant benefit of an asset nature from Dexia SA or from a company or a person associated with it in the meaning of Article 11 of the Company Code, outside any percentages and fees received as a non-executive member of the Board of Directors or member of the supervisory body.

5. The independent director:

a) may not hold any social right representing one tenth or more of the capital, social funds or category of shares of the company.

b) if he holds rights representing a proportion of less than 10%:

• by the addition of the social rights with those held in the same company by companies of which the independent director has control, those social rights may not reach one tenth of the capital, social funds or category of shares of the company; or

• acts of arrangement in relation to those shares or the exercise of the rights attached hereto may not be subject to contractual stipulations or unilateral undertakings to which the independent member of the Board of Directors has subscribed.

c) may not in any way represent a shareholder meeting the conditions of the present point.

6. The independent director may not have entered into or maintained a significant business relationship with Dexia SA or with a company or person associated with it in the meaning of Article 11 of the Company Code 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 over the last three years have been a partner or employee of a current or previous auditor of Dexia SA or an associated company or person associated with it in the meaning of Article 11 of the Company Code.

8. The independent director may not be an executive member of the Board of Directors of another company in which an executive director of Dexia SA is a non-executive member of the Board of Directors or a member of the supervisory body, and may not have other significant ties with the executive directors of Dexia SA through posts held in other companies or bodies.

9. The independent director may not, either within Dexia SA or within a company or person associated with it in the meaning of Article 11 of the Company Code, have either 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 exercising a mandate as member or the Board of Directors, delegate to everyday management or member of the management staff, or in one of the other cases defined in points 1 to 8.

These criteria are applicable to any director appointed for the first time within the Board of Directors of Dexia SA as an independent director from 29 January 2009.

They are not applicable to directors who were qualified as independent before 29 January 2009, on the basis of the criteria previously fixed by the Board of Directors of Dexia SA. These independent directors may continue to sit on the Board of Directors as independent directors until 1 July 2011, when they must meet the present criteria of independence to be able to continue to sit in that capacity. These criteria will nonetheless be applicable to them in the case of renewal of their mandate as director before 1 July 2011. Any loss of status as independent director at the end of this transitional period will not be an obstacle to renewal of the mandate as non-independent director.

The independent director of Dexia who no longer meets one of the said criteria, particularly following a major change of his functions, will immediately inform the Chairman of the Board of Directors who will inform the Appointment and Compensation Committee; the Appointment and Compensation Committee will inform the Board of Directors and if necessary formulate an opinion.

Considering those criteria, the Board of Directors of Dexia SA has six independent directors as at 31 December 2009.

They are:
- Jean-Luc Dehaene;
- Gilles Benoist;
- Christian Giacomotto;
- Catherine Kopp;
- Robert de Metz;
- 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 and Stefaan Decraene, respectively Chairman and member of the Management Board, 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 Directors 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 10 May 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 risk management;
- 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

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 centralised 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 Auditor and internal auditors;
- defines the organisation 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 Appointment and 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 authorised 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.

The Board of Directors may, on an *ad hoc* basis or generally, invite observers to attend its meetings. These observers do not have a deliberative vote and are bound by the same obligations, particularly of confidentiality, as the directors.

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. The latest amendments were adopted by the Board of Directors on 13 November 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. On 29 January 2009, the internal rules of the Board of Directors have been amended in order 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. The rules applicable to executives of Dexia SA involved in proprietary trading in Dexia shares were also strengthened by the Board of Directors at its meeting on 26 August 2009.

General organisational principles

The Board of Directors is organised 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 submit their mandate 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 conflicting 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.

Transactions on Dexia financial instruments

In order to promote the transparency of transactions in the Dexia financial instruments, the internal rules, amended by the Board of Directors at its meeting on 26 August 2009, stipulate that all the directors of Dexia SA have the status of "*permanent insider*" in view of their regular access to inside information on Dexia. Executive directors, as well as some non-executive directors, have access to the estimated consolidated results of Dexia, are thus entered in the list of "*estimated consolidated results insiders*". Moreover, within the context of certain specific projects, directors may have access to inside information on Dexia in relation to its projects, and they are entered in the list of "*occasional insiders*".

In view of their *permanent insider* status, directors:

- will refrain from carrying out any transaction on Dexia financial instruments during the period of one month prior to the announcement of the quarterly, half-yearly or annual results;
- must obtain prior authorisation from the Group Chief Compliance Officer before any transaction on Dexia financial instruments.

Directors with the status of *estimated consolidated results insiders* are subject for a statutory restriction period associated with estimated results and will refrain from carrying out any transaction on Dexia financial instruments during a negative intervention period beginning on D-15 of the account closing date and ending on the date of publication of the results. They must moreover obtain authorisation from the Group Chief Compliance Officer before any transaction in view of their status of permanent insider.

Directors entered in the list of *occasional insiders* may not, during the time they are in the list, carry out any transaction on Dexia financial instruments.

As for stock options, and having regard to their terms, it is possible to uncouple the initiation of the order from its execution. Applying this principle, a director may give an instruction in relation to the exercise of stock options during a positive intervention period with a view to their execution if necessary during a negative period. This uncoupling is only possible if the order given is irrevocable and has a floor price limit.

Directors and persons who are closely associated with them are obliged to notify the CBFA of transactions on Dexia financial instruments carried out on their own account. Transactions notified are automatically published by the CBFA on its internet site.

Directors must declare to the Group Chief Compliance Officer:

- at the time of their entry into office, all the Dexia financial instruments they hold;
- at the end of each year, an update of the list of Dexia financial instruments they hold.

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.

Activity and operation of the Board of Directors of Dexia SA during the 2009 financial year

Attendance by Board members

The Board of Directors met on eleven occasions in 2009. The directors' and observers' attendance rate at Board meetings was 85%.

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

Jean-Luc Dehaene	91%
Pierre Mariani	100%
Gilles Benoist	91%
Olivier Bourges	100% (1)
Stefaan Decraene	86% (2)
Robert de Metz	86% (2)
Augustin de Romanet de Beaune	64%
Christian Giacomotto	100% (2)
Catherine Kopp	91%
Serge Kubla	64%
Hubert Reynier	100% (1)
Francine Swiggers	100%
Bernard Thiry	100% (2)
Marc Tinant	82%
Brian Unwin	80%
Koen Van Loo	100%
Francis Vermeiren	91%

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

Isabelle Bouillot	50% (3)
Brigitte Chanoine	75% (3)

(1) Out of a total of three meetings.
(2) Out of a total of seven meetings.
(3) Out of a total of four meetings.

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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, minutes of the specialist committees' meetings), the Board concentrated in particular on the following matters:

- approval of the 2008 accounts;
- the Dexia Group budget for 2009, 2010 and 2011;
- the Dexia Group transformation plan and the disposal of FSA;
- the Group liquidity situation;
- stress tests on Dexia credit risk;
- the composition of the Board of Directors and of the specialist committees created within it;
- the 2009 strategic review of the Dexia Group;
- strategy regarding retail banking on the Belgian market;
- strategy regarding asset management and insurance;
- strategy regarding Public and Wholesale Banking;
- strategy regarding private banking;
- the variable compensation of Dexia executives and market professionals;
- the evolution of rules of governance, particularly following the entry into force of the new Belgian Code of corporate governance;
- amendment of the internal rules of the Board of Directors, in particular amendment of the rules relating to transactions on Dexia financial instruments;
- amendment of policy regarding Group compliance and the compliance rules regarding external mandates exercised by executive and non-executive directors;
- discussions between Dexia and the European Commission with a view to approval and extension of the State guarantee;
- disposal of the Dexia stake in Crédit du Nord.

Compensation of the directors of Dexia SA for 2009

Review of the principles applied

Dexia SA's 2006 Ordinary Shareholders' Meeting decided to pay a total maximum global compensation amount of EUR 1,300,000 to the directors for their services, effective 1 January 2005.
This meeting also authorised the Board to determine the practical procedures and individual allocation of this compensation.
At its meeting on 23 May 2002, the Board of Directors decided to grant each director a fixed annual compensation of EUR 20,000 (or fixed compensation of EUR 5,000 per quarter), 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.
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 29 January 2009, the Board of Directors decided to grant each director a fixed annual amount of EUR 10,000 (or fixed compensation of EUR 2,500 instead of EUR 5,000 per quarter), and directors' fees (variable compensation) of EUR 2,000 per meeting of the Board of Directors or one of the specialist committees. These principles have applied since 1 January 2009.

Compensation paid to the Chairman of the Board of Directors

On 13 November 2008, the Board of Directors fixed the gross compensation of the Chairman of the Board on a proposal from the Compensation Committee on 10 November 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 of the different specialist committees. The Chairman do 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 OR OBSERVER OF DEXIA SA AND THE OTHER ENTITIES OF THE GROUP

(gross amounts in EUR)	BoD (fix. comp.)	BoD (var. comp.)	Strategy Committee	Accounts Committee	Internal Control, Risks and Conformity Committee	Appointment and Compensation Committee	Total 2009	Total 2008	Other Group entities 2009	Other Group entities 2008
Directors										
J.-L. Dehaene	20,000	36,000	4,000	0	0	28,000	88,000	38,000	0	0
P. Mariani	0	0	0	0	0	0	0	0	0	0
G. Benoist	10,000	18,000	0	12,000	12,000	0	52,000	74,000	0	0
B. Bézard	0	0	0	0	0	0	0 (1)	0 (1)	0	0
O. Bourges	0	0	0	0	0	0	0 (2)	n.a.	0	0
S. Decraene	0	0	0	0	0	0	0	n.a.	0	0
R. de Metz	5,000	10,000	0	6,000	0	0	21,000	n.a.	0	0
A. de Romanet de Beaune	0	0	0	0	0	0	0 (3)	0 (3)	0	0
C. Giacomotto	5,000	12,000	0	0	0	8,000	25,000	n.a.	0	0
D. Kessler	5,000	6,000	0	0	0	4,000	15,000	60,000	0	0
C. Kopp	10,000	18,000	0	0	0	0	28,000	48,000	0	0
S. Kubla	10,000	14,000	0	0	0	0	24,000	52,000	16,875 (4)	22,500 (4)
A. Levy-Lang	5,000	4,000	0	2,000	0	0	11,000	72,000	0	0
B. Lux	5,000	4,000	0	0	0	0	9,000	50,000	4,218.75 (4)	22,500 (4)
A. Quinet	0	0	0	0	0	0	0 (3)	0 (3)	0	0
J. Renders	5,000	8,000	0	0	0	0	13,000	58,000	4,218.75 (4)	0
H. Reynier	0	0	0	0	0	0	0 (3)	n.a.	0	0
F. Swiggers	10,000	20,000	2,000	0	0	14,000	46,000	64,000	35,375 (5)	14,143 (6)
B. Thiry	5,000	14,000	0	0	0	0	19,000	n.a.	16,875 (4)	0
M. Tinant	10,000	16,000	0	10,000	12,000	0	48,000	74,000	0	0
B. Unwin	10,000	16,000	0	0	0	0	26,000	62,000	0	0
K. Van Loo	10,000	20,000	2,000	0	10,000	0	42,000	11,000	0	0
F. Vermeiren	10,000	20,000	2,000	0	0	14,000	46,000	42,000	0	0
Observers										
I. Bouillot	2,500	4,000	0	0	0	0	6,500	n.a.	0	0
B. Chanoine	2,500	6,000	0	0	0	0	8,500	n.a.	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 by Bruno Bézard as a director of Dexia SA, amounting in total to EUR 17,500 (EUR 7,500 in fixed compensation and EUR 10,000 in variable compensation as a consequence of his participation in meetings of the Board of Directors) for the year 2009 and EUR 11,000 for the year 2008, were paid to the French government account.
(2) On 12 November 2009, Olivier Bourges was co-opted as a replacement for Bruno Bézard as a director of Dexia SA representing the French government. By virtue of the said article, a director's fee of EUR 10,500 was paid to the French government in 2009. This amount consists of EUR 2,500 in fixed compensation and EUR 8,000 in variable compensation as a consequence of his participation in meetings of the Board of Directors.
(3) Does not wish to receive percentages or directors' fees as a director of Dexia SA.
(4) Directors' and other fees obtained by virtue of a director's mandate in Dexia Bank Belgium.
(5) Directors' and other fees obtained by virtue of a director's mandate in Dexia Bank Belgium (EUR 16,875) and Dexia Crédit Local (EUR 18,500).
(6) Directors' and other fees obtained by virtue of a director's mandate in Dexia Crédit Local.

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. 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 10 May 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 at 1 January 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 year 2009 and paid by Dexia totalled EUR 20,465.34.

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 Strategy Committee;
- the Audit Committee which since 13 November 2008 has been divided into an Internal Control, Risks and Conformity Committee and an Accounts Committee;
- the Appointment and Compensation Committee, the result of the merger of the Compensation Committee and the Appointment Committee on 13 November 2008.

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 at 31 December 2009):

- Jean-Luc Dehaene, Chairman of the Board of Directors, independent director, Chairman of the Committee
- Pierre Mariani, Chief Executive Officer
- Bernard Thiry, director (1)
- Francine Swiggers, director
- Francis Vermeiren, director
- Augustin de Romanet de Beaune, director
- Koen Van Loo, director
- Olivier Bourges, director (2)

Responsibilities (as at 31 December 2009)

The Strategy Committee meets as required, on the initiative of the Chief Executive Officer, to examine the strategic positioning of the Dexia Group, considering the evolution of the Group's environment and its markets as well as its development lines in the medium term, and to study important files, prior to their examination by the Board of Directors, if they require particular confidentiality by virtue in particular of their repercussions on the financial markets.
Any of its members may also request a meeting of the Strategy Committee.
The Group's strategy is developed on the basis of the following principles:

- it is the responsibility of the Management Board to take the initiative to study and propose projects of a strategic nature to the Strategy Committee and to the Board of Directors;
- the Board of Directors and the Strategy Committee formed within it may ask the Management Board to study a strategic option;
- projects that meet at least one of the following criteria are considered to be of a strategic nature:
  - a project of acquisition or disposal of assets for an amount equal to or greater than EUR 300 million;
  - a project of joint venture, consortium or partnership with a third party that could have a significant impact on the scope of consolidation of the Group and/or on its results or the results of one of its business lines;
  - a project of alliance or partnership that implies a significant change in the shareholding structure of Dexia SA.

(1) Bernard Thiry was appointed as a member of the Strategy Committee on 1 July 2009 replacing André Levy-Lang.
(2) Olivier Bourges was appointed as a member of the Strategy Committee on 12 November 2009 replacing Bruno Bézard.

Operation and activities in 2009

The Strategy Committee met once in 2009.

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 2009 except for Bruno Bézard who was excused for the meeting on 23 October 2009.

Audit Committee

At its meeting on 13 November 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 17 December 2008 in particular establishing an audit committee in listed companies and financial institutions, meet in plenary session 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 at 31 December 2009):

- Gilles Benoist, independent director and Chairman of the Committee
- Marc Tinant, director
- Robert de Metz, independent director [1]
- Hubert Reynier, director [2]

Responsibilities (as at 31 December 2009)

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, each of these meetings taking place prior to the Board of Directors' meetings examining and drawing up the financial statements. It may meet at any time 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 member of the Management Board responsible for finances attends meetings of the Accounts Committee. Other members of the Management Board may be invited to attend meetings, and likewise the General Auditor and the external auditors. The Accounts Committee may be assisted, if necessary, by an expert.

Operation and activities of the Accounts Committee during the 2009 financial year

The Accounts Committee met seven times in 2009, dealing in particular with the following subjects:

- examination of the results for the fourth quarter 2008 and the first, second and third quarters 2009;
- the approval and certification of the 2008 financial statement;
- the 2009 budget;
- the disposal of FSA;
- Dexia's liquidity requirements;
- the reclassification and model valuation under the IFRS;
- amendments to the IAS39 standards and the new IFRS9 rules;
- the cost reduction programme;
- balance-sheet reduction;
- the State guarantees and the negotiations with the European Commission.

Presence of each individual director at meetings of the Accounts Committee

The individual attendance rate of directors at meetings of this Committee was 100% in 2009 except for Marc Tinant whose attendance rate was 86%.
For André Levy-Lang, who left the Committee on 1 July 2009, the attendance rate was 25%. For Alain Quinet, who left the Committee on 12 November 2009, the attendance rate was 50%.

(1) Robert de Metz was appointed as a member of the Accounts Committee on 1 July 2009 replacing André Levy-Lang.
(2) Hubert Reynier was appointed as a member of the Accounts Committee on 12 November 2009 replacing Alain Quinet. Alain Quinet was appointed as a member of the Accounts Committee on 1 July 2009.

• 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 at 31 December 2009) [1]:

- Gilles Benoist, independent director and Chairman of the Committee
- Marc Tinant, director
- Koen Van Loo, director
- Olivier Bourges, director [2]

Responsibilities (as at 31 December 2009)

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.
The Committee also examines reports presented by the head of the Group Compliance, Legal and Tax support line concerning the Group's legal and tax risks.

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 Committee meets at least four times a year, each of these meetings taking place prior to the Board of Directors' meetings examining and drawing up the quarterly, half-yearly or annual financial statements as the case may be. It may meet at any time at the request of one of its members, or the Chairman of the Board of Directors.
The competences and operating mode of the Internal Control, Risks and Conformity Committee are described in the internal rules of that Committee.

The member of the Management Board responsible for risks, the General Auditor and the head of the Compliance, Legal and Tax support line attend meetings of the Internal Control, Risks and Conformity Committee. The Group Chief Compliance Officer attends for points relating to compliance.

Operation and activities of the Internal Control, Risks and Conformity Committee during the 2009 financial year

The committee met six times in 2009, dealing in particular with the following subjects:

- the internal rules of the Internal Control, Risks and Conformity Committee;
- internal audit: the progress made on the 2008 audit plan and the audit plan for 2009;
- the report on internal control for the CBFA as at 30 September 2009;
- the study and monitoring of risks, *inter alia* legal risks and risks within the context of the transformation plan;
- the 2008 activity report for the Legal and Tax support line and the 2009 action plan;
- the 2008 activity report for the Compliance support line and the 2009 action plan;
- the code of professional ethics;
- the creation of an internal control coordination committee;
- the examination of the monitoring of audit recommendations;
- the project on the creation of a permanent control function at Group level;
- the discussions with the CBFA on the progress made with certain files;
- the impact of the transformation plan on Risk, Compliance and Audit functions;
- the structured credits marketed on the French market.

Presence of each individual director at meetings of the Internal Control, Risks and Conformity Committee

The individual attendance rate of directors at meetings of this Committee was 100% in 2009 except for Koen Van Loo whose attendance rate was 83%.
For Bruno Bézard and Alain Quinet, who left the Committee respectively on 12 November 2009 and on 1 July 2009, the attendance rate was 0% and 33% respectively.

(1) On 1 July 2009, the Board of Directors noted the resignation of Alain Quinet from the Internal Control, Risks and Conformity Committee and appointed him as a member of the Accounts Committee. Alain Quinet was not replaced on the Internal Control, Risks and Conformity Committee.
(2) On 12 November 2009, Olivier Bourges was appointed as a member of the Internal Control, Risks and Conformity Committee, replacing Bruno Bézard.

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.

The members of the Appointment and Compensation Committee are (as at 31 December 2009):

- Jean-Luc Dehaene, Chairman of the Board of Directors, independent director and Chairman of the Committee
- Christian Giacomotto, independent director [1]
- Francine Swiggers, director
- Augustin de Romanet de Beaune, director
- Francis Vermeiren, director

Responsibilities (as at 31 December 2009):

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 for top 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) 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 chairmen;
- 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, organisation 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.

Operation and activities during the 2009 financial year

The Appointment and Compensation Committee met seven times in 2009, dealing in particular with the following subjects:

- the qualification of independent directors;
- the composition of the Board of Directors;
- the composition of the specialist committees;
- amendments to the internal rules of the Board of Directors, the Accounts Committee and the Internal Control, Risks and Conformity Committee;
- the pension plan for certain executives;
- the departure indemnities of certain former executives;
- the policy regarding compensation to directors;
- the policy regarding compensation of market professionals and fund managers in asset management;
- the variable compensation in 2008 to members of the Management Board and the Executive Committee;
- the recommendations of the AFEP/MEDEF;
- the text of the annual report concerning compensation to members of the Management Board;
- the entry into force of the new Belgian Code of corporate governance.

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

The individual attendance rate of directors at meetings of this committee was 100% in 2009, except for Augustin de Romanet de Beaune whose attendance rate was 71%.

(1) Christian Giacomotto was appointed as a member of the Appointment and Compensation Committee on 1 July 2009, replacing Denis Kessler.

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 13 November 2008, in particular to simplify the decision-making process and to reduce the management team from ten to five members.

Composition

As at 31 December 2009, 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 Officer. 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
Chief Financial Officer

Pascal POUPELLE
Head of Public and Wholesale Banking
Chief Executive Officer and Chairman of the Management Board of Dexia Crédit Local SA

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

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.

• In 2009, the internal rules of the Management Board were amended in order to update the rules relating to the prevention of insider trading in relation to Dexia financial instruments.

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

Compensation of members of the management board

Introduction

The compensation of members of the Management Board is fixed by the Board of Directors of Dexia SA on proposals from the Appointment and Compensation Committee.
The compensation of members of the Management Board is subject to periodic study by the Appointment and Compensation Committee with the support of a specialist external consultant.
The Board of Directors has the firm desire to act within the regulatory framework as it has evolved on the basis of the provisions emerging from the G20 in Pittsburgh. Indeed, in accordance with the request from the Banking, Finance and Insurance Commission, Dexia has lodged a compensation policy with that institution in line with Belgian regulations (which will come into force in 2010) and is applying its principles in anticipation from this year.

Reminder of the decisions taken in 2009 regarding the compensation of members of the Management Board

At the meeting of the Board of Directors held on 29 January 2009, the Board noted the proposal from members of the Management Board and the Executive Committee of Dexia SA, as well as members of the Committees of the main Group entities not to receive any variable compensation for the year 2008.
That proposal was accepted by the Board of Directors. It is a first in the entire financial sector. More than 50 executives of the Dexia Group collectively waived the entirety of their variable compensation for 2008.
During that meeting, the Board of Directors also decided to terminate the supplementary pension scheme put in place, in France, in favour of certain executives.
Finally, the Board of Directors decided that no stock options or free shares should be granted in 2009.
Furthermore, in accordance with French Decree No. 2009-348 of 22 April 2009, Dexia concluded an agreement with the French State by which it makes various undertakings regarding good governance.
2009 was also a year during which the Dexia Group and above all the members of the Management Board presented

the transformation plan to the European Commission, which ruled favourably on it at the beginning of 2010.
Execution of the decisions of the European Commission should be integrated in coming years in the model for analysing the performance of Group members of the Management Board, each with regard to their own position.

Compensation of members of the Management Board for 2009

Context

The Board of Directors considers that the year 2009 should be subject to specific treatment with regard to the compensation of executives.
The Board of Directors has noted that all the targets of the transformation plan were achieved and even exceeded in 2009 whether in reduction of the risk profile, control of costs or the return to profitability over four consecutive quarters, enabling Dexia to post a net profit of EUR 1 billion after a loss of EUR 3.3 billion in 2008.
Group executives received no variable compensation for 2008.
This context justifies the adoption of specific measures for 2009.

Furthermore, given that 2008 was an atypical reference year and that a very large majority of members of the Management Board took up their posts at the end of 2008, a comparison with previous years is irrelevant.

Fixed and variable compensation

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

Fixed compensation

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).
In 2009, there was no increase of the fixed compensation of members of the Management Board.

SUMMARY OF THE FIXED COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Fixed compensation paid in 2009	Other advantages (1)
Pierre Mariani	1,000,000	6,324
Stefaan Decraene	450,000 (2)	6,096
Pascal Poupelle	500,000	-
Claude Piret	480,000	6,324
Philippe Rucheton	500,000	6,324

(1) A company car is provided to each of the members of the Management Board for business and private use. The associated costs are not included in the amounts indicated in this section. The amounts represent annual lump-sum indemnities for representation costs.
(2) As from 1 January 2010, the annual compensation of Stefaan Decraene will be set at EUR 500,000.

Variable compensation

From 2009, the Board of Directors decided to apply the principles of the Belgian regulations which will be applicable from the variable compensation for 2010 to be paid in 2011. These principles are:

- a deferment of the variable compensation over three years;
- a measure of performance over the long term;
- an adjustment of the deferred part in the event of poor performance;
- a link of the deferred part with the share price.

In relation to performance in 2009 and considering the above, the Board of Directors decided to depart from the principles applied in the past in order to align the fixing of the variable compensation to realisation of the Dexia transformation plan and to the involvement of each member of the Management Board in the implementation of that plan.

Furthermore, the Board of Directors specified that the variable compensation for 2009 had to be less than was the practice before the crisis at the equivalent function level.

The reduction applied to members of the Management Board for 2009 would be of the same order as that applied to the variable compensation of the Group 300 top executives (i.e. average reduction by more than one third).

Conditions of attribution and payment of the variable compensation

For 2009, the Board of Directors fixed three conditions for attribution and payment of the variable compensation of members of the Management Board.

1. For 2009, the Board of Directors decided that the variable compensation granted to members of the Management Board of Dexia SA would be subject to the non-renewal of the State guarantee on interbank loans and bond issues beyond 30 June 2010, in accordance with the undertakings made to the European Commission.

As a consequence, members of the Management Board will receive no amount if this condition is not met.

In the case of attribution of variable compensation following the non-renewal of the State guarantees on interbank loans and bond issues, the following principles will apply.

2. On a proposal from the Appointment and Compensation Committee, on each date of payment of a deferred part, the Board will check that the performance of the member of the Management Board has not deteriorated and that the undertakings made to the European Commission have been fulfilled.

3. The deferred part is indexed to the share price during that period. This indexation permits a close association of the interest of members of the Management Board and those of the shareholders, from a long-term point of view.

In order to take account of the penalty suffered by the beneficiaries as a consequence of the non-availability of the deferred sums, the member of the Management Board may be entitled to the countervalue of the dividend paid during the period of deferment.

Deferring variable compensation

In accordance with the above principles, payment of the variable compensation of members of the Management Board will be deferred over three years. The deferred part will be determined according to following conditions:

- In n+1 (i.e. 2010), the member of the Management Board will receive:
  - for the part from EUR 0 to EUR 50,000: 100%;
  - for the part from EUR 50,001 to EUR 100,000: 50%;
  - for the part beyond EUR 100,001: 33%.
- The member of the Management Board will receive the balance, according to the conditions described in "Conditions of attribution and payment of the variable compensation", in n+2 (i.e. 2011) and n+3 (i.e. 2012).

The member of the Management Board must still be in the service of the Group at the time of payment of the different amounts due, failing which the deferred parts will be lost, unless a contrary decision is taken by the Board of Directors on the proposal of the Appointment and Compensation Committee.

Application of these principles for 2009

The Board of Directors noted that all the targets of the transformation plan were achieved or even exceeded in 2009.

The Board recalls that no stock option or free shares were granted during the year 2009. Similarly, no fixed compensation was subject to revaluation.

SUMMARY OF THE VARIABLE COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

	Variable compensation for 2009 Amounts granted subject to conditions (see part "Conditions of attribution and payment of the variable compensation") by date of possible payment				
(en EUR)	2010	2011	2012	Total	% deferred
Pierre Mariani	308,333	245,833	245,834	800,000	61%
Stefaan Decraene	141,667	79,166	79,167	300,000	53%
Pascal Poupelle	141,667	79,166	79,167	300,000	53%
Claude Piret	100,000	37,500	37,500	175,000	43%
Philippe Rucheton	141,667	79,166	79,167	300,000	53%

The percentages of deferred compensation are within the high range of the recommendations of good governance (Financial Stability Board).

Extralegal pensions

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

• 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 extralegal supplementary pension scheme whilst maintaining the acquired and future rights of the persons affiliated prior to 31 December 2006.

• 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 capitalisation of annual contributions. These represent a fixed percentage of a capped annual fixed compensation.

Annual premiums of EUR 547,900 were paid in 2009 in favour of the members of the Management Board under Belgian contract, including EUR 147,830 for the Chief Executive Officer.

Annual collective premiums of EUR 199,910 were paid in 2009 in favour of members of the Management Board under Belgian contract for additional cover for death, permanent disability and the costs of medical treatment, and EUR 5,780 in favour of the member of the Management Board under French contract for obligatory and supplementary cover for death, permanent disability and medical costs.

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 Appointment and 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 which has the task of giving the Dexia Group an assurance on the degree of risk control. To that end, in accordance with the highest standards and homogeneously for all Dexia activities and entities, Internal Audit ensures the efficient nature and effective application of the internal control system in place, and if necessary makes recommendations aimed at improving efficiency.

Internal Audit assists the Boards of Directors of all the entities of the Group in their surveillance role and the Group Management Board and the Management Boards of the entities in achieving their objectives.

More precisely, in performing its tasks, 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. Internal Audit is also attentive to the constant improvement of the operation of all Group entities, whilst ensuring available means are managed efficiently.

A common audit charter states the fundamental principles governing the function of Internal Audit in the Dexia Group, describing its objectives, its role, its responsibilities and its mode of operation. Having regard to the developments on the organisation plan and the audit methodology within the Group, this charter Is currently being reviewed and updated.

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 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.

In performing its tasks, Internal Audit has access to all the information, documents, premises and persons of the Group.

All the activities and entities of the Dexia Group fall within the scope of action of Internal Audit, without reservation or exception. Indeed the function of Internal Audit within the Dexia Group covers the activities of Dexia SA, the operational entities and the subsidiaries or branches of the latter. In principle it does not cover the activities of companies in which the Dexia Group only has a minority holding, apart from exceptions associated in particular with requests from the supervisory authorities. It is nonetheless the task of the representative of Dexia to the Board of Directors to obtain information on the state of the internal control mechanism and if necessary to warn the Management Board and the Audit department of the entity which has such holding. The Internal Audit department, led by the General Auditor of Dexia SA, reports on its task to the Chairman of the Management Board of Dexia SA, and the Board of Directors of Dexia SA, assisted by their own audit committee.

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 2007, the organisational structure of Internal Audit has been aligned to the organisation 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.

The segments have been defined as follows:

• Segment 1: Public and Wholesale Banking, project finance and credit risks
• Segment 2: Retail banking, insurance, compliance, legal and tax
• Segment 3: Wealth management, Human Resources and Communication
• Segment 4: TFM/ALM and risks (other than credit risk)
• Segment 5: Finance, Operations & IT

The heads of segments (or the Group Head of Audit) are responsible for the identification and surveillance of the risks relating to their scope, in liaison with the operational directors concerned.

This organisation, 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.

Two guiding structures have been introduced to ensure guidance of the support line: the IAMC (Internal Audit Management Committee) and the IAEC (Internal Audit Executive Committee).

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 Organisation (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, analyses the results of the monitoring of the performance of the line and validates internal and external reporting.

The Audit Process Management and Organisation unit introduced in Dexia SA and the operational entities, has the role of providing support to the audit support line. Its objectives are to define and to update the methodology, the audit process, to manage audit planning, to prepare activity reports for the attention of management, to implement and maintain the tools necessary for the good operation of the audit support line, to coordinate work with operational risk and compliance teams, to produce performance indicators for the performance of tasks and to organise the training plan for auditors and quality reviews so as to ensure the correct application of the audit method and processes.

Considerable work on methodology was performed in 2009. It related to a risk analysis and the establishment of the audit plan, a common tool for monitoring recommendations for the Internal Audit support line and a new reporting model with an update of the "underlying" audit methodology.

The new risk analysis responds both to:

• a strengthened desire for audit efficiency by permitting more precise targeting of tasks on critical audit units at the origin of key risks or supporting key controls for the objectives of the business lines and support functions and, as a consequence, lighter treatment of less important audit units.

• and the need to take account of the transformations of Dexia activities by reinforcing the "upstream" phase of risk analysis associated with the activities carried on by all the entities of the Group (by aiming to "capture" local specifics in terms of objectives and risks) and the consultation of heads of business lines.

Tasks in 2009

A major part of the Dexia Group audit plan involves "transversal tasks", namely tasks performed simultaneously at Dexia SA and in the operational entities of the Group: Dexia Crédit Local, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg and DenizBank as well as in certain of their subsidiaries and/or branches, in relation to subjects dealt with, and those dealing with different subjects associated with market activities. Other transversal tasks relate to the organisation, risk management and control mechanisms for the activities of the main business lines. Other support functions (accounts, management control, IT, human resources) are the object of regular tasks under the perennial audit plan.
Moreover, the financial crisis and the difficulties encountered by the Dexia Group resulted in a request by Dexia management for a series of tasks and investigations outside the plan which were added to the 2009 audit plan.
Finally, as in 2008, almost 2,000 person-hours, of those in Dexia SA and the operational entities, were allocated to tasks performed in the subsidiaries/branches of those entities.
The audit tasks performed in 2009 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.

As it falls within the framework of the reorganisation of the Dexia Group planned in 2010, the transformation of the audit support line provides the following principles:
• reconciliation of the organisation of the audit support line with the new organisation of the Group so that each member of the Management Board has a single and clearly identified contact in audit who has a view of all the risks of their field of responsibility;
• strengthening of the control of subsidiaries and branches (in particular subsidiaries and branches of the Dexia international network);
• revision of the audit methodologies in order to improve the relevance and efficiency of the audit process;
• complete integration of the Audit Process Management and Organisation function in order to have a single definition of the audit methodologies, monitoring and assistance in their proper application throughout the Group;
• creation of an "investigation/monitoring the audit branch" structure at Dexia SA level in charge of defining transversal methodologies as well as taking charge of investigations to be made transversally (involving several entities of the Dexia Group).

The changes caused by the application of the above principles are therefore reflected by:
• the merger of the roles respectively of the "Group Head of Audit" Public and Wholesale Banking with that of the General Auditor of Dexia Crédit Local and the "Group Head of Audit" Retail and Commercial Banking with that of the General Auditor of Dexia Bank Belgium;
• the revision of the scope of intervention of other Group Heads of Audit, so as to have two contacts for all heads of support functions (Operations & Information Systems, Finance, Risk and so on) and transversal functions (Market Activities, Liquidity and so on);
• the maintenance of a minimum number of auditors in the international subsidiaries/branches and the multiplication of "joint" audit tasks, namely tasks performed in the subsidiaries and branches by central teams in association with local teams;
• the regrouping of other auditors in a "shared services centre" in France, Belgium (excluding Dexia Insurance Belgium), Luxembourg and Turkey, as well as the constitution of a pool of IT auditors. The regrouping of auditors in one "shared services centre" per country will in particular permit the strengthened integration and tightened guidance of transversal audit tasks;
• the strengthened monitoring, from Dexia SA, of the surveillance bodies of the subsidiaries/branches (audit committees, supervisory boards), as well as all the tasks performed by local regulators.

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 underlying 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, which was definitively approved and entered into force in 2009.
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 analyses 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, analyses 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 fulfilment 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.

Organisation and positioning

The Group Chief Compliance Officer reports to the member of the Executive Committee of Dexia SA responsible for the Compliance, Legal and Tax support line. A cascading procedure is in place to guarantee the right of the Group Chief Compliance Officer to report directly to the Chairman of the Management Board of Dexia SA or to the Chairman of the Internal Control, Risks and Conformity Committee of Dexia SA on any significant incident.

The mode of organisation was already or will be duplicated within the main entities.

The Compliance Department of Dexia SA is subdivided into four poles:

• *AML and CTF* is in charge of guiding the support line in this field, particularly through the definition of policies and the support of entities in terms of best practices and the implementation of the necessary tools.

• *Data protection/professional secrecy.* The data protection officer ensures observance of the rules applicable with regard to the protection of confidential information and personal data. By his involvement in several outsourcing projects, Compliance is assured that the subcontracting does not breach the laws and regulations to which the entity concerned is subject.

• The *Reporting, Tools and Methodologies* division provides methodological backing to the entire support line, and implements and manages the tools necessary for its operation (e-Room, the replacement for which is under analysis, and the integrated risk management tool, OSCAR, which will be commissioned in January 2010). 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 (particularly in relation to conflicts of interests).

Finally, this unit manages (implements and monitors) Compliance projects relating to MiFID and “Treat Your Customer Fairly” topics.

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 centres;

• 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.

In 2009, the rules relating to the prevention of insider trading in Dexia financial instruments were fully updated, ensuring harmonisation of the principles in force within all the entities of the Dexia Group. These rules define the statuses attributed to members of staff depending upon their access to inside or sensitive information or whether they are likely to have such access in performing their tasks, and fix the restrictions/obligations associated with each status.

The Code of Professional Ethics was revised and training courses were organised for members of staff of Dexia SA in order to remind them of key principles in terms of compliance. The new Code of Professional Ethics is gradually being transposed within the entities of the Group.

The development of a tool common to several support lines of the Dexia Group involved in the management of risks, principally the Operational Risks, Compliance and Internal Audit Divisions, commenced in 2008, continued in 2009 and was commissioned in January 2010. The solution retained had the following objectives:

• optimisation of the global management process for the risks facing the Dexia Group in the performance of its activities;

• improvement of the guiding of all risks by the divisions concerned (link between the recommendations and the actions arising from them);

• improvement of the transversal collaboration between these different actors with the introduction of an integrated tool permitting an overview of all the recommendations made per entity, business line and so on;

• realisation of reporting which is modular in relation to those for whom it is intended.

The new Compliance, Legal and Tax support line wishes to acquire or to develop a single IT tool permitting centralised guiding as well as transversal management of its processes and activities. Analysis work in this regard began at the end of 2009.

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Additional information

The needs of the Compliance support line currently covered by the e-Room collaborative tool will be included in the new software.
The monitoring programme on the topics of the MiFID directive commenced in 2008 is reflected in 2009 by a quarterly consolidated report presented to the Internal Control, Risks and Conformity coordination Committee. The aim of this report is (i) to highlight the efficiency of the MiFID mechanism, both by business line and by entity, on the basis of risk indicators and tests performed according to a random method and (ii) to place in perspective the action plans defined at entity level to improve the points of weakness thus identified.
As for guiding the network of subsidiaries, the action plans of DenizBank are the object of gradual implementation by the local teams with the support of the Dexia Compliance team. The implementation of monitoring tools for suspect transactions and the control of official lists is in progress in DenizBank.
Finally, at the request of the general management, a "permanent control function" reporting to Compliance will be created in 2010 and reflected by the establishment of a team of five people at Dexia SA level and a correspondent within each of the operational entities.

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 1 January 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 2009 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	320,650 (1)	8,553,429 (2)
b) Certification work	443,991 (3)	821,454
c) Tax advice	-	60,400
d) Due diligence	-	-
e) Other work (not certification)	-	311,818
TOTAL	**764,641**	**9,747,101**

(1) This amount includes EUR 135,250 in fees relating to additional non-budgeted tasks.
(2) This amount includes EUR 795,651 in fees relating to additional non-budgeted tasks.
(3) This amount essentially includes certification in the grant of the State guarantee.

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 2009

The year 2009 was marked by extreme events on the stock markets. The first quarter was one of severe pessimism, which led market indices to historical lows. Then voluntary government intervention with recovery plans and fiscal measures, and central banks with strong liquidity injections, gradually enabled uncertainties about the global economy to be lifted and colour restored to the stock markets which, from mid-March, began to rise once more.

As for the Dexia share, the first quarter 2009 was characterised by a very severe fall, of more than 64% between the end of 2008 and 6 March 2009, the date when the share reached its historical low, at EUR 1.100. This downward trend is explained by several factors. On the one hand, an amount of alarming news in relation to the banking sector weighed on the prices of financial shares in general. On the other hand, there were reasons specific to Dexia and in particular the publication of the annual results for 2008, heavily impacted by the crisis, with the announcement of a net loss of EUR 3.3 billion, as well as uncertainties as to the sustainability of the business model, the Group's capacity to secure its funding and to rebalance its balance sheet.

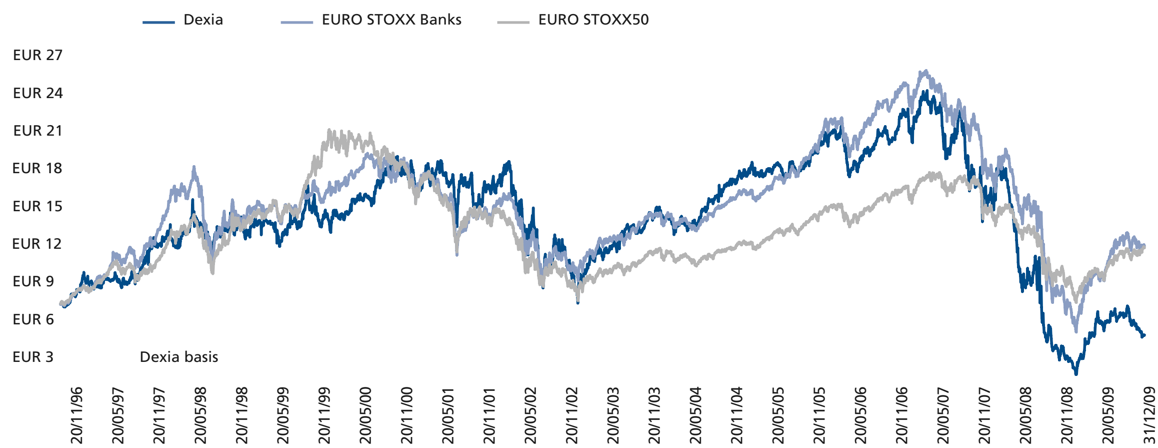
From March, more positive news from US banks had a favourable influence on their counterparts on this side of the Atlantic. The Dexia share rose significantly, multiplying its price by 4 and positioning Dexia among the strongest risers on the CAC 40 at the end of June 2009. During the second half of the year, the share price continued to rise, reaching a high of EUR 7.060 in October. It then fell back to close the year at EUR 4.460, up 39% on 31 December 2008, less than the rise of the EURO STOXX Banks, which gained almost 49% in 2009.

STOCK MARKET DATA	**31/12/08**	**31/12/09**
Share price [1] (in EUR)	3.200	4.460
Stock market capitalisation (in millions of EUR)	5,640	7,861

(1) For 31 December 2008, the average price on Euronext Brussels and Euronext Paris. On 14 January 2009, following the introduction of the single order book, the benchmark for the Dexia share became Euronext Brussels; nevertheless, the share continues to be traded on Euronext Paris.

DEXIA'S STOCK MARKET PERFORMANCE	
Share price as at 31 December 2008 (in EUR)	3.200
Share price as at 31 December 2009 (in EUR)	4.460
Highest price/lowest price (in EUR)	7.060/1.100
Average daily transaction volume (in millions of EUR)	21,365
Daily number of shares exchanged (in thousands of shares)	4,640

DEXIA'S STOCK MARKET PERFORMANCE (FROM NOVEMBER 1996 TO 31 DECEMBER 2009)



DEXIA'S POSITION IN THE MAIN EUROPEAN INDICES (AS AT 31 DECEMBER 2009)	Weighting in index	Position
BEL20 (1)	4.39 %	12
CAC 40 (1)	0.59 %	37
Euronext 100	0.49 %	54
Dow-Jones EURO STOXX Banks	1.49 %	14

(1) Calculated on the free float.

EVOLUTION OF THE NUMBER OF SHARES	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09
Number of shares	1,107,469,030	1,163,184,325	1,178,576,763	1,762,478,783	1,762,478,783
of which own shares	*20,550,020*	*490,607*	*8,932,736*	*293,570*	*293,570*
Subscription rights (warrants)	55,903,030	58,697,872	62,817,843	71,787,214	71,242,718
Total number of shares and subscription rights (1)	1,163,372,060	1,221,882,197	1,241,394,606	1,834,559,567	1,833,721,499

(1) For more details, consult the legal information at www.dexia.com.

DATA PER SHARE	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09
Earnings per share (in EUR)					
- basic (1)	1.87	2.49	2.18	(2.54)	0.57
- diluted (2)	1.85	2.45	2.15	(2.54)	0.57
Average weighted number of shares					
- basic (3)	1,091,316,100	1,104,950,054	1,162,666,262	1,309,993,150	1,762,185,213
- diluted (3)	1,103,413,861	1,120,893,987	1,179,329,735	1,309,993,150	1,762,185,213
Net assets per share (in EUR) (4)					
- related to core shareholders' equity (5)	9.86	11.60	12.87	9.92	10.50
- related to total shareholders' equity (6)	12.25	13.21	11.51	2.22	5.78
Dividend (in EUR)					
Gross dividend	0.71	0.81	0.91	- (7)	- (8)
Net dividend (9)	0.53	0.61	0.68	- (7)	- (8)
Net dividend for shares with a VVPR strip (10)	0.60	0.69	0.77	- (7)	- (8)

(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 net assets and the number of shares at the end of the period (after deduction of own shares).
(5) Excluding reserves on shares available for sale, fair value of hedge derivatives and conversion differences.
(6) Including reserves on shares available for sale, fair value of hedge derivatives and conversion differences.
(7) No dividend was paid for the 2008 financial year.
(8) The Board of Directors wants shareholders to benefit from Dexia's positive result in 2009 in the form of new shares, and as a consequence it will make a proposal to the Extraordinary Shareholders' Meeting on 12 May 2010 to proceed with a capital increase of approximately EUR 350 million.
(9) After deduction of a 25% Belgian withholding tax.
(10) After deduction of a 15% Belgian withholding tax (as the deduction is reduced to 15% for securities with a VVPR strip).

PRINCIPAL DEXIA SHAREHOLDERS	Percentage of existing shares held as at 31 December 2009
Caisse des dépôts et consignations	17.61%
Holding Communal	14.51%
Arco Group	14.25%
French Government	5.73%
Belgian Federal Government	5.73%
Three Belgian Regions	5.73%
Ethias Group	5.04%
CNP Assurances	2.96%
Employee shareholding	1.56%
Other institutional and individual shareholders	26.88%

STOCK MARKET RATIOS	2005	2006	2007	2008	2009
Pay-out ratio (in %) (1)	37.9	34.3	42.0	- (2)	- (3)
Price-earnings ratio (4)	10.4x	8.3x	7.9x	n.a.	7.8x
Price to book ratio (5)	2.0x	1.8x	1.3x	0.3x	0.4x
Annual yield (in %) (6)	3.6	3.9	5.3	- (2)	- (3)

(1) The ratio between the total dividend and the net income Group share.
(2) No dividend was paid for the 2008 financial year.
(3) The Board of Directors wants shareholders to benefit from Dexia's positive result in 2009 in the form of new shares, and as a consequence it will make a proposal to the Extraordinary Shareholders' Meeting on 12 May 2010 to proceed with a capital increase of approximately EUR 350 million.
(4) The ratio between the average share price as at 31 December and the earnings per share for the year. For the period 2005-2008, the average price on Euronext Brussels and Euronext Paris. On 14 January 2009, following the introduction of the single order book, the benchmark for the Dexia share became Euronext Brussels.
(5) The ratio between the average share price as at 31 December and the net assets per share as at 31 December (related to core shareholders' equity).
(6) The ratio between the gross dividend per share and the share price as at 31 December.

Dividend policy

In accordance with the agreement with the European Commission, Dexia is not authorised to pay dividends in cash until the end of 2011.
However, the Board of Directors wants shareholders to benefit from Dexia's positive result in 2009 and plans to propose to the Extraordinary Shareholders' Meeting, to be held on 12 May 2010 at the end of the Ordinary Shareholders' Meeting, to approve a capital increase of approximately EUR 350 million, by a distribution of bonus shares to shareholders. Bonus shares are new shares created by incorporation in capital of existing available reserves, and distributed to shareholders in proportion to their holdings.
The rate of exchange of the number of coupons giving a right to a new share will be fixed on 11 May 2010.
The issue price of the new shares will be equal to the average of the closing prices of the Dexia share on Euronext Brussels over the thirty calendar days preceding 12 May 2010, the date of the Shareholders' Meeting.
For more detailed information, please consult the special report from the Board of Directors dated 31 March 2010, available at *www.dexia.com.*

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 16-17).
In 2010 Dexia meets its shareholders on Wednesday 12 May in Brussels at the Ordinary and Extraordinary Shareholders' Meetings.

Human resources

Human resources and the financial crisis

In 2009, the consequences of the financial crisis were felt in the tasks and priorities of the Human Resources teams in the Dexia Group. Just as they did the previous year, the 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.

Against the current background of financial crisis and budget restrictions, it is important primarily to set priorities. That is why Human Resources, first of all, had the tasks of reassuring and providing their support to members of staff, of providing managers with the means to respond to questions from staff, of supporting sales teams in their exchanges with the clients and of keeping social partners regularly informed of the situation.

Secondly, the Human Resources teams were mobilised to prepare, with the management, for the consequences of the transformation plan. The reorganisation of the business lines activities (reducing the size of the balance sheet, ceasing or limiting international activity, the redimensioning of the market activities and the implementation of the general savings plan) was followed by the reorganisation of the support lines.

This new organisation of support lines responds to four main objectives:

- To create a tightened structure enabling a simple and clear organisation to be put in place, to homogenise and to optimise the decision-making process;
- To harmonise the scope of support lines between all the entities in order to facilitate coordinated governance;
- To increase the delegation and responsibility of entities, at the same time reinforcing the hierarchical lines and control procedures of the Group;
- To reinforce the task of steering the Group, and developing its roles of impetus and control.

The elaboration and implementation of this global plan will continue in 2010.

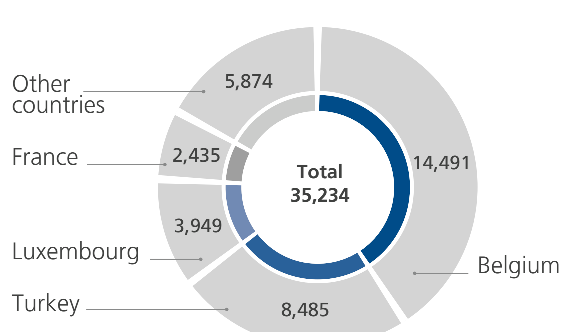
All competences will be mobilised in 2010 to succeed in the transformation of Dexia and to limit the impacts on teams as much as possible. Solutions will be sought via social dialogue and in line with Dexia's Principles of Social Management.

Key figures

At the end of 2009, Dexia had 35,234 members of staff, of 70 different nationalities, in 37 countries (including RBC Dexia Investor Services and the independent networks in Belgium).

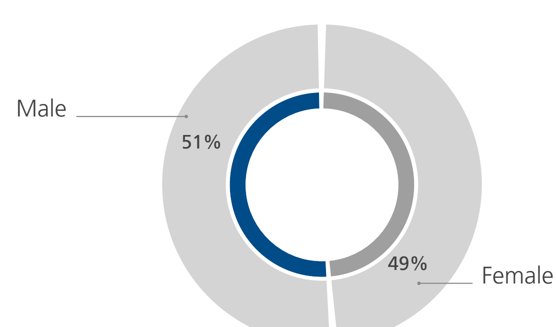
- Seniority – More than 60% of members of staff joined the Group less than ten years ago and the average length of service of Group members of staff is 10.8 years.
- Age – Group members of staff are young; in total, 41.5% of staff are less than 35 and 58.9% less than 40 years of age. The average age is 39.1 for men and 36.6 for women, and the overall average age is 37.9.

MEMBERS OF STAFF AS AT 31 DECEMBER 2009 [1]

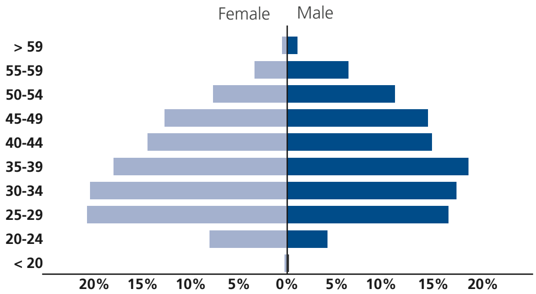


(1) Including self-employed networks and RBC Dexia Investor Services.

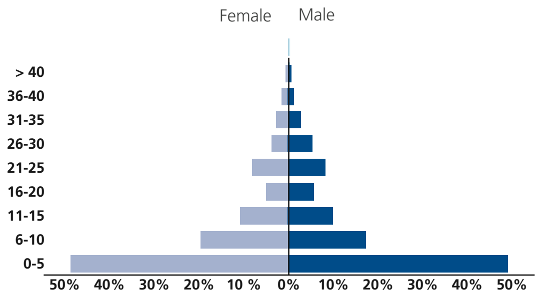
GENDER BREAKDOWN



AGE PYRAMID



SENIORITY PYRAMID



- Men/women – The overall division of workforce between men and women is well balanced, at 51% and 49% respectively.
- Turnover – 94.8% of workforce on indefinite-term contracts.
- Part-time – 15% of Group members of staff work part-time.
- Training days – The average number of training days per member of staff (Full Time Equivalent) is 1.7 days per year for the Group as a whole and rises to 3.5 days for job pools in France, Belgium and Luxembourg.

Recruitment, talent management and mobility

Considering the manner in which the economic situation has developed and its impact on the banking world, 2009 was marked by a continuity of the human resources management policy which began at the end of 2008.

Dexia therefore very severely limited external recruitment in favour of a policy of mobility within the Group. In that regard, mobility centres were created in order to enable members of staff whose posts were lost to find another post within the Group.

Indeed, for the three main job pools and for all the international entities, a dedicated Human Resources team was put in place to manage mobility and professional reclassification between the entities: the Dexia Mobility Centre.

By gathering all the posts vacant in the Group on one accessible support, and collecting the inter-entity reclassification requirements, it was able to seek reclassification solutions throughout the entire Group and place local Human Resources teams in contact with members of staff who were losing their jobs in another entity. There was also a case-by-case analysis of training actions or the adaptation to be planned to facilitate professional mobility.

In addition to these efforts towards reclassification and internal mobility, solutions involving voluntary departures, retirements and early retirements enabled forced redundancies to be avoided in the Group's main job pools (France, Belgium, Luxembourg).

This period also saw a reinforcement of the identification and management of "Key People" and "High Potentials" in the Group. Increased efforts were made in terms of motivation and actions to retain teams, in particular through meetings with top management, training and specific communication actions.

The optimisation of the Group's career management and performance tools also enabled more in-depth work to be done on reconciling the company's needs and the skills of members of staff, and on the conception of specific career paths and take-over plans, the intention being to develop these last two aspects during 2010.

Working conditions

The implementation of the transformation plan has major consequences with regard to the evolution of the working conditions of members of staff. For a long time the Group has been eager to give its employees the greatest possible visibility over their company and their evolution within it, to prevent and to detect situations of stress, particularly with the introduction of a policy to prevent "mental risks".

Within the entities, there are numerous mechanisms to detect, prevent and manage stress.

Several information channels currently enable such risks to be detected in the entities (personnel representatives, work doctor, social assistants, internal and external advisory teams, recovery tools as part of the quality certification process, satisfaction surveys and so on).

As for prevention, in addition to existing measures (preventive medical consultations, ergonomic advice, training of members of staff and managers and so on), new measures have been introduced, such as the extension of training and coaching actions, and these will be emphasised in 2010.

Furthermore, situations declared as stress-creating are taken in hand and various means of assistance are adopted: via the Human Resources department, internal and/or external experts, coaching measures, psychological hotlines, interviews and the improved scheduling of working time.

Dexia Corporate University has also created new courses aligned to the accompaniment of change and stress management for all: members of staff, managers, Human Resources teams (cf. below).

In 2010, these measures will be further strengthened and harmonised in order to systematise a series of mandatory actions in each entity, and this will constitute a minimum common basis at both a preventive and a corrective level.

Training

Despite budget reductions associated with the impact of the financial crisis, Dexia continued to invest in the development of its managers and their members of staff, through obligatory training paths linked to career stages.

In 2009, the principal objective of the Dexia Corporate University was to assist the Group and its members of staff to manage the change and the uncertainty associated with the crisis, via specific actions launched within the Management & Leadership Faculty: introduction of new workshops and courses dealing with change, uncertainty, burn-out and stress (Dealing with People Reactions, Communicating through Uncertainty, and so on) and the significant development of individual and team coaching.

The Management and Leadership Faculty is the one which welcomed the largest number of participants in 2009 (more than 51% of the total), up more than 17% on 2008.

The year 2009 was also marked by the launch of a project management training path. This path is integrated into the first three levels of the Dexia Personal Training Path (Start, Grow and Lead). It also includes both technical training ("hard skills") and management training ("soft skills").

Other technical training courses were introduced on an *ad hoc* basis in order to respond to the needs of the Group's business lines: Advanced Corporate Valuation, the Art of Credit Risk Modelling, and so on.

Furthermore, in close collaboration with the Public and Wholesale Banking business line, the Dexia Corporate University participated in the perfection and organisation of a range of training programmes intended for clients of the business line in Belgium.

The number of employees receiving training at the Dexia Corporate University has been increasing constantly for several years and rose again by 11% in 2009.

Compensation

Recurrent projects continued in 2009. Indeed management of the exit from the 2004 share ownership plan enabled teams to continue the work of informing members of staff of the terms linked to its maturity.

Furthermore, the Dexia Group remuneration policy was impacted by new Belgian, French and even European regulations. The People Reward team took part in discussions with the regulators and sector federations and prepared the appropriate amendments to Dexia policy to comply with these issues.

Regulatory aspects evolved strongly in 2009 and that trend is likely to continue throughout 2010 in order to continue aligning the sustainable development of the company and its risk profile with normal practices in terms of remuneration.

Indeed, in accordance with the Circular from the Banking, Finance and Insurance Commission, in 2010 the Dexia Group will adopt a general remuneration policy following the guidelines set by the G20 in Pittsburgh.

The implementation of the transformation plan and the focussing of Dexia on the main franchises resulted in the management of a large number of international movements and necessitated the accompaniment of those movements internally by local Human Resources teams.

Finally, questions of remuneration and the management of aspects of remuneration associated with performance have been paid particular attention in order particularly to ensure that such variable remuneration takes account on the one hand of the results of the entities concerned and of the Group in its entirety and on the other hand of the performance of members of staff.

Social dialogue

The European Works Council (EWC) at Dexia is composed of 30 permanent members from 13 different entities of the Group and from 4 countries. This social body is competent to discuss with management any major question of a transnational nature.

Considering the current situation and the information-consultation process of the transformation plan, the year was particularly busy and numerous meetings were organised (9 of the European Works Council, 15 of the EWC Board) to inform staff representatives and to answer their questions.

The European Works Council gave its opinion on the Group plan for transformation of the business lines and reorganisation of the support lines (Finance, Risks, Compliance, Legal and Tax, Human Resources, Communication and Brand, Operations and Information Systems, Audit).

At a local level, social dialogue remained extremely active throughout the year in the various entities of the Group. Social partners were involved in the local information-consultation processes of the transformation plan. Numerous local negotiations took place on the implementation of measures for the reorientation or assistance of members of staff whose posts were lost.

This is illustrated by the number of meetings of Committees and Works Councils more than doubling in the main entities in 2009: 35 of the Works Council of Dexia Crédit Local in France, 21 of the Works Council of Dexia Bank Belgium, 15 of the Works Council of Dexia Insurance Belgium, 8 of the Mixed Works Council of Dexia Banque Internationale à Luxembourg. Numerous local negotiations also took place to implement measures to reorient or to accompany members of staff losing their jobs. The number of meetings with social partners was also significant in 2009: 24 for Dexia Crédit Local in France, some forty for Dexia Bank Belgium, 10 for Dexia Insurance Belgium, 12 for Dexia Banque Internationale à Luxembourg.

Sustainable development

The 2009 Dexia Sustainable Development Report

Orientation of the 2009 report

Eager to maintain a quality dialogue with its stakeholders, Dexia has regularly exchanges with non-government organisations and extra-financial rating agencies. The increased attention they pay to information in relation to the indirect impacts of its business lines has led Dexia to develop its 2009 Sustainable Development Report on two lines: the indirect impacts of its commercial activities and its direct impacts. As a reflection of its actions with regard to sustainable development, this alignment enables Dexia, carrying on from its previous reports, to highlight its responses to the issues associated with its business lines whilst maintaining the quality of the information published on its direct impacts.

In order to limit its direct environmental impact, Dexia has moreover, as it did in 2008, moved away from any paper printing of its 2009 Sustainable Development Report, adopting an exclusively dematerialised support, available on its internet site at *www.dexia.com*.

Principal themes of the report

Identity and strategy

- **Undertakings**
- **Key indicators**
- **Highlights of 2009**
- **Targets for 2010**

Our responses to the principal issues affecting the banking sector

• Combating climate change
- Assisting our clients in their processes
- Measuring the impacts of our financing
- Supporting the development of renewable energies

• Promoting the accessibility of services
- Supporting populations excluded from traditional banking services
- Promoting access to housing and to infrastructures

• Adopting a transparent approach
- Our responsible and sustainable investment processes
- Our Compliance policy
- Internal processes for the deployment of our sector policies
- Marketing our financial products

Our responsibility regarding our direct impacts

• Responsibility vis-à-vis those around us
- Dialogue with our stakeholders
- Sponsorship

• Corporate social responsibility
- Managing the social consequences of the crisis
- Our Human Resources policy

• Environmental responsibility
- Towards carbon neutrality
- Responsible management of consumables

Measuring our performance

- **The reporting process**
- **Performance indicators**
- **Auditor's report**
- **Referential match table**

Reporting on Dexia's environmental impact

Eager to limit its indirect environmental impacts, in 2008 Dexia became the first bank in the world to make an undertaking and set a quantitative target for the carbon intensity of its portfolio of electricity generation projects. In this regard, each year the Group publishes the carbon intensity of this portfolio as well as the proportion of the cumulative amount of its financing of power stations the operation of which generates no CO_2 emissions.
In addition, each year Dexia measures its direct environmental impacts via half-yearly reporting from each entity. The following performance indicators are collated, consolidated and published In the Sustainable Development Report:
- energy and fluid consumption;
- business travel;
- greenhouse gas emissions;
- paper consumption;
- waste management;
- suppliers' charter.

Risk management

Introduction

In 2009, the Risk Management activities were severely impacted by the financial crisis and by the transformation plan implemented by Dexia at the end of 2008 to re-establish the Group's solid foundation. The transformation plan aims at refocusing Dexia on its core client franchises, at reducing the Group's risk profile and at optimising its cost base.

The reduction of the Group's risk profile was realised in 2009 through a certain number of divestments, including the sale of FSA Insurance finalised in July 2009, and by a voluntary deleveraging policy of the bond portfolio in run-off. EUR 16.5 billion of bonds were sold in 2009 (EUR 15 billion of net sales within the bond portfolio in run-off and EUR 1.5 billion from ALM portfolios). The divestments and the reduction of the portfolio in run-off were reflected by a reduction of EUR 371 billion in the Group's exposure to credit risk in 2009. Weighted risks have naturally followed the same trend and decreased by EUR 9.7 billion over the year, whilst the Tier 1 ratio improved, from 10.6% at the end of 2008 to 12.3% at the end of 2009. A normalisation is also to be noted in the cost of risk, which was EUR 1,096 million in 2009 against EUR 3,291 million in 2008.

Significant progress was made in terms of liquidity consolidation. The Group in fact faced a serious liquidity crisis following the bankruptcy of Lehman Brothers in September 2008 and the severe drying-up of the money and capital markets which followed. In October 2008, the Belgian, French and Luxembourg governments granted Dexia a guarantee on its short and long-term financing. That guarantee was extended in 2009 (the operation and the terms of renewal of the guarantee on Dexia financing are detailed in the Chapter "2009 and early 2010 highlights" on pages 11-13). The guaranteed amounts reached EUR 50.4 billion as at 31 December 2009, compared with a maximum of EUR 95.8 billion in May 2009, evidence of the improvement of the Group's funding and of the balance-sheet deleveraging process.

Risk Management also accompanied the reorganisation of the "financial markets" activity, the reduction of trading activities and in particular the complete abandonment of credit trading activities. This is reflected by a reduction of market limits (VaR limit 99%-10 days from EUR 130 million to EUR 100 million) and by a global reshaping of procedures.

Another notable achievement in 2009 was the extension of the implementation of a mark-to-model valuation of illiquid assets. Applied since year-end 2008 to available-for-sale assets, it was extended for year-end valuation to assets classified in loans and receivables.

In the field of operational risk, 2009 was a year of consolidation via the constant gathering of incidents and the updating of self-valuation scenarios. The collaboration with other departments responsible for Risk & Control (in particular Audit, Compliance and Legal Services) was also strengthened, by virtue of the development of a common tool for monitoring action plans motivated by recommendations from audit and by risk assessments.

Finally, the principal transversal projects were continued and developed:

• new models were developed and will be progressively used for the calculation of regulatory capital as from 31 December 2010;

• the scope of application of Pillar 1 and 2 stress tests has been extended across the Group;

• a formal framework of risk appetite indicators has been defined;

• economic capital measures were refined and recalibrated in order to integrate the lessons learned from the crisis.

In 2010, efforts will continue to consolidate liquidity and to reduce the risk profile.

Numerous tasks will have to be undertaken as a consequence of the regulatory framework: answer to recommendations from the Pillar 2 mission led by regulators; fulfilment of the requirements linked to the calculation of capital in market activities (in particular the deployment of an integrated system for the calculation of historical VaR and the definition of stressed VaR); evolution of the IFRS regulations concerning the provisioning and valuation of assets; developments associated with the new regulatory framework proposed by the BIS (Bank for International Settlements) within the context of a Quantitative Impact Study, particularly on the aspects of defining capital, capital buffer, leverage ratio and counterparty risk.

Finally, 2010 will see the finalisation of the reorganisation of the Risk Management in accordance with a simplified governance approach and aligned to the new organisation of the Group.

The Basel II framework

Since 1 January 2008 the Dexia Group has used the Advanced Internal Rating Based Approach (AIRBA) for calculating its capital requirements and its solvency ratios. New models have been developed and will progressively be used for calculating regulatory capital as from 31 December 2010.

The year 2009 was marked by progress in the implementation of Pillar 2. This mechanism, applicable since 31 December 2008, requires banks to demonstrate to their regulators the appropriateness of their risk profile and their capital. To do so, they must in particular have internal systems for the calculation and management of their risks, capable of making a valid assessment of their economic capital needs (Internal Capital Adequacy Assessment Process – ICAAP). This process is thus based on two main processes: risk analysis by the Risk Management and the financial plan (including a capital allocation and an analysis of the evolution of the results of business lines as well as the internal capital supply) by the Finance department. As Pillar 2 of Basel II is a totally integrated and transversal process, the Pillar 2 file essentially consists of the file established at Dexia SA level, of which some parts have been set at entity level.
The first quantitative ICAAP report was submitted on 15 March 2009 and a first presentation on Dexia's Pillar 2 approach was made on 25 March 2009 to its 12 principal regulators. The complete file was submitted on 30 June 2009 on the basis of the Group's strategic reorientation. In-depth Pillar 2 inspections were performed by the college of regulators in the fourth quarter of 2009.
The Board of Directors and the Management Board of Dexia SA have been kept fully informed of developments with regard to Pillar 2.

Pillar 3, which defines a range of qualitative and quantitative information in relation to risks distributed to market operators, is applicable at the highest consolidated level of the Dexia Group and has been part of the external communication of Dexia SA since 2008 (see the document *Risk Report – Pillar 3 of Basel II* published on Dexia's website *www.dexia.com*).
Finally, Dexia is closely involved in national and international consultations on the subject of amendments to the Capital Requirement Directive and, more generally, in the ongoing discussion on the optimum level of capitalisation for banks (dynamic funding, leverage ratio, definition of capital and so on).

Credit risk

Definition

Credit risk represents the potential loss (decrease of asset value or payment default) which Dexia may incur as a result of deterioration in the solvency of any counterparty.

Governance

Dexia Risk Management oversees its credit risks under the supervision of the Management Board and specialist risk committees. It is responsible for elaborating credit-risk policies and guidelines, including the decision-taking process and the framework for delegations, and supervising the rating/analysis processes as well as the exposure surveillance functions. In order to optimise the appropriateness of the skills in the Risk department and their field of intervention, Risk Management will evolve over 2010 into an organisation with specialist expertise centres consistent with the various Dexia business lines (Retail and Commercial Banking Credit Risk, Public and Wholesale Banking Credit Risk, and Market Operations Credit Risk) giving rise to the establishment of risk committees specialising per expertise centre, the overall coordination of which will be in the hands of transversal committees.

Transversal committees

The Risk Policy Committee, organised quarterly, approves the credit assignment rules, which are detailed in the credit-risk policies.
The Risk Executive Committee, organised weekly, decides on the risk management strategy and the organisation of the support line.
The Management Credit Committee, organised weekly, takes binding decisions on major files or credit files with an increased credit risk.
Credit-risk management falls within the more general framework of the internal capital adequacy process (cf. internal capital adequacy in this chapter).

Committees specialising per expertise centre

The decision-making process applied to transactions is organised via a series of credit committees. These are organised per specialist expertise centre, and approve transactions which are not delegated to the entities. All of these committees operate under the delegation of the Management Credit Committee. A transaction is delegated on the basis of specific delegation rules, depending upon the type of counterparty, rating levels and credit-risk exposure. Subcommittees have been created within the Group (entities, subsidiaries and branches) to deal with credit delegations. Each file presented to a credit committee contains an independent analysis made by the Risk Management department.
The Special Mention and Watchlist Committees of the expertise centres and of the entities monitor "sensitive" assets placed on watch. The committees are organised quarterly.
The Default Committees of the expertise centres and of the entities define and monitor counterparties in default according to Basel II applying the rules which prevail at Dexia. These committees are organised quarterly.
The Impairments Committees of the expertise centres and of the entities draw up quarterly reports on the amount of provisions allocated and monitor the cost of risk. These committees are organised quarterly.

The Rating Committees of the expertise centres and of the entities deal with the correct application of internal rating systems as well as the adequacy of the rating processes. These committees are organised quarterly.
The Credit Line Committee attributes and checks the limits for certain counterparties monitored by the expertise centre for credit risk on market operations. This committee is organised quarterly.

Management of the risk

Dexia manages its credit risk by assessing it, controlling it and taking the measures necessary to limit it.
Credit-risk limits are defined in order to manage the general risk profile and to limit concentrations of risks. A limit is fixed for a given counterparty, in line with credit-risk policy. Such limit represents the maximum exposure to the credit risk that Dexia is willing to accept for that given counterparty. Limits may also be imposed per economic sector and per product. In order to take more recent events into consideration, specific limits may be frozen at any time by the Risk Management department.
As to risk management of derivatives, Dexia closely monitors the conclusion of appropriate legal documentation relating to netting agreements and the exchange of collateral. During the year 2009, important efforts have been made as to the streamlining of the valuation process of derivatives in the perspective of an appropriate collateral management and subsequently reducing credit risk. Credit Default Swaps are used in the context of intermediation and mitigation of risk concentrations.
In order to assess its credit risk, Dexia relies in particular on a series of internal rating systems put in place under Basel II. Credit-risk analysts are responsible for assigning a rating to all counterparties. Each rating corresponds to an assessment of the counterparty's risk level expressed in accordance with an internal scale which, without duly substantiated exception, takes into account the possible risk associated with the country in which it is established. On attribution, the internal rating constitutes a key element in the decision taken by the credit committee. An annual ratings review enables counterparties to be proactively identified and this requires regular monitoring which will then be entered in a quarterly watchlist, jointly reviewed by the Credit Risk department and the Sales department, within a Special Mention & Watchlist Committee.

The global credit-risk environment in 2009

2009 will have been the year for economic recovery policies through government and central bank intervention. The economic context was unfavourable however, marked by an increase of unemployment and a loss of confidence among consumers and entrepreneurs. The year will also in many ways have been one of paradox. Indeed, although the amount of corporate debt at a global level was down for the first time in at least fifteen years, bond investors returned in large numbers to the capital market and a record volume of non-financial bonds was placed in Europe. Against a background of low rates, at the beginning of the year this segment offered substantial premiums which then tightened considerably.
The main domestic credit markets evolved similarly, with a rise of household finance and a decline of corporate finance. The latter also diversified their sources of financing by calling more on the market, particularly as the banking sector, confronted by higher capital requirements, remained constrained in its ability to provide loans. In part this explains the global downturn of this market, which was followed over the entire course of the year by clearly unseasonable negative flows. On the other hand, the mortgage market rose, in view of the low interest rates and public incentives to green investment.

Fundamentals of Dexia credit risk in 2009

The deterioration of the macroeconomic environment is perceptible in 2009 in the Dexia portfolio. The average rating of the portfolio declined over the year, particularly in the first quarter, and collective impairments were made in order to face the possible consequences of that deterioration. The Dexia asset base held up well and confirmed the low risk profile of the Group's business lines. The Dexia portfolio was significantly reduced with the sale of FSA Insurance, finalised on 1 July 2009.
In its credit-risk management, in 2009 Dexia continued to integrate the weakening of the economic system (increase in observed default rates, unfavourable macroeconomic situation and so on) related to the current financial crisis, and continued to strengthen the process for identification and monitoring of sensitive files and sectors. Furthermore, the limits which necessitated this were revised downwards and in particular on bank, corporate, country and sovereign counterparties; some activities were suspended and deleveraging operations continued (*cf. infra*).
Retail and Commercial Banking saw a moderate increase in the cost of risk in Belgium and Luxembourg, but the deterioration was more severe in Turkey, where the crisis affected the commercial portfolio and resulted in unfavourable ratings migrations.
In Public and Wholesale Banking, fundamentals remain globally extremely sound. In the field of corporate credit, close monitoring was introduced (review of delegations, lowering of limits) on the most weakened project finance sectors (shipping, port activities and motorway infrastructure), with a major proportion of the debt being restructured.
The year 2009 was marked by a major reduction of the bond and structured products portfolio, where production was ceased and the portfolio deleveraging programme continued. Although no incident or clear deterioration was noted in terms of performance or expected loss, the impact of the crisis was felt and resulted in rating downgrades. The deterioration was obvious above all in the segments of CLO (risks to a large extent mitigated) and RMBS in Spain, the United Kingdom and the United States. The bond portfolio remained at 97% investment grade and the Financial Products portfolio, at a longer maturity, saw its quality (43% investment grade) and its level of specific impairments stabilise.
Sovereign risk was reduced on countries presenting a high risk or those considered more vulnerable. The risk on banking counterparties evolved in various ways but no default was observed within the portfolio. The indirect risk on monoliners was also reduced following the cessation of liquidity line activity in New York and the disposal of certain assets.

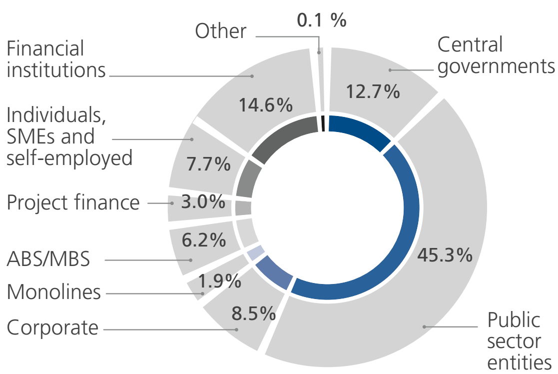
Risk exposure

The credit-risk exposure includes:
• the net carrying amount for balance-sheet assets other than derivative contracts (i.e. the accounting value after deduction of specific provisions);
• the market value for derivative contracts;
• the fully 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 principle of substitution is applied.
The credit-risk exposure includes fully consolidated subsidiaries of the Dexia Group and 50% of the joint venture RBC Dexia Investor Services.
The Group's total exposure amounted to EUR 586,131 million as at 31 December 2009.

Exposure by category of counterparty as at 31 December 2009

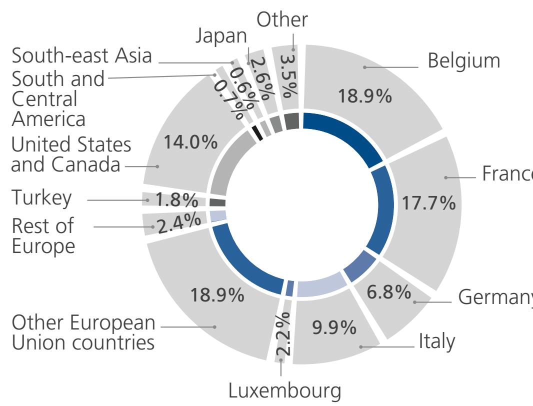
The mix of counterparties in Dexia's portfolio is very stable. Half of the exposure is on the local public sector.



Note: the counterparties are the final counterparties, i.e. after taking into account the Basel II eligible guarantee (substitution principle). Monolines exposure is essentially an indirect exposure.

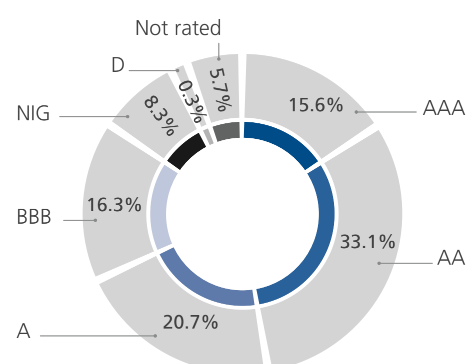
Exposure by geographical region as at 31 December 2009

As at 31 December 2009, the Group's exposure was mainly concentrated in the European Union (74.4%, EUR 436.2 billion at year-end 2009), particularly in France (17.7%) and Belgium (17.9%).



Exposure by rating class as at 31 December 2009

As at 31 December 2009, about half of Dexia's exposure was rated AAA or AA. Only 8% was rated Non-Investment Grade (NIG).



Asset quality

By the end of 2008, impaired loans had risen significantly with the increase of the Loans and Receivables outstanding due to the reclassification of assets (application of IAS 39 amendment). A major part of the Financial Products portfolio was reclassified in Loans and Receivables. Total cumulative impairments related to this portfolio were at USD 2 billion at the end of 2008 and were still at this level at the end of 2009.

In 2009, impaired loans increased by EUR 1,273 million mainly due to project finance and Turkey-related risk (one third of the variation). These risks were newly impaired loans, mainly secured, identified as doubtful and for which the coverage ratio was lower than for non-performing loans. This explains why the total coverage ratio decreased but if the cumulative collective impairments were added, the total coverage ratio would have been higher. Impaired loans were at EUR 4,808 million as at 31 December 2009.

In 2009, portfolio impairments were impacted by the related specific impairments of the newly-identified impaired loans. An amount of EUR 574 million was added in 2009, leading to a 55.3% coverage ratio which would have been higher if the cumulative collective impairments were taken into account as explained above.

(in millions of EUR, except where indicated)	31/12/08	31/03/09	30/06/09	30/09/09	31/12/09
Impaired loans	3,535	3,652	3,624	3,720	4,808
Portfolio impairments (1)	2,083	2,318	2,324	2,366	2,657
Assets quality ratio (2)	0.99%	1.03%	1.04%	1.09%	1.39%
Coverage ratio (3)	58.9%	63.5%	64.1%	63.6%	55.3%

(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.

Market risk

Definition

Market risk comprises the Group's exposure to adverse movements in market prices as a result of interest-rate risk, equity price risk, foreign exchange risk and other risks (inflation and CO_2 risks).

Interest-rate risk is composed of general interest-rate risk capturing value changes due to general market movements, while specific interest-rate risk (credit spread) captures individual issuer-related causes. The latter results from spread movements within a ratings class.

Equity price risk is the risk arising from the potential reduction in value of equity, whereas foreign exchange risk represents the potential decrease of the value due to currency exchange rate movements.

Other market risks reflect a potential decrease in value due to changes in organised or OTC markets not taken into account in previous definitions, such as inflation, carbon (CO_2) and commodity risks.

Governance

The Financial Markets Risk Management (FMRM) teams act as expertise centres covering all Treasury and Financial Markets activities on a Group-wide basis.

FMRM is an integrated support line within the Group organisation in charge of the identification, analysis, monitoring and reporting of risks and results (including valuation) with a holistic view of risk management.

A set of policies, guidelines and procedures document and govern all activities in detail and FMRM oversees their effective application. Risk Management is also in charge of defining the statement of income and Risk Measurement methods and of assuring a consolidated measurement, reporting and follow-up of Risk and statement of income figures at Dexia Group level.

Local FMRM are situated at the level of the operational entities and are in charge of the day-to-day activity i.e. *inter alia* local risk assessment, local risk monitoring (computation of the risk indicators, control of the limits and triggers and so on), local reporting, reconciliation with local strategic planning and accounting and reconciliation with local information systems. Each operational entity is also responsible for the monitoring and reporting to local supervisory and regulatory bodies.

Committees

The Market Risk and Guidelines Committee (MRGC) meets on a monthly basis and is responsible for a wide range of topics such as: risk and statement of income trigger (1) reporting analysis and related decisions, limit definition and review, new product approval proposals, guideline discussions, risk governance and standards as well as risk concepts and measurement methodology.

Ad-hoc MRGC are organised to decide on specific issues when required from a business and/or a risk management perspective.

In addition to the monthly MRGC, a dedicated quarterly MRGC is organised to discuss risk and business reports for the Treasury and Financial Markets line.

Dexia Market Risk Committee (DMRC) meets bi-monthly and acts as supervisory committee of the MRGC.

The Risk Policy Committee and Risk Management Executive Committee validate all major changes in the risk profile or risk governance.

(1) Statement of income triggers, which represent a warning on results deterioration, are set as a percentage of the VaR limits: typically 50%, 75% & 100% for trigger 1, 2 and 3 and hereafter stop activity at 300% of VaR.

Management of the risk

Risk measures

The Dexia Group adopted the VaR (Value at Risk) 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 applies multiple VaR approaches based on their ability to measure market risk accurately in different market activities and portfolios.

- General interest rate and forex risks are measured through a parametric VaR approach.
- Specific interest-rate risk, equity risk and other risks (inflation and CO_2) in trading books are moreover measured by means of a historical VaR approach.
- Non-linear and particular risks are measured through specific and historical VaR methodologies with a view to a more appropriate measurement of the sensitivity to market volatilities.

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

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

The VaR methodologies are improved on an on-going basis. No back-testing exceptions for interest rate and forex risks, for equity risk and for credit-spread risk were observed during 2009, clearly demonstrating that the back-testing results by major risk factor remain appropriate.

As a complement to VaR risk measures and statement of income triggers, Dexia applies a wide range of other risk measures in order to assess the risks related to the different activities and portfolios (nominal limits, maturity and authorised market limits, sensitivity limits and Greeks and scenario analysis).

Stress-testing is becoming increasingly important for sound risk management as it explores a range of low-probability events outside the predictive capacity of VaR measurement techniques. As such, VaR measures assess market risk in a daily market environment, whereas stress-testing measures market risk in an abnormal market environment.

In this context, the range of scenario assumptions was constantly revised and updated during the financial year 2009.

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

Market Risk Exposure

Value at Risk

The detailed VaR use of Treasury and Financial Markets (TFM) (bond portfolio in banking book not included) is disclosed in the table below. Average global Value at Risk amounted to EUR 78.4 million in 2009 (as compared to EUR 126.6 million in 2008).

Substantial limit reductions have been implemented, in line with the risk appetite reduction as included in the overall Dexia transformation plan. The global TFM limit has been reduced from EUR 178 million in the third quarter of 2008 to EUR 130 million in the fourth quarter of 2008 and to EUR 100 million since the first quarter of 2009.

TFM'S VALUE AT RISK

(in millions of EUR)

		2008				2009			
VaR (10 days, 99 %)		**IR (1)&FX (2) (Trading and Banking) (3)**	**EQT (4) Trading**	**Spread Trading**	**Other risks (5)**	**IR (1)&FX (2) (Trading and Banking) (3)**	**EQT (4) Trading**	**Spread Trading**	**Other risks (5)**
By risk factor	Average	43.6	7.3	73.3	2.3	30.1	4.6	39.3	4.6
	Max	90.6	14.4	116.0	5.9	86.5	9.7	59.2	7.8
Global	Average	126.6				78.4			
	Maximum	179.1				137.8 (6)			
	End period	127.5				45.7			
	Limit	178 (end 2008: 130)				100.0			

(1) IR: interest rate.
(2) FX: forex.
(3) IR & Fx: without BSM.
(4) EQT: equities.
(5) Other risks: Inflation, commodities (CO_2).
(6) Temporary limit overdraft in January due to high volatility in BMA spread on TOB.

Bond portfolio

Dexia manages bond portfolios, largely in run-off, amounting to EUR 165.5 billion as at 31 December 2009 (as compared to EUR 181.2 billion as at 31 December 2008).

The interest-rate risk of these credit-spread portfolios is very limited, as interest-rate risk is hedged.

As at 31 December 2009 the sensitivity in fair value after a basis point credit-spread increase amounted to EUR -115.7 million for the (banking) bond portfolio (against EUR -129.7 million/basis point as at 31 December 2008 [1]).

Given the illiquidity of markets and the reduced possibility of having "observable" prices/spreads in the valuation process, a mark-to-model valuation development was performed on the illiquid part of the available-for-sale bond perimeter as from year-end 2008.

The credit spreads provided by the model are based on the credit component plus a liquidity premium. Methodological and operational improvements were made during 2009 on the advanced mark-to-model for the illiquid available-for-sale perimeter. As at 31 December 2009, the advanced mark-to-model has also been applied on the reclassified loans and receivables bond perimeter for IFRS disclosures.

Balance-sheet management

Definition

Balance-Sheet Management (BSM) risks include both structural market risk (structural interest-rate risk, specific interest-rate risk – credit-spread risk –, foreign-exchange risk, equity risk generated off and on-balance sheet by the commercial business lines) and liquidity risk.

We refer to the part on Market Risks for detailed definitions of structural and specific interest-rate risk, foreign-exchange risk, equity risk.

The liquidity risk is defined as the probability of the bank being unable to cover its expected and unexpected current and future liquidity requirements.

Governance

Committees

Overall BSM risks are managed by the Dexia Group Assets & Liabilities Committee (Group ALCo) meeting on a monthly basis. The Group ALCo decides on limits, ensures the consistency of the global BSM risk framework and strategy, decides on hedges to be implemented (or global investment/divestments to be made in the insurance activities) and validates internal transfer pricing mechanisms at Group level. Local ALCo committees are in place at entity level managing local specific risks within the framework and under the guidance of the Group ALCo.

The Funding and Liquidity Committee (FLC), under the delegation of Group ALCo, centralises and coordinates the decision process on liquidity-related issues. The FLC is responsible for monitoring the evolution of short-term and long-term funding needs, elaborating the global funding strategy of Dexia, reviewing and updating liquidity-related stresses to be considered, putting contingency plans in place, proposing corrective actions to improve the liquidity situation, coordinating global liquidity reporting to the Boards, rating agencies, regulators, central banks, and governments.

The FLC meets on a weekly and monthly (extended) basis.

Management of the risk

Risk measures

Interest rate

BSM aims to minimise statement of income volatility, thus ensuring an immunisation of the commercial margin generated by the business lines and to preserve the overall value creation of the Group.

Measurement of balance-sheet risks is harmonised among the Group's various entities. A calculation of the sensitivity of the net present value of the BSM positions is currently used as the main indicator. In 2010 Dexia will improve the EaR calculations under stress scenarios among the Group's entities to integrate this indicator in the decision process.

Risk exposure as measured in both economic and accounting terms is primarily on long-term European interest rates 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 behavioural risk. VaR calculations are performed as an additional measurement.

Credit spread

The credit spread is defined as being the specific interest-rate risk capturing individual issuer-related causes. This risk results from spread movements within a ratings class and is measured with sensibility measures (/basis point).

Equity

The Value at Risk measurement approach is applied to assess the portfolio's vulnerability to adverse changes in equity prices, volatility or correlation. *Inter alia*, the market risk management framework includes Earnings-at-Risk and Stress-Test measures representing the maximum accounting loss under different scenario assumptions. The equity portfolios of the banking entities are in run-off mode. In the insurance perimeter an "early warning" system has been developed to reallocate assets in case of stress scenarios in order to preserve the solvency ratios.

(Structural) Foreign exchange

Although Dexia's reporting currency is the euro, assets, liabilities, income and expenses are also denominated in other currencies. The Group ALCo decides on the hedges to be implemented in order to reduce both earnings volatility resulting from the structural foreign exchange risk and the volatility of the solvency ratio related to exposures (credit, participations) in foreign currencies.

(1) Including Crediop Public Finance, Dexia Municipal Agency & Cash Liquidity Management (CLM) portfolios.

Insurance companies and pension funds

Specific reports on insurance companies and pension funds are presented to the Group ALCo, covering interest rate, inflation and equity risk factors. Risk indicators are calculated on the basis of a Group harmonised risk methodology complemented with specific risk management factors.

BSM exposure

BSM interest-rate risk exposure (sensitivity)

Interest-rate sensitivity measures the change in the balance-sheet net economic value if interest rates move by 1% across the entire curve. ALM long-term sensitivity amounted to EUR -104 million as at 31 December 2009 (against EUR -198 million as at 31 December 2008), excluding insurance companies and pension funds. The interest-rate sensitivity limit amounts to EUR -400 million/% as at year-end 2009 (against EUR -486 million/% as at year-end 2008).
This evolution is fully in line with the renewed BSM strategy focusing on minimising statement of income volatility while preserving overall value creation.
The Dexia Financial Products portfolio amounted to USD 15.5 billion (EUR 10.7 billion) as at 31 December 2009. The interest-rate risk of this portfolio amounted to EUR -6.2 million/% (against a limit of EUR -42 million/%).

BSM credit-spread risk exposure

BSM manages bond portfolios, amounting to EUR 17.5 billion (banking entities) respectively EUR 15.8 billion (insurance) as at 31 December 2009. The interest-rate risk of these bond portfolios is integrated in the interest-rate risk management of BSM.
As at 31 December 2009 the sensitivity in fair value after a basis point credit-spread increase amounted to EUR -15.7 million/basis point (banking entities) respectively EUR -12.9 million/basis point (insurance).
The spread sensitivity of the Financial Products portfolio stood at EUR -4.4 million/basis point as at 31 December 2009.

BSM equity exposure (quoted shares)

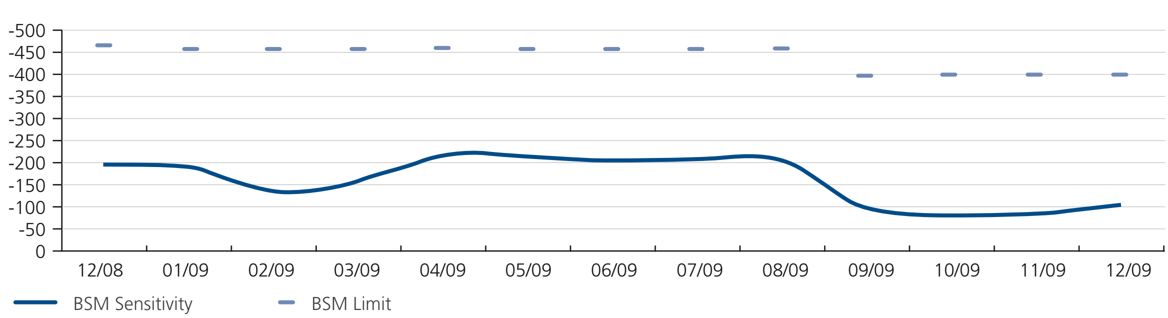
The equity Value at Risk (VaR with a 99% confidence level and a 10-day holding period) expresses the potential change in market value, while equity Earnings at Risk (EaR) measures the impact as to profit & loss. The VaR use at year-end 2009 amounted to EUR 16 million (not including Assured Guaranty participation) for a EUR 70 million VaR limit. Please note the banking equity portfolio is currently in run-off mode.
On the insurance and pension funds side, the Equity portfolio amounts to EUR 1,435 million (market value) at year-end 2009. As at year-end 2009, the VaR limit was EUR 160 million and the VaR use of EUR 119 millions.

Liquidity

Strong improvement of the liquidity profile

Significant progress was made in 2009 in terms of liquidity consolidation.
To recall, a guarantee on a major proportion of Dexia's short and long-term funding was granted in October 2008 by the Belgian, French and Luxembourg States. With an endorsement signed on 14 October 2009, this guarantee was extended until 31 October 2010 and the following changes were made to the mechanism:
• the cap on guaranteed outstandings was lowered from EUR 150 billion to EUR 100 billion;
• the maturity of new long-term debts issued was extended to a maximum of four years.
In addition, since 16 October 2009, Dexia has waived the benefit of the guarantee for all new contracts with a maturity below one month and for all new contracts with no fixed maturity. Dexia could easily replace guaranteed with non-guaranteed funding.
On 30 October 2009, the European Commission provisionally authorised the extension of this funding guarantee until the end of February 2010. Then, within the context of the agreement with the European Commission on 5 February 2010, an early exit from the guarantee mechanism was announced, the details of which are given in the chapter "2009 and early 2010 highlights" on page 13 of this annual report.
In 2009, the Group issued a total of EUR 45.7 billion of medium and long-term funds (with an average maturity of 5 years). The portion of debt not covered by the State guarantee was 51%, rising constantly over the year.

BSM SENSITIVITY VS LIMIT



This good performance was made possible by:
• the reopening of the covered bond market in the second quarter 2009, which allowed a total of EUR 13.0 billion in covered bonds to be issued in 2009 via its three issuers Dexia Municipal Agency, Dexia Kommunalbank Deutschland and Dexia Lettres de Gage Banque;
• the renewed access to unsecured non-guaranteed funding, particularly from the third quarter 2009, reflected by a volume of medium and long-term unsecured non-guaranteed issues of EUR 10.3 billion in 2009.
The short-term liquidity profile was also improved considerably in the second half of the year with the gradual increase of funding raised on the bilateral and triparty repo market and the improved access to non-guaranteed short-term liquidity.
Globally, the Group's short-term funding needs fell sharply in 2009 by virtue of the active deleveraging policy initiated by the Group since the fourth quarter 2008 (sale of bonds within the portfolio in run-off for an amount of EUR 15 billion in 2009, with a maturity of 4.5 years) and the strong momentum of the long-term issue programme.
The result of all these elements combined was a sharp reduction of guaranteed short and long-term debts. They amounted to EUR 50.4 billion as at 31 December 2009, compared to a maximum of EUR 95.8 billion in May 2009.
In 2010, liquidity consolidation efforts will continue with the principal aim of fully exiting the guarantee mechanism at the latest on 30 June 2010, which means that no new government guaranteed debt will be issued by the Group after this date.

Liquidity risk management

Dexia's approach to liquidity risk management was reviewed in the light of the financial and liquidity crisis. It is based on the general principle that Dexia's future funding needs should never exceed its proven covered funding capacity. In other words, Dexia ensures that its short-term funding needs can always be covered by the use of liquid assets in the interbank market.
Dexia ensures that it maintains a liquidity buffer which is sufficient to face cash exits under different scenarios. That liquidity buffer is formed of freely available securities accepted as underlying by the central banks to which Dexia has access.
Future funding needs are assessed dynamically and comprehensively, taking into account liquidity needs arising from current and programmed on and off-balance-sheet transactions. Its covered funding capacity is determined conservatively, taking the lessons from the current crisis into consideration. The adequacy of Dexia's future liquidity needs with its covered funding capacity is tested under an ungoing scenario as well as under a variety of severe stress scenarios including bank-specific and market stresses and even a combination of both.
Short-term funding needs are monitored on a daily basis. Longer-term funding needs (up to three years) are monitored on a monthly basis. More generally, liquidity risk management is at the very heart of the definition of Dexia's triennial financial plan. The result of that monitoring is presented weekly to the FLC, which determines the major orientations of the liquidity management. This framework is back-tested and updated regularly in accordance with best risk management practices and integrating all the local regulatory constraints.
The diversity of Dexia's funding sources is a key-mitigant of its liquidity risk. Dexia's principal funding sources are:
• retail bank deposits (essentially in Belgium, Luxembourg and Turkey);
• long-term funding:
- covered bonds;
- unsecured bonds, benefiting from the State guarantee or not (notably bonds distributed via the Dexia networks);
• short-term funding:
- bilateral and triparty repo transactions;
- central bank tender operations;
- a wide variety of wholesale short-term unsecured funding sources, some of which benefit from the State guarantee.

Dexia's liquidity risk is managed using a centralised approach. Although liquidity positions are managed by the different entities of the Group, the Dexia funding strategy is managed on a centralised and integrated basis.
Dexia also makes use of securitization operations in the framework of liquidity management both by means of the external sale of assets and by applying "internal securitization" techniques enhancing liquidity/eligibility of illiquid asset classes.
Since June 2009, the CBFA has applied a monthly observation ratio stress test on liquidity. This ratio measures the bank's liquidity position in exceptional circumstances by comparing the liquidity potentially required with its available liquidity on and off-balance sheet. This approach combines the impact of a so-called "idiosyncratic" shock (shock associated with the establishment) with the consequences of a general liquidity crisis.
The hypotheses of this stress are principally based on the impossibility of obtaining unsecured funding, the impossibility of securitising or selling illiquid assets, and limited or impossible recourse to certain funding sources.

Operational risk

Definition

Dexia defines operational risk as follows: operational risk is the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes IT, legal and compliance risk but excludes strategic risk.
Dexia's definition of operational risk is based on, but not restricted to, the one used by the Basel Committee, which focuses on losses (negative financial impacts). Dexia's policy also requires the collection of events which lead to financial gains.

Governance

The Operational Risk Management framework relies on strong governance with clearly defined roles and responsibilities.
The Management Board, organised on a weekly basis, regularly reviews the evolution of the risk profile of the different Group activities and takes the required decisions.
The Risk Policy Committee, a strategic committee with representatives of the Management Board, approves Group-wide policies. This committee is organised on a quarterly basis.
The Operational Risk Guidelines Committee, chaired quarterly 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 Management Committee, chaired monthly 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 operational risk management. For their activity field they appoint Operational Risk Correspondents whose role is to coordinate the collection of risk event data and the Risk and Control Self-Assessment, with the support of the local Operational Risk Management function.

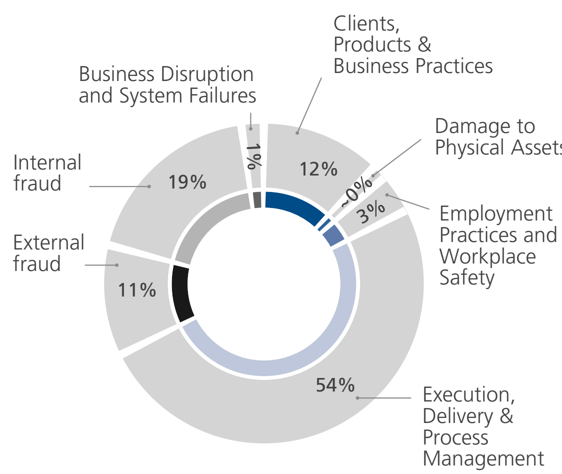
Management of the risk

The operational risk framework relies on the following elements:

Operational risk event data collection

The systematic capture and monitoring of risk events is one of the most important requirements stated by the Basel Committee, whatever the approach chosen for the capital calculation (Standardised or Advanced Measurement Approach): "Data on a bank's historical loss experience could provide meaningful information for assessing the bank's exposure to operational risk and developing a policy to mitigate/control the risk".

As a consequence, the continuous collection of risk event data enables Dexia both to be compliant with regulatory requirements, and to obtain very valuable information in order to improve the quality of the internal control system. Strict guidelines have been defined and deployed at Group level in terms of reporting, in order to ensure that the most important information is escalated in due time to Senior Management (in particular, the compulsory declaration threshold has been set at EUR 2,500). 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.
Over the last 3 years, the split of the total amount of losses among standard event types is the following:



The largest proportion of the losses is due to Execution, Delivery & Process Management events, which also represent the majority of all events, present in all businesses and support functions. These events and the related action plans are reviewed on a quarterly basis with the key stakeholders (in particular the Operations & IT line).
The proportion of frauds increased in 2009 in the retail banking activities. Global mitigating plans have been approved by the Management Board, so that existing processes can be adapted to all threats.
Other categories remain limited in number and amount. Major events when they occur are of course subject to the definition of corrective actions approved by the Senior Management.

Risk and control self-assessment

In addition to building a history of losses, it is also necessary to determine the exposure of Dexia to main risks through risk mapping of all significant activities. This objective is achieved on the basis of bottom-up Risk and Control Self-Assessment exercises, carried out in all entities of the Dexia Group. These exercises focus on the identification and assessment of the main risks and controls, and can lead to the definition of mitigating actions. They provide a good view of the most important risk areas in the different entities and activities, with the objective of reporting the results to Management across the organisation.
These Risk and Control Self-Assessments are updated on a regular basis.

Information security and business continuity management

The Information Security Policy and the related Information Security Guidelines, Standards and Practices aim to secure the Dexia information assets.
Security programmes and well-defined responsibilities ensure that all business activities are organised in a secure environment.
As required by the Group Business Continuity Policy, business lines are required to make business impact analyses of critical business activities, define and document recovery plans, and ensure that business continuity plans are tested and updated at least once a year. On the basis of regular reporting, the Management Board validates recovery strategies, residual risks, and action plans for continuous improvement.

Management of insurance policies

Mitigation of the operational risks to which Dexia is exposed is also ensured through the purchase of group insurance policies, principally covering professional liability, fraud and theft, and business interruption. On the basis of the group insurance policy, the objective is also to develop insurance guidelines regarding the different risks within the Group, for application at Group level, and at entity level, and centrally to manage the negotiations with brokers and insurance companies.

Definition and follow-up of action plans

Line Management defines corrective actions related to major events or to key risks identified. A regular follow-up and a quarterly reporting for all activities have been set up by Operational Risk Management.
By virtue of this process, the internal control system is continuously improved and the main risks appropriately mitigated over time.

Increased coordination with other functions involved in the internal control system

A new software tool was developed in 2009 aimed at covering most of the building blocks of the Operational Risk Management framework, and also offering some key functions for other central functions such as Internal Audit, Compliance, Permanent Control or Quality Control. The implementation of this software solution at the beginning of 2010 will allow the use of common language and systems of reference among these functions, as well as the production of consolidated information for Line Management, especially regarding any kind of action plans or recommendation to be followed up over time.

Calculation of regulatory capital requirements

Dexia has decided to apply the Basel II Standardised Approach for the calculation of the capital requirement for operational risk management.
This approach mainly consists of applying a percentage (called "Beta" factor, in a range between 12% and 18%) to a relevant indicator calculated for each of the eight business lines defined by the Basel Committee (Corporate Finance, Commercial Banking, Retail Banking, Trading and Sales, Asset Management, Agency Services, Retail Brokerage, Payment and Settlement).
The relevant indicator is principally made of the operating income of the underlying activities (i.e. mainly excluding the non-recurring items and the impact of the financial crisis) which comprises net interest and net commission income. Income from insurance activities is not taken into consideration, as they are not subject to Basel II regulation.
The sum of capital requirements for each business line is used to calculate the total capital requirement of the operational risk, as an average over the last three years. The calculation is updated on a yearly basis, for the regulatory reporting as at 31 December each year.

The capital requirement for the last calculation periods is the following:

Capital requirements (in millions of EUR)	
2008	2009
821.5	833.5

An increase of the capital requirements of 1.5% can be observed between 2008 and 2009. This is linked to the fact that the 2006 gross income is replaced in the calculation by the 2009 gross income, which is slightly higher, as the development of DenizBank activities more than offset the reduction in other businesses.

Stress tests

Dexia put an action plan into place in relation to stress testing in 2009: the programme of stress tests performed by Dexia was given considerably more substance, covering all its risks, business lines and entities.
In terms of Pillar 1 stress tests (individual stress tests on Basel II internal rating models), Dexia achieved the target it has set to cover more than 80% of weighted credit risks.
In terms of Pillar 2 stress tests (global stress tests), the stress test performed by Dexia on the basis of an historical scenario or an expert scenario of economic recession leads to the maintenance of a Tier 1 ratio at a level broadly higher than 8%.
Finally, in 2009 Dexia was one of 22 European financial institutions subjected by the Committee of European Banking Supervisors (CEBS) to the performance of a joint stress test, founded on different scenarios of credit quality deterioration. In this exercise too, Dexia's Tier 1 ratio remains broadly higher than 8%.
In addition to the "classic" stress tests for market and liquidity risks, Dexia now has a full range of stress tests (sensitivity analyses, the implementation of stress scenarios and potential vulnerability assessments), enabling it to assess the potential effects of a hypothetical event or combination of events on its financial health, and to obtain a global view of the possible deformation of elements of the statement of income or its capital ratios under stress.

Internal capital adequacy

In 2009 Dexia progressively introduced and formalised its internal capital adequacy mechanism, thus responding to the requirements of Pillar 2 of Basel II. Beyond those external requirements, this process is at the heart of management of the bank and responds to its capital adequacy target in line with its risk profile. It relies on a comparison between the available financial resources and the demand for capital necessary to cover risks measured as economic capital.

Risk appetite

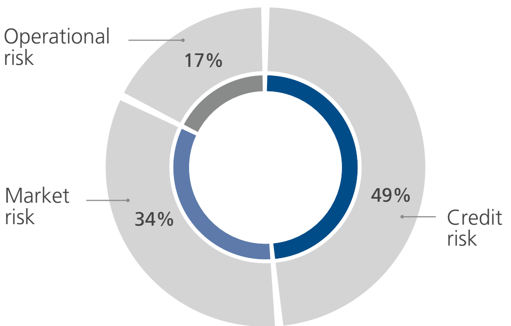
Risk appetite expresses the level of risk an institution is ready to take, given the expectations of the principal stakeholders (shareholders, creditors, regulators, rating agencies, clients and so on), in order to achieve its strategic and financial objectives.
In 2009, the Group further strengthened its risk appetite approach.
Based on a holistic approach, risk appetite is a central benchmark to:
- support strategy and planning;
- support performance in terms of growth and value creation;
- assist in daily investment decisions.

A formalised framework was developed in 2009, integrating a series of ratios constituting a key element in defining the limits to the major financial balances level. The framework is based on a mix of accounting ratios (gearing), regulatory ratios (Tier 1, RWA), economic ratios (economic capital, earnings at risk), and naturally integrates liquidity and funding structure ratios as well as credit concentration limits.
Limits are defined on each of these ratios, and validated by the Board of Directors each year. The Group financial plan is analysed taking these objectives into account for the entire risk appetite framework. Risk Management and Finance departments are responsible for monitoring these ratios, and if necessary propose measures to the Management Board to ensure the limits are observed.
This risk appetite approach will be formalised and applicable in 2010.

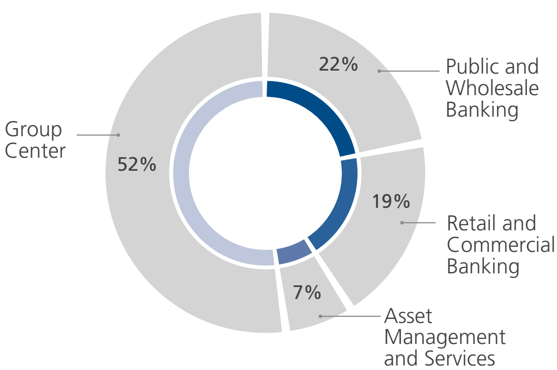
Economic capital

Economic capital is defined as the potential deviation of the Group's economic value in relation to the value expected at a given interval of confidence and time horizon. The economic capital quantification process is organised in three phases: risk identification (definition and cartography updated annually up to a local level), their assessment (essentially on the basis of statistical methodologies) and their aggregation on the basis of an inter-risks diversification matrix. The majority of risks are capitalised in relation to a measure of expected loss; certain risks are not however capitalised if other management modes (limits, scenarios, governance and so on) are considered more appropriate to cover them.
Capitalised risks are assessed at a high level of severity (99.97% at one year).
Over the year 2009, the rapidity and the quality of the process for calculating economic capital were further improved. Analyses and reporting were adapted to the Group's new organisation and economic capital projections were integrated into the process of the Group financial plan, in particular via risk appetite and analysis of the profitability of new production.
Dexia's economic capital is EUR 14,196 million at year-end 2009.
Credit risk represents approximately one half of the utilisation of economic capital.
Market risk, which includes interest-rate risks, foreign-exchange risks and the equity-price risk, is the second risk factor.
Operational risk (including commercial risk) is the third risk factor.

ECONOMIC CAPITAL BY TYPE OF RISK AS AT 31 DECEMBER 2009



ECONOMIC CAPITAL BY BUSINESS LINE AS AT 31 DECEMBER 2009



The Group Center business line is the first consumer of economic capital; it includes mainly the treasury activities and the bond portfolios in run-off (public bonds and Financial Products portfolios, previously included in Public and Wholesale Banking; credit-spread portfolios and some trading portfolios previously included in the Treasury and Financial Markets business line). Public and Wholesale Banking consequently becomes the second consumer of economic capital, closely followed by Retail and Commercial Banking.

Available financial resources significantly exceed the total economic capital required by the business lines to face unexpected losses of extreme severity.

Economic capital adequacy

Created in 2009, the Economic Performance Analysis Committee (EPAC) manages the capital adequacy process and in this context has to propose solutions suited to Dexia strategy. On a quarterly basis, the EPAC examines (regulatory and economic) ratios, limits and triggers defined in the risk appetite policy and the budget framework, and possible divergences in relation to forecasts. It assesses the Group's capacity to absorb them and studies action proposals. The information in the EPAC report is established jointly by Risk and Finance. The Management Board has knowledge of it.

Regulatory capital adequacy

Weighted risks

From 1 January 2008 onwards, Dexia has been using the Basel II framework to calculate its capital requirements for credit risks and to publish its solvency ratios. More information is available in the section of this chapter entitled "The Basel II framework".

At year-end, Dexia's total weighted risks amounted to EUR 143.2 billion as compared to EUR 152.8 billion at the end of 2008. This EUR 9.7 billion reduction is mainly due to the decrease of weighted credit risks within the context of the Dexia transformation plan and more particularly the deleveraging efforts and reduction of the Group's risk profile (combined with the depreciation of the US dollar against the euro).

(in millions of EUR, except where indicated)	31/12/08	31/03/09	30/06/09	30/09/09	31/12/09
Weighted credit risks	139,495	139,231	135,381	132,069	129,758
Weighted market risks	3,073	3,814	2,980	2,503	2,993
Weighted operational risks	10,269	10,269	10,269	10,269	10,419
TOTAL	**152,837**	**153,314**	**148,630**	**144,841**	**143,170**

Regulatory capital adequacy

At the end of 2009, Tier 1 capital amounted to EUR 17,573 million, a 9% increase because of higher retained earnings.
The AFS reserves on bonds and cash-flow hedge reserves are not part of the regulatory equity. The positive AFS reserves on shares are added to Tier 2 equity. They would have been deducted from Tier 1 equity if negative. This is explained in the accounting principles and rules for the consolidated financial statements published in this annual report.

In 2009, Tier 1 ratio further improved by 172 bps to 12.3% supported by organic generation of Tier 1 capital of EUR 1.45 billion (equivalent to 95 bps) and by a decrease of total weighted risks by EUR 9.7 billion (equivalent to 77 bps). The core Tier 1 ratio reached 11.3%, up by 170 bps compared to the end of 2008, illustrating the Group's solid solvency situation.

(in millions of EUR, except where indicated)	31/12/08	31/03/09	30/06/09	30/09/09	31/12/09
Tier 1 capital	16,126	16,427	16,831	17,089	17,573
Total regulatory capital	18,077	18,383	19,383	19,591	20,251
Weighted risks	152,837	153,314	148,630	144,841	143,170
Tier 1 ratio	10.6%	10.7%	11.3%	11.8%	12.3%
Capital adequacy ratio	11.8%	12.0%	13.0%	13.5%	14.1%

Ratings

The Group's principal banking entities – Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg – are rated A+ with stable outlook by Fitch (9 February 2010), A1 with stable outlook by Moody's (12 February 2010), A with negative outlook by Standard & Poor's (10 February 2010).
The triple-A rating of the covered bonds (*obligations foncières*) issued by Dexia Municipal Agency was affirmed by Fitch (22 March 2010), Moody's (23 January 2009) and Standard & Poor's (4 February 2010 – stable outlook).

RATINGS	Long term	Outlook	Short term
Fitch			
Dexia Bank Belgium	A+	Stable outlook	F1+
Dexia Crédit Local	A+	Stable outlook	F1+
Dexia Banque Internationale à Luxembourg	A+	Stable outlook	F1+
Dexia Municipal Agency (*obligations foncières*)	AAA	-	
Moody's			
Dexia Bank Belgium	A1	Stable outlook	P-1
Dexia Crédit Local	A1	Stable outlook	P-1
Dexia Banque Internationale à Luxembourg	A1	Stable outlook	P-1
Dexia Municipal Agency (*obligations foncières*)	Aaa	-	
Standard & Poor's			
Dexia Bank Belgium	A	Negative outlook	A-1
Dexia Crédit Local	A	Negative outlook	A-1
Dexia Banque Internationale à Luxembourg	A	Negative outlook	A-1
Dexia Municipal Agency (*obligations foncières*)	AAA	Stable outlook	
Dexia Kommunalbank Deutschland (*Pfandbriefe*)	AAA	Negative outlook	

Financial results

Preliminary notes to the consolidated financial statements

Changes in scope of consolidation

In 2008

Dexia exited Kommunalkredit Austria AG (previously 49%-owned by Dexia) and takes full ownership of Dexia Kommunalkredit Bank AG (previously 51% owned by Dexia).
In November 2008, Dexia signed a binding agreement to sell FSA Holdings Ltd to Assured Guaranty Ltd, a bond insurer listed on the NY Stock Exchange. Financial Products activity is excluded from the scope of the transaction. Dexia has recorded all the accounting and prudential impacts of the sale of FSA Insurance in the fourth quarter 2008.

In 2009

As from 1 April 2009, Dexia no longer consolidated the activities of Financial Security Assurance Holdings Ltd, sold to Assured Guaranty Ltd. FSA Insurance's result for the first quarter 2009 is consolidated on a line-by-line basis and the net result is offset in "Net Income on Investments". The sale was completed on 1 July 2009.
As from the fourth quarter 2009, Crédit du Nord is no longer included in Dexia's consolidated financial statements pursuant to the agreement under which Société Générale buys Dexia's 20% stake in Crédit du Nord. The first nine-month result for Crédit du Nord is considered in Dexia's annual result 2009.
Simultaneously to this transaction Dexia purchased Crédit du Nord's 20%-stake in Dexia Crédit Local de France Banque. Pursuant to this acquisition, Dexia controls 100% of Dexia Crédit Local de France Banque.
On 9 December 2009, Dexia signed an agreement relating to the sale of Dexia Épargne Pension to BNP Paribas Assurance. The transaction is subject to approval from the competent supervisory authorities and is expected to be finalised in the first half of 2010. The final result made by Dexia will be recorded in the accounts at the closing of the transaction.

Analytical treatment

As at 1 January 2009, Dexia changed its business reporting in line with its new organisation and applied IFRS 8 for the first time. Figures for 2008 were restated accordingly in order to enable comparisons.
The business segmentation was adapted to Dexia's new profile and strategic directions. The Group is now divided into three business lines representing operational activities focused on homogeneous client franchises (Retail and Commercial Banking, Public and Wholesale Banking, Asset Management and Services). A fourth business line, named Group Center, includes treasury operations, bond portfolios in run-off (including the Financial Products portfolio) as well as the former Central Assets segment.

Consolidated statement of income

Net income Group share

The profitability of the Group recovered throughout the year. In 2009, net income Group share amounted to EUR 1,010 million compared to a net loss of EUR 3,326 million in 2008, which was affected by the impact of the financial crisis to the extent of EUR -5,868 million. During the year 2009, there was a much more limited influence of the financial crisis (EUR -687 million) on the accounts, mainly booked in the first half of the year. In 2008, Dexia already booked all the accounting consequences of the sale of FSA Insurance. Following the closing of this transaction on 1 July 2009, FSA Insurance has been deconsolidated since the second quarter of 2009.
All the commercial business lines posted positive results in 2009: EUR 608 million in Retail and Commercial Banking; EUR 502 million in Public and Wholesale Banking; EUR 74 million in Asset Management and Services. The Group Center business line reported a net loss of EUR 173 million in 2009 against a loss of EUR 3,570 million in 2008 which had been strongly impacted by the crisis.

Income

Total income amounted to EUR 6,163 million in 2009, up by 73% compared to the previous year. In the fourth quarter 2009 a EUR 153 million capital gain related to the sale of the Group's 20% stake in Crédit du Nord was realised. Aggregated revenues of Retail and Commercial Banking, Public and Wholesale Banking and Asset Management and Services increased by 16% to EUR 5,265 million at the end of 2009. Revenues from Group Center which had been strongly impacted by the crisis in 2008 (EUR -994 million) amounted to EUR 898 million in 2009.

Expenses

Costs stood at EUR 3,607 million in 2009, down 12% compared to 2008. In line with its transformation plan, Dexia undertook to reduce its cost base by EUR 600 million by 2011, of which EUR 200 million in savings to be realised in 2009.
Excluding restructuring charges, cost savings of EUR 434 million were realised in 2009, of which EUR 73 million linked to the disposal of FSA Insurance. At constant scope Dexia has exceeded its cost reduction target by EUR 161 million in 2009.
The cost-income ratio was 58.5% in the full year 2009.

Gross operating income

In 2009, gross operating income amounted to EUR 2,556 million compared to a loss of EUR 563 million in 2008, which was heavily impacted by the financial crisis.

Cost of risk and impairments

Cost of risk and impairments reached EUR 1,153 million in 2009, far from the pre-crisis level (EUR 170 million in 2007), but below the 2008 EUR 3,314 million cost of risk and impairments which were severely impacted by the crisis (of which EUR 1,665 million due to the sale of FSA Insurance). In 2009 EUR 382 million was related to the financial crisis of which EUR 230 million provisions on the Financial Products portfolio. Excluding those atypical items the cost of risk was 12 basis points on average customer loans in 2009.

Taxes and pretax income

Pretax income amounted to EUR 1,403 million in 2009. Tax expenses were EUR -314 million against a positive amount of EUR 629 million in 2008, due to the booking of deferred tax assets on provisions and fair value adjustments.

Minority interests

Minority interests were EUR 79 million in 2009, stable compared to the previous year.

CONSOLIDATED STATEMENT OF INCOME (1)

(in millions of EUR)	2008	2009	Variation
Income (2)	**3,556**	**6,163**	**+73.3%**
Expenses	(4,119)	(3,607)	-12.4%
Gross operating income	**(563)**	**2,556**	**n.s.**
Cost of risk and impairments	(3,314)	(1,153)	-65.2%
Pretax income	**(3,877)**	**1,403**	**n.s.**
Tax expense	**629**	**(314)**	**n.s.**
Net income	(3,248)	1,089	n.s.
Minority interests	(78)	(79)	n.s.
Net income Group share	**(3,326)**	**1,010**	**n.s.**
Return on equity (3)	-22.6%	+5.6%	
Cost-income ratio (4)	115.8%	58.5%	
Earnings per share (5) (in EUR)	(2.54)	0.57	

(1) FSA Insurance deconsolidated since the second quarter of 2009.
(2) Income = interests, fees and commissions, trading and other income; also mentioned as revenues.
(3) The ratio between the net income Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).
(4) The ratio between expenses and income.
(5) The ratio between the net income Group share and the average number of shares.

Solvency

	31/12/08	31/12/09	Variation
Tier 1 capital (in millions of EUR)	16,126	17,573	+9.0%
Total weighted risks (in millions of EUR)	152,837	143,170	-6.3%
Tier 1 ratio	10.6%	12.3%	
Core Tier 1 ratio	9.6%	11.3%	

At the end of December 2009, Dexia's Tier 1 capital stood at EUR 17.6 billion, up by 9% compared to the end of December 2008.
At the end of December 2009, total weighted risks amounted to EUR 143.2 billion, down by 6% as compared to the end of December 2008. The decrease of weighted risks in 2009 is mainly explained by the deleveraging efforts of the Group and by the depreciation of the US dollar against the euro.
In 2009, the Group's Tier 1 ratio further improved by 172 basis points to 12.3% supported by organic generation of Tier 1 capital of EUR 1.45 billion (equivalent to 95 basis points) and by a decrease of total weighted risks by EUR 9.7 billion (equivalent to 77 basis points). The core Tier 1 ratio reached 11.3%, up by 172 basis points compared to the end of December 2008, illustrating the Group's solid solvency situation.

Return on equity

Return on equity stood at +5.6% in 2009.

Earnings per share

Earnings per share reached EUR 0.57 in 2009, compared to EUR -2.54 in 2008.

Consolidated balance sheet

The **consolidated balance-sheet total** amounted to EUR 577.6 billion as at 31 December 2009, down by EUR 73.4 billion compared to 31 December 2008 (or -11%).
The evolution of total balance sheet reflected:
• the active balance-sheet deleveraging process (EUR -18.2 billion) and the refocus on the core commercial franchises as part of the implementation of the transformation plan;
• the changes in interest rate, foreign exchange rate and credit spreads;
• the sale of the insurance activities of FSA (i.e. FSA Inc.) which were deconsolidated for an amount of EUR 5.6 billion.

Equity

Total shareholders' equity is composed of core equity (capital, additional paid-in capital, reserves, result for the year before allocation less treasury shares) and gains and losses not recognised in the statement of income (or Other Comprehensive Income).

Total shareholders' equity of the Dexia Group amounted to EUR 10.2 billion as at 31 December 2009 against EUR 3.9 billion as at 31 December 2008. This EUR 6.3 billion increase was mainly due to the current 2009 result of EUR 1.0 billion and the EUR 5.3 billion positive variation of the Other Comprehensive Income as a result of the tightening of the credit and liquidity spreads. The Other Comprehensive Income includes the Available-for-Sale (AFS) reserve which improved by EUR 4.8 billion in 2009.

Core shareholders' equity increased by EUR 1.0 billion to EUR 18.5 billion due to the current result.

The **gains and losses not recognised in the statement of income** include the fair value on the available-for-sale assets, the fair value of cash-flow hedge derivatives and the translation reserve. They improved by EUR 5.3 billion in 2009 as explained above and stood at EUR -8.3 billion at the end of 2009.
• The available-for-sale reserve, up by EUR 4.8 billion, was impacted by the improvement of the financial markets leading to the tightening of credit and liquidity spreads in addition to the positive evolution of the equity markets.
Within the framework of the amendments to IAS 39 and IFRS 7, an amount of EUR 91.6 billion of Available-for-Sale (AFS) assets has been reclassified in Loans and Receivables in 2008. The related AFS reserve is amortised over time and amounted to EUR -5.6 billion as at 31 December 2009 (against EUR -6.5 billion as at 31 December 2008). As at 31 December 2009, the carrying amount of these reclassified assets was EUR 83.8 billion. If the reclassification had not been made, an additional EUR -0.6 billion would have been recognised in AFS reserve in 2009. This is explained in note 7.7 to the consolidated financial statements of this annual report.
• The cash-flow hedge reserve increased by EUR 0.5 billion, due to the evolution of interest rates.
• The translation reserve was stable at EUR -0.5 billion.

Minority interests remained stable at EUR 1.8 billion.

Liabilities

The amount of customer deposits and debt securities (savings bonds, certificates and bonds) reached EUR 334.0 billion as at 31 December 2009 (+10%). Their relative share in the total balance sheet reached 58% at the end of 2009 against 47% at the end of 2008.

Customer deposits amounted to EUR 121 billion, an increase of 5% or EUR +6.2 billion during the year. Savings accounts, demand and other deposits (EUR +13 billion) were largely preferred to term deposits – retail and private – (EUR -18 billion) and investments in mutual funds. Reverse repurchase agreements increased by EUR 11 billion and cash collaterals by EUR 1 billion.

Debt securities increased by EUR 25 billion (or +13%) to EUR 213.1 billion by virtue of certificates of deposits (EUR +17 billion) and savings bonds (EUR +8 billion). Non-subordinated debts remained stable.

Subordinated debts remained stable at EUR 4.1 billion.

Liabilities due to banks were at EUR 123.7 billion at the end of 2009, down EUR 89.5 billion, three quarters of which came from central banks. The amount due to central banks was particularly high in December 2008, due to the financial turmoil.

Liabilities included in disposal groups held for sale decreased by EUR 1.4 billion and stood at EUR 4.3 billion. The insurance activities of FSA sold to Assured Guaranty contributed for an amount of EUR 5.7 billion as at 31 December 2008 while Dexia Épargne Pension contributed for EUR 4.3 billion as at 31 December 2009.

CONSOLIDATED BALANCE SHEET

(in millions of EUR)	31/12/08	31/12/09
TOTAL ASSETS	**651,006**	**577,630**
Cash and balances with central banks	2,448	2,673
Loans and advances due from banks	61,864	47,427
Loans and advances to customers	368,845	353,987
Financial assets measured at fair value through profit or loss	16,044	10,077
Financial investments	125,029	105,251
Derivatives	55,213	40,728
Fair value revaluation of portfolio hedge	3,938	3,579
Investments in associates	682	171
Tangible fixed assets	2,353	2,396
Intangible assets and goodwill	2,193	2,177
Tax assets	4,139	2,919
Other assets	1,998	1,895
Non current assets held for sale	6,260	4,350
TOTAL LIABILITIES AND EQUITY	**651,006**	**577,630**
Due to banks	213,192	123,724
Customer borrowings and deposits	114,728	120,950
Financial liabilities measured at fair value through profit or loss	18,952	19,345
Derivatives	75,834	58,364
Fair value revaluation of portfolio hedge	1,543	1,939
Debt securities	188,120	213,065
Subordinated debts	4,407	4,111
Technical provisions of insurance companies	16,739	13,408
Provisions and other obligations	1,487	1,581
Tax liabilities	302	238
Other liabilities	4,393	4,585
Liabilities included in disposal groups held for sale	5,691	4,332
Total liabilities	**645,388**	**565,642**
Subscribed capital	8,089	8,089
Additional paid-in capital	13,618	13,618
Treasury shares	(23)	(25)
Reserves and retained earnings	(870)	(4,194)
Net income for the period	(3,326)	1,010
Core shareholders' equity	**17,488**	**18,498**
Gains and losses not recognised in the statement of income	(13,572)	(8,317)
Total shareholders' equity	**3,916**	**10,181**
Minority interests	1,702	1,806
Discretionary participation features of insurance contracts	0	1
Total equity	**5,618**	**11,988**

Assets

Loans and advances to customers were reduced by EUR 14.9 billion (-4%) in 2009 and stood at EUR 354.0 billion at the end of the year because of the balance-sheet deleveraging process. Reverse repurchase agreements decreased by EUR 3.5 billion.

Financial assets at fair value through profit and loss decreased by EUR 6.0 billion (-37%) at EUR 10.1 billion. This variation is explained by the unwinding of an amount of EUR 5.7 billion negative basis-trade transactions within the framework of the deleveraging process.

Financial investments, which include the available-for-sale assets, declined to EUR 105.3 billion (i.e. -16%). Available-for-sale bonds decreased by EUR 19 billion due to the balance-sheet deleveraging process and also to the reclassification of Dexia Épargne Pension in assets held for sale (EUR -1.7 billion). Available-for-sale equities decreased by EUR 0.3 billion of which EUR 0.5 billion due to Dexia Épargne Pension (reclassified in assets held for sale).

Loans and advances due from banks decreased to EUR 47 billion, i.e. a EUR 14.4 billion negative variation as compared to December 2008. This was mainly due to reverse repurchase agreements (EUR -6 billion), cash collaterals (EUR -1.3 billion), loans (EUR -4.7 billion) and sight accounts (EUR -1.8 billion).

Cash and balances with central banks stood at EUR 2.7 billion.

As at 31 December 2009, **non current assets held for sale** included an amount of EUR 4.4 billion related to Dexia Épargne Pension for which a sale agreement was signed. EUR 6.3 billion were transferred in 2008 further to the signing of the sale of the insurance activities of FSA to Assured Guaranty Ltd.

Activity and results of the business lines

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Retail and Commercial Banking

Activity

In 2009, the Group placed an emphasis on developing its retail franchises both in its historical markets and also in Turkey which turned in a strong commercial performance of the business line, reflected by an increase of the client base and of the deposits.

CUSTOMER ASSETS AND LOANS (in billions of EUR)	**31/12/08 (1)**	**31/12/09**	**Variation**
TOTAL CUSTOMER ASSETS AND LOANS	**170.7**	**179.5**	**+5.2%**
Customer assets	**121.6**	**128.8**	**+5.9%**
Deposits	72.8	81.0	+11.3%
Sight accounts	*8.9*	*10.4*	*+16.2%*
Savings deposits	*24.2*	*32.6*	*+34.3%*
Savings bonds & term deposits	*28.0*	*25.9*	*-7.4%*
Bonds issued by the Group	*11.7*	*12.2*	*+4.4%*
Off-balance-sheet assets	37.7	36.9	-2.1%
Mutual funds	*21.4*	*18.3*	*-14.5%*
Direct securities (2)	*16.3*	*18.6*	*+14.2%*
Life insurance technical reserves	11.1	10.8	-2.2%
Customer loans	**49.1**	**50.8**	**+3.4%**
Mortgage loans	23.6	24.7	+4.1%
Consumer loans	2.6	2.5	-2.1%
Business loans	18.1	19.1	+5.4%
Other loans	4.8	4.4	-7.0%

(1) Pro forma as a new segment reporting has been applied since 1 January 2009. More details on the new segmentation are given in note 3 to the consolidated financial statements on pages 128-130 of this annual report.
(2) Customer financial assets (such as shares, bonds and cooperators' shares) held under custody by the bank.

In 2009, **total deposits** reached EUR 81.0 billion, an increase of EUR 8.2 billion (or 11%). The search for security directed savings and investment flows towards long-term balance-sheet products, such as savings accounts, savings bonds and bond issues. Deposit growth, encompassing sight accounts and term deposits, was remarkable in Turkey: DenizBank increased its assets by more than 20% over the year by virtue of concentrated sales efforts involving these products in all segments.

- Savings account assets, at EUR 32.6 billion at year-end 2009, rose strongly. EUR 8.4 billion (+34% since year-end 2008) was collected over the year as a consequence of the influence of rate evolution, the transfer from term investments to savings accounts and the clear increase of household savings rates (reaching approximately 18% in Belgium). Internet savings accounts represent approximately one fifth of the total in Belgium. The trend favouring savings accounts was particularly clear in Luxembourg, with assets multiplied by 3.5 over the year.
- Savings bonds, at EUR 13 billion at year-end 2009, were also extremely successful (EUR 7.1 billion collected over the year). By way of example, the collection of "savings bonds for local projects", the subject of an institutional campaign on the theme of local authority project finance by individual investment attracted more than EUR 1 billion in four weeks.
- The structured bonds issued by the Group (EUR 12.2 billion at year-end 2009), principally via Dexia Funding Netherlands which launched seven major issues at the beginning of 2009, recorded growth of 4% compared with last year. In Luxembourg, the emphasis placed via targeted sales campaigns on guaranteed-capital investment products enabled an increase of almost 50% to be achieved in structured products issued by Dexia.

Notwithstanding the positive market effect, clients' risk aversion is reflected by a 2% fall of **off-balance-sheet assets** (including life insurance products) to EUR 47.7 billion, including a 15% fall of mutual funds. **Life insurance technical reserves** were almost stable at EUR 10.8 billion (or -2% compared to 2008).

Total customer assets were EUR 128.8 billion at the end of December 2009, an increase of 6% essentially resulting from the considerable increase of customer deposits.

Despite the economic downturn, **customer loans** increased by EUR 1.7 billion in 2009 to reach EUR 50.8 billion at year-end 2009. Mortgage loans increased by 4% and business loans by 5%. Belgium and Turkey were the main contributors to this growth.

In **Belgium**, the client base grew by 3.5% to reach 4.5 million clients, including insurance activities. Client satisfaction surveys largely improved over the year in most valuable client segments. Furthermore Dexia launched a programme to deploy its new retail platform representing a EUR 350 million investment including EUR 105 million in 2009: 133 open and cashless branches were opened during the year, out of a target of 308 in 2011, and 400 additional account managers were appointed. This new concept was greeted by strong customer acceptance. Marketing campaigns helped the Group aggressively to regain share of voice in communication and supported the collection of deposits. All this contributed to a growth of EUR 7.2 billion (+14%) of deposits over the year. Loans grew by 5% driven by business and mortgage loans.

In **Luxembourg**, the franchise remained resilient despite a turbulent environment. There was a slight increase in international private banking assets and the Group's local market share remained stable. Advertising campaigns were launched from the second quarter on the individual and professional client segments. In private banking, sales momentum and a favourable market effect enabled the franchise to be maintained throughout the year.

In **Turkey**, the dynamic expansion of DenizBank's retail platform was confirmed through the acquisition of 615,000 new retail and business customers (+20% over the year) and the opening of 50 new branches. The bank's renown increased and DenizBank moved from the 9th to the 6th place in terms of public recognition. At the end of December 2009, customer assets reached TRY 14.7 billion (EUR 7.3 billion), a 24% increase on year-end 2008. Loans reached TRY 18.6 billion at year-end 2009 (EUR 8.7 billion), up 7% on year-end 2008. As a consequence, the loan-deposit ratio improved strongly (126% at year-end 2009 against 146% at year-end 2008).

In 2010, Dexia will pursue the deployment of its new distribution model in Belgium, leverage its wealth management capabilities and client base in Luxembourg to strengthen its private banking activities and capitalise on a strong commercial momentum in Turkey.
In accordance with the agreement with the European Commission on Dexia's restructuring plan, the decision was taken to sell Dexia banka Slovensko in Slovakia (85.5% stake) and to divest or float DenizEmeklilik, the insurance subsidiary of DenizBank in Turkey, by 31 October 2012.
The agreement with the European Commission is detailed in the chapter "2009 and early 2010 highlights" on pages 12-14 of this annual report.

Results

In 2009, the **net income Group share** was EUR 608 million, 3.3 times higher than in 2008, which was severely impacted by the financial crisis.

At EUR 3,035 million in 2009, including EUR 153 million capital gain on the sale of the 20%-stake in Crédit du Nord, **revenues** increased by 12% on 2008. Excluding this gain, revenues went up by 6% on year-end 2008.

As a consequence of the cost reduction programme launched at the end of 2008, **costs** were down 5% over the year, at EUR 1,875 million in 2009 against EUR 1,978 million in 2008.
The business line's **cost-income ratio** improved to 61.8% in 2009, compared to 72.7% in 2008.

The **cost of risk and impairments** amounted to EUR 363 million in 2009, against EUR 508 million in 2008, down 29% on 2008, which suffered the effects of major provision taking.

As a consequence, **pretax income** more than tripled in comparison to 2008, to EUR 797 million in 2009, against EUR 235 million the previous year.

STATEMENT OF INCOME

(in millions of EUR, except where indicated)	2008 (1)	2009	Variation
Income	**2,722**	**3,035**	**+11.5%**
Expenses	(1,978)	(1,875)	-5.2%
Gross operating income	**744**	**1,160**	**+56.1%**
Cost of risk and impairments	(508)	(363)	-28.5%
Pretax income	**235**	**797**	**x3.4**
Tax expense	(64)	(190)	x3.0
Net income	**171**	**607**	**x3.5**
Minority interests	(14)	(1)	-93.5%
Net income Group share	**184**	**608**	**x3.3**
Cost-income ratio	72.7%	61.8%	
Total allocated equity (average)	2,341	2,716	
Weighted risks	26,072	26,887	

(1) Pro forma as a new segment reporting has been applied since 1 January 2009. More details on the new segmentation are given in note 3 to the consolidated financial statements on pages 128-130 of this annual report.

Public and Wholesale Banking

Activity

Public and Wholesale Banking was profoundly reshaped in 2009, under the influence both of internal and of external factors. 2009 saw the implementation of Dexia's transformation plan which had a deep impact on the business line. In addition, the business had to face and adapt to major changes in the characteristics of demand, margins and funding conditions.

The Public and Wholesale Banking business line has some major advantages, notably its specialisation and its acknowledged expertise in local public sector and project finance and its ability to refinance in the form of covered bonds via dedicated financing vehicles. Finally, its higher quality portfolio in terms of credit risk enables it to achieve significant profitability and gives it the time for the necessary evolutions.

In 2009, the business line refocused on its historical markets in order to give itself the means to develop in a healthy and sustainable manner on those markets, particularly in Belgium and in France.

The business line actively participated in the Group balance-sheet deleveraging policy by virtue of the sale of EUR 1.7 billion in loans and the USD 6 billion reduction of undrawn liquidity lines in the United States. It also contributed to optimise the balance sheet by accelerating asset transfers to AAA vehicles of the Dexia Group.

As a result of the rapid refocus of the business line on its core franchises, long-term commitments totalled EUR 260 billion, down 7% compared to the previous year (EUR 280 billion). In core countries, the public finance business was resilient however, with commitments only down by 1% in Belgium and by 4% in France compared to the previous year.

Production for the full year was notably below the level reached in previous years, at EUR 11.8 billion (against EUR 52.1 billion in 2008) in line with the focus on core franchises. Weaker demand in France and Italy contributed to the preservation of the commercial franchise, while containing the balance-sheet usage. Production was profitable throughout 2009 as margins on new loans more than offset Dexia's increased cost of funding.

In project finance, Dexia confirmed the strength of its expertise and its franchises. Production was EUR 1.4 billion in 2009. Dexia was Mandated Lead Arranger on most of the 41 transactions closed in core sectors such as renewable energies and

LONG-TERM COMMITMENTS AND ORIGINATIONS

(in millions of EUR, amounts are stated at current exchange rate)	Long-term commitments			Long-term originations		
	31/12/08 (1)	31/12/09	Variation	2008 (1)	2009	Variation
Dexia	**280,481**	**260,612**	**-7.1%**	**52,084**	**11,778**	**-77.4%**
of which public sector	*239,330*	*221,806*	*-7.3%*	*39,513*	*9,458*	*-76.1%*
of which project finance	*31,123*	*29,469*	*-5.3%*	*9,320*	*1,387*	*-85.1%*
of which corporate banking	*10,028*	*9,337*	*-6.9%*	*3,251*	*934*	*-71.3%*
Historical markets	**133,805**	**129,472**	**-3.2%**	**17,588**	**8,498**	**-51.7%**
Belgium	47,726	47,169	-1.2%	7,754	4,796	-38.1%
France	86,079	82,303	-4.4%	9,834	3,702	-62.4%
Other markets	**146,675**	**131,139**	**-10.6%**	**34,494**	**3,282**	**-90.5%**
Italy	38,315	35,987	-6.1%	3,173	686	-78.4%
United States (2) and Canada	40,503	30,354	-25.1%	12,430	318	-97.4%
Iberia (Spain and Portugal)	15,364	16,916	+10.1%	5,333	1,593	-70.1%
Germany	13,569	11,421	-15.8%	2,532	3	-99.9%
United Kingdom	11,246	12,450	+10.7%	2,681	159	-94.1%
Israel	794	894	+12.6%	185	172	-7.3%
Headquarters	6,334	5,544	-12.5%	1,338	253	-81.1%
Japan	6,958	5,073	-27.1%	3,835	55	-98.6%
Switzerland	5,467	5,003	-8.5%	425	0	n.s.
Central and Eastern Europe	2,433	2,255	-7.3%	508	43	-91.6%
Australia	1,267	1,376	+8.6%	639	0	n.s.
Sweden	3,229	2,713	-16.0%	948	0	n.s.
Mexico	1,196	1,153	-3.6%	467	0	n.s.

(1) Pro forma as a new segment reporting has been applied since 1 January 2009. More details on the new segmentation are given in note 3 to the consolidated financial statements on pages 128-130 of this annual report.
(2) of which USD 47,951 or EUR 34,322 for 2008 and USD 35,123 or EUR 24,394 for 2009 of equivalent liquidity lines.

environment, social infrastructure, transportation and public private partnerships, where Dexia has recognised know-how. 2009 was characterised by high levels of pricing especially in the United States and Canada, substantially shorter tenors, and reduced final take. Among the main successes of 2009 was the operation to build the "Belwind" offshore wind farm, which received awards as "Renewable Deal of the Year 2009" from the Infrastructure Journal and "EMEA Power Deal of the Year 2009" from Thomson Reuters/PFI.

In line with a strategy focused on more diversified and less cash consuming solutions, deposit-taking services and investment products totalled EUR 35.8 billion at the end of 2009, up 4% on the previous year. Furthermore, debt management and interest-rate management solutions were executed for EUR 9 billion in 2009, especially with French and Belgian clients. In order to develop a sustainable and transparent relationship of confidence in this regard, in November 2009 Dexia made ten undertakings in relation to the marketing of structured credits to its clients in France. Those undertakings are the result of lessons learned from the financial crisis and the needs expressed by clients. They relate in particular to the products marketed, their adaptation to the risk profile of each client, and to new obligations of information and follow-up. They are in line with the principles stated by the "Charter of Good Conduct" agreed between banking establishments and local authorities, and provide a framework for Dexia's marketing policy in France in this field.

In 2010 and going forward, Dexia will align its lending activity to its funding capacity, focus on new business protecting the Group's profitability. As Dexia recovered access to its long-term funding sources, the Group should be in a position to lend up EUR 15 billion in 2010 and increasingly up to EUR 18 billion in 2014. This production will respect a minimum level of risk-adjusted return on capital (RAROC) of 10%, as requested by the European Commission.

Depending upon the nature of their projects and the needs of each client, alternative financing solutions can also be proposed, such as project finance and public-private partnerships, lease finance or other outsourcing solutions. Dexia can also offer its most important clients a diversification of their sources of finance via the implementation of bond issues adapted to their financial requirements and strategy.

As part of the agreement with the European Commission on Dexia's restructuring plan, the decision was taken to divest Dexia Crediop in Italy by 31 October 2012, and Dexia Sabadell in Spain by 31 December 2013. It has also been decided to classify non-core public loans (comprising loans in Japan, Switzerland, Sweden, Central and Eastern Europe, Australia, Mexico and the United States), for an amount of EUR 17.7 billion together with the run-off portfolios in a dedicated division, called "Legacy Division".

The agreement with the European Commission is detailed in the chapter *2009 and early 2010 highlights* on pages 12-14 of this annual report.

DEPOSIT-TAKING SERVICES AND INVESTMENT PRODUCTS

(in millions of EUR)	31/12/08	31/12/09	Variation
Balance sheet	23,982	24,768	-3.2%
Off-balance sheet	13,371	11,035	+21.2%
TOTAL	**37,353**	**35,803**	**+4.3%**

Results

Public and Wholesale Banking confirmed its profitability in 2009 with a **net income Group share** of EUR 502 million, compared to EUR 388 million in 2008, which had been negatively impacted by the financial crisis.

Income amounted to EUR 1,482 million in 2009 compared to EUR 1,483 million in 2008. While 2008 revenues were penalised by the financial crisis (mainly capital loss on Kommunalkredit Austria), 2009 revenues were impacted by higher funding costs: State guarantee fees allocated to the business line increased from EUR 6 million in 2008 to EUR 140 million in 2009.

Quarter after quarter, pressure on revenues caused by higher funding costs was mitigated by significant cost reduction efforts. Globally, **expenses** came down by 8% in 2009 to EUR 589 million, compared to EUR 637 million at the end of 2008. This led to a decrease of the **cost-income ratio** from 42.9% to 39.7% between 2008 and 2009.

Cost of risk and impairments remained at a low level of EUR 141 million in 2009, compared to EUR 234 million in 2008, which was affected by charges on Kommunalkredit Austria.

Pretax income increased from EUR 612 million in 2008 to EUR 752 million in 2009, up 23%.

STATEMENT OF INCOME (in millions of EUR, except where indicated)	**2008 (1)**	**2009**	**Variation**
Income	**1,483**	**1,482**	**-0.1%**
Expenses	(637)	(589)	-7.5%
Gross operating income	**846**	**893**	**+5.5%**
Cost of risk and impairments	(234)	(141)	-39.7%
Pretax income	**612**	**752**	**+22.9%**
Tax expense	(183)	(222)	+20.9%
Net income	**429**	**530**	**+23.5%**
Minority interests	40	28	-29.7%
Net income Group share	**388**	**502**	**+29.2%**
Cost-income ratio	42.9%	39.7%	
Total allocated equity (average)	3,081	3,022	
Weighted risks	52,158	49,972	

(1) Pro forma as a new segment reporting has been applied since 1 January 2009. More details on the new segmentation are given in note 3 to the consolidated financial statements on pages 128-130 of this annual report.

Asset Management and Services

In 2009, the business segmentation was adapted to Dexia's new profile and strategic direction. Asset Management and Services includes Dexia's activities in the field of Asset Management, Investor Services and Insurance activities.

Activity

Asset Management

In 2009, Dexia Asset Management aligned itself to the post-crisis asset management industry environment. Dexia Asset Management worked to further enhance its commercial effectiveness by putting the client at the heart of its activities and continued to develop synergies and efficiency-gains within the Dexia Group. Dexia Asset Management remains a robust asset manager. It relies on its four production centres in Brussels, Luxembourg, Paris and Sydney combined with a local sales presence in several European countries, Australia, the Middle East and Canada.
Dexia Asset Management has a long tradition and proven track record in fixed income, equity management and asset allocation. The company also holds strong positions in alternative investment management as well as in socially responsible investment (SRI) management.
The performance of the funds managed by Dexia Asset Management was again confirmed in 2009. Almost 80% of its traditional funds have 3, 4 and 5 Morningstar ratings for all asset classes. In terms of awards, Dexia Asset Management won 6 awards as asset manager and 25 awards for specific funds in 2009.
Assets under management increased by EUR 3.1 billion (or +4%) in 2009 and reached EUR 82.4 billion at the end of the year as positive market effects more than offset outflows.
In the uncertain economic and financial environment, retail clients continued to be risk averse and were focused on balance-sheet products (deposits). This translated into EUR 7.9 billion of net outflows in retail investment funds and private mandates. The positive market effect amounted to EUR 3.3 billion, As a result, total assets managed in retail funds and private mandates were at EUR 27.6 billion at the end of the year.
Institutional investment funds and mandates increased by EUR 7.7 billion (or +16%) from the beginning of the year, to EUR 54.8 billion. This was explained by a EUR 6.2 billion positive market effect and EUR 1.5 billion net new cash.
Dexia Asset Management's client mix is well balanced: as at 31 December 2009 institutional assets represented two-thirds of total assets under management, the remaining one third consisting of assets from retail and private banking clients.
Assets under management remained well diversified between asset classes: 20% in equity, 32% in fixed income funds, 14% in money market, 27% in global balanced, 7% in alternative and structured assets. SRI solutions represented 22% of the total assets.

ASSETS UNDER MANAGEMENT [1] (in billions of EUR)	**31/12/08**	**31/12/09**	**Variation**
TOTAL	**79.3**	**82.4**	**+4.0%**
By type of management			
Mutual funds	44.8	42.6	-4.8%
Institutional funds	*15.9*	*18.6*	*+17.4%*
Retail funds	*28.9*	*24.0*	*-17.0%*
Private mandates	3.3	3.6	+9.9%
Institutional mandates	31.3	36.2	+15.9%
By asset class			
Equity	10.6	16.2	+52.7%
Fixed income	24.4	26.7	+9.3%
Global balanced	26.4	22.3	-15.6%
Money market	12.2	11.8	-3.2%
Alternative and structured assets	5.7	5.5	-3.2%

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

Investor services

The recovery of the key equity markets in the spring of 2009 positively influenced the activity of RBC Dexia Investor Services which recovered in 2009 after a dull first quarter of the year.

RBC Dexia Investor Services remains a key player, ranked among the world's top 10 global custodians. It relies on a network of offices in 15 countries on 4 continents (Europe, North America, Asia and Australia). In 2009, RBC Dexia consolidated its presence in Italy by acquiring UBI Banca Group's depositary bank business.

Assets under administration were USD 2,456 billion at the end of December 2009, posting robust growth of 30%, mainly driven by positive market effects. The market value of clients' assets started returning to pre-crisis levels. Similarly, assets under custody were up 33% over the year, at USD 1,883 billion at the end of December 2009, supported by both forex and market effects.

The **number of funds under administration** was up 2% (or +112 portfolios) compared to December 2008, a rise driven principally by organic growth.

Year-on-year, the **number of shareholder accounts in transfer agent** increased by 10% (or +788,000 accounts), a trend based on a mix of organic client growth and new business.

INVESTOR SERVICES	2008	2009	Variation
Assets under administration [(1)] (in billions of USD)	1,896	2,456	+29.6%
Number of funds under administration	6,008	6,120	+1.9%
Number of shareholder accounts in transfer agent (in thousands)	8,125	8,913	+9.7%

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

Insurance

Dexia Insurance Services is Dexia's insurance pool for Retail and Commercial Banking clients (individuals, private, SME) and Public and Wholesale Banking clients (public, social profit). It is mainly active in Luxembourg and Belgium.

In Luxembourg, Dexia offers its insurance products especially to wealthy clients, supported by the banking network. In Belgium, Dexia combines the strength of DVV-LAP, a tied agent network (mainly non-life) with a banking and insurance approach through the banking network. This multi-channel offer is completed by Corona, a direct insurer.

Activity bounced back at the end of 2009 after several quarters of low production following the 2008 crisis which led to a focus of the client on balance-sheet products. Total gross written premiums were at EUR 2.8 billion in 2009. Dexia Insurance Services life reserves grew this year by 6%.

Gross written premiums on life-insurance products were at EUR 2.4 billion (or 83% of the total) in 2009 against EUR 3.9 billion last year. This reduction is explained by the declining sales of life-insurance investment products (branch 21 and 23) because of the focus on balance-sheet products. The reduced production in France also influences the decrease. Nevertheless, at the end of 2009, higher levels of productions were recorded in all distribution channels. They were specifically supported by commercial campaigns on guaranteed insurance products (branch 21) in the LAP Insurance network and by the positive commercial evolution at Dexia Life & Pensions in Luxembourg (development of extra-Group distribution channels).

In Belgium where Dexia ranks fifth in the insurance market with a total market share of about 10% (12% in life and 4% in non-life), commercial development was particularly good for the Public and Wholesale Banking channel and in the LAP Insurance network which generated 52% of the non-life premiums, whereas the bank network generated 54% of life premiums. Corona Direct collected almost 10% of non-life premiums.

During 2009, synergies were further developed between distribution channels to offer better customer services.

In December 2009, Dexia signed an agreement in relation to the sale of Dexia Épargne Pension, a Dexia subsidiary specialising in the sale of life insurance products in France, to BNP Paribas Assurance. The transaction is subject to approval from the relevant supervisory authorities and will be finalised during the first half of 2010.

TOTAL GROSS WRITTEN PREMIUMS (in millions of EUR)	2008	2009	Variation
TOTAL PREMIUMS	**4,316**	**2,839**	**-34.2%**
Non life	462	486	+5.2%
Life	3,854	2,353	-38.9%
Branch 21 (classical life included)	*3,494*	*1,826*	*-47.7%*
Branch 23 (unit-linked contracts)	*360*	*527*	*+46.4%*

Results

In 2009, after a difficult first quarter marked by impairments and losses on insurance investment portfolios, the results of AMS which includes Asset Management, Investor Services and Insurance, improved constantly throughout the year. The business line reported a net income Group share of EUR 74 million for the full year against a loss of EUR 329 million in 2008.

Asset Management

Net income Group share amounted to EUR 37 million in 2009, more than three times higher than in 2008, which was heavily impacted by the financial crisis. Nevertheless, the results of asset management were contrasted in 2009 as the year began modestly but improved during the second half of the year.

Total **income** stood at EUR 179 million in 2009, up 11% compared to the previous year. This increase is due to the impact of the financial crisis in 2008, rising performance fees (+44%) and decreasing management fees (-29%) due to lower average assets under management.

Expenses fell to EUR 128 million (-11% compared to last year) by virtue of the active management of costs and more particularly staff costs, IT and marketing expenses. The cost ratio remained low at 16 basis points of assets under management.

Pretax income for the year amounted to EUR 51 million, almost three times higher than in 2008.

Investor Services

Net income Group share amounted to EUR 19 million in 2009, down EUR 62 million (-77%) compared to 2008, mainly due to a decrease in average assets under administration and lower interest income on client deposits.

Income amounted to EUR 327 million in 2009, down EUR 81 million (-20%) driven by a decrease of core business fees and of the interest margin.

Costs were slightly reduced (EUR -4 million) over the year as a result of cost-cutting initiatives, especially at the level of IT expenses.

Cost of risk and impairments amounted to EUR 6 million in 2009, as a result of a provision related to a legal claim booked in the first quarter.

Pretax income decreased from EUR 110 million in 2008 to EUR 27 million by the end of 2009.

Insurance

Net income Group share amounted to EUR 19 million in 2009 compared to a net loss of EUR 420 million in 2008, which included EUR 594 million (net) impairments and losses on investment portfolios, mainly bonds and shares. In 2009, insurance activities were back to profitability after some additional impairments and losses in the first half of 2009, partly offset by capital gains and write-backs in the fourth quarter of 2009.

Income was at EUR 242 million in 2009 as a result of financial income bouncing back (including a write-back of impairments and capital gains) after an unfavourable evolution in the first half of the year. The improved financial income was tempered in the last quarter of 2009 by profit-sharing allocation.

Costs decreased by EUR 2 million to EUR 251 million in 2009 due to ongoing cost control.

As a result, **pretax income** was at EUR -25 million in 2009.

Taxes were at EUR 44 million further to deferred tax assets and a EUR 32 million one-off adjustment.

STATEMENT OF INCOME (in millions of EUR, except where indicated)	**2008** [1]	**2009**	**Variation**
Income	**345**	**748**	**x2.2**
Expenses	(694)	(672)	-3.1%
Gross operating income	**(349)**	**76**	**n.s.**
Cost of risk and impairments	(1)	(23)	n.s.
Pretax income	**(350)**	**53**	**n.s.**
Tax expense	28	26	-10.1%
Net income	**(378)**	**79**	**n.s.**
Minority interests	7	4	-39.0%
Net income Group share	**(329)**	**74**	**n.s.**
of which			
Asset Management	*11*	*37*	*x3.4*
Investor Services	*80*	*19*	*-76.9%*
Insurance	*(420)*	*19*	*n.s.*
Cost-income ratio	n.s.	89.9%	
Total allocated equity (average)	947	961	
Weighted risks	3,351	2,533	

(1) Pro forma as new segment reporting has been applied since 1 January 2009. More details on the new segmentation are given in note 3 to the consolidated financial statements on pages 128-130 of this annual report.

Group Center

Activity

In 2009, the business segmentation was adapted to Dexia's new profile and strategic direction. The Group is now divided into three operational business lines (Retail and Commercial Banking, Public and Wholesale Banking and Asset Management and Services). The fourth business line, Group Center, includes treasury operations, the bond portfolios in run-off (including the Financial Products portfolio) and the Central Assets segment.

In line with its transformation plan, Dexia placed a bond portfolio in run-off, with the objective of actively reducing its size and contribution to the Group's funding gap. It consists mainly of the former credit-spread portfolio, the public bond portfolio and the Group's trading portfolios. The portfolio was reduced from EUR 158 billion at the end of 2008 to EUR 134 billion at the end of 2009. This portfolio is still 97% investment grade at the end of 2009. Cumulative impairments amounted to EUR 956 million in 2009, and relate mainly to the Group's exposures to Lehman and Icelandic banks, which were provisioned in the third quarter of 2008.

Dexia also placed the Financial Products portfolio in run-off, amounting to USD 15.5 billion at the end of 2009. The majority of this portfolio is composed of US RMBS (68%). It is 43% investment grade as at the end of 2009. A specific guarantee scheme, granted by the States of Belgium and France, has been put in place on the most sensitive assets of the Financial Products portfolio (about 75% of the total portfolio). That guarantee was approved by the European Commission on 13 March 2009 and provides for Dexia to cover a first loss of USD 4.5 billion, of which USD 2 billion is already provisioned as at 31 December 2009. If final losses exceed USD 4.5 billion, Dexia can ask the States to intervene in exchange for common shares or profit shares in Dexia. The mechanism for issuing shares and profit shares was approved by the Dexia Extraordinary Shareholders' Meeting on 24 June 2009. In addition to this scheme, the USD 10.2 billion Guaranteed Investment Contracts (GICs), partly funding the Financial Products portfolio, benefit from State liquidity guarantees. Importantly, by reflecting the entire USD 4.5 billion first loss in its solvency ratios in the fourth quarter of 2008, Dexia's Tier 1 is protected against all future potential losses on this portfolio.

For the Group's Treasury operations, 2009 was a record year, as Dexia benefited from exceptionally high spreads between overnight and Libor fixings. This was particularly true in the first half of the year. Treasury revenues have declined substantially since the third quarter of 2009, as a result of balance-sheet deleverage, and market evolutions (flatter short-term yield curve).

Central Assets holds the Group's equity portfolios, interest-rate Asset and Liability Management, revenues on excess capital, the share-leasing portfolio of Dexia Bank Nederland and holding costs. Until it was sold on 1 July 2009, it also included the contribution of FSA Insurance.

As part of the agreement with the European Commission on Dexia's restructuring plan, the decision was taken to regroup the run-off portfolios (bond portfolio in run-off and Financial Products portfolio) together with non-core public loans for an amount of EUR 17.7 billion in a dedicated division, called "Legacy Division". More details on this "Legacy Division" are given in the chapter *2009 and early 2010 highlights* on page 13 of this annual report.

Results

The Group Center business line reported a EUR 173 million net loss for the full year 2009 against a loss of EUR 3,570 million in 2008, which had been severely impacted by the financial crisis.

Bond portfolios in run-off

The contribution of the EUR 134 billion **bond portfolio in run-off** was negatively affected by a number of factors:

- a growing negative impact of funding costs, as the Group seeks to lengthen the maturity of the portolio's funding;
- fees paid to the States for the guarantee on the Group's funding (EUR 291 million in 2009);
- the cost of deleveraging of this portfolio: EUR 16.5 billion bonds were sold in 2009 (EUR 15 billion of net sales within the bond portfolio in run-off and EUR 1.5 billion from ALM portfolios, leading to a loss of EUR 136 million in 2009;
- negative marks on the trading part of the portfolio;
- credit value adjustments on monoline exposure and collective impairments on asset-backed securities.

Those elements more than offset the income generated by the portfolio and led to a net loss Group share of EUR 160 million in 2009.

Going forward, the cost of deleverage will burden the result of the bond portfolio in run-off while at the same time reducing its negative cost of carry.

The net loss Group share related to the **Financial Products portfolio** was reduced to EUR 354 million in 2009 compared to EUR 1,111 million in 2008. In 2009, impairments were at EUR 230 million. The 2009 contribution of the Financial Products portfolio was impacted by State guarantee fees which Dexia started to pay in the third quarter and amounting to EUR 60 million in 2009, and by negative own credit risk related to the GIC liabilities.

Treasury

The Treasury segment's net income Group share came in at a record level in 2009 (EUR 469 million), compared to an already high 2008 contribution (EUR 454 million). The 2009 result was mainly generated in the first part of the year (EUR 297 million).

Central Assets

Central Assets booked a net loss of EUR 128 million in 2009, compared to a net loss of EUR 1,922 million in 2008.

STATEMENT OF INCOME (in millions of EUR)	**2008 [1]**	**2009**	**Variation**
Income	**(994)**	**898**	**n.s.**
Expenses	(809)	(471)	-41.9%
Gross operating income	**(1,804)**	**428**	**n.s.**
Cost of risk and impairments	(2,569)	(626)	-75.6%
Pretax income	**(4,373)**	**(198)**	**n.s.**
Tax expense	848	73	-91.4%
Net income	**(3,525)**	**(125)**	**-96.5%**
Minority interests	45	48	+5.7%
Net income Group share	**(3,570)**	**(173)**	**n.s.**
of which			
Bond portfolios in run-off	*(2,102)*	*(514)*	*n.s.*
Treasury	*454*	*469*	*+3.2%*
Central Assets	*(1,922)*	*(128)*	*n.s.*
Total allocated equity (average)	6,910	6,973	
Weighted risks	71,257	63,778	

(1) Pro forma as new segment reporting has been applied since 1 January 2009. More details on the new segmentation are given in note 3 to the consolidated financial statements on pages 128-130 of this annual report.

General information

1. Authorised capital (Article 608 of the Company Code)

The Extraordinary Shareholders' Meeting on 13 May 2009 decided to cancel the non-utilised balance of its authorised capital in existence at the date of the meeting and to establish a new authorised capital at EUR 8,080,000,000 on that same date for a period of five years, the decision coming into force on 27 May 2009. Over the 2009 financial year, the Board of Directors did not make use of the authorised capital.

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

SUMMARY OF TRANSACTIONS ON OWN SHARES

Period from 31 December 2008 to 31 December 2009	Number of shares in circulation (subscribed capital)	Own shares (Dexia SA and direct subsidiaries)				
		Number of own shares	Accounting par (EUR)	Counter-value per share (EUR)	% of capital	
					31/12/08	31/12/09
Situation at the start of the period	**1,762,478,783**	**293,570**	**4.59**	**9.544**	**0.76%**	**0.02%**
Acquisitions over the period		0	4.59		1.16%	0%
Cancellations over the period	0	0	4.59		1.89%	0%
Transfers over the period		0	4.59		0.00%	0%
Issues over the period		0				
Situation at the end of the period	**1,762,478,783**	**293,570**	**4.59**	**9.544**	**0.02%**	**0.02%**

The Extraordinary Shareholders' Meeting on 13 May 2009 renewed the authorisation given to the Board of Directors for a new period of five years:

- to acquire the company's own shares on the market or in any other manner up to the legal maximum number for a counter-value established in accordance with the provisions of any law or regulation applicable at the time of the purchase, and which may not be less than one euro per share or higher by more than 10% of the last closing price on Euronext Brussels;
- insofar as needed, to dispose of the company's own shares, possibly beyond the maximum period of five years provided for their acquisition. Direct subsidiaries within the meaning of Article 627 § 1 of the Company Code are authorised to acquire or to dispose of the company's shares under the same conditions.

The Shareholders' Meeting delegated all powers to the Board of Directors which, in its turn, entrusted those powers:

- if necessary to determine the terms and conditions of resale or disposal of own shares and
- to decide and if necessary to implement the disposal of the said own shares.

The Board of Directors did not however launch a programme to purchase own shares in 2009.

The balance of the portfolio of own shares as at 31 December 2009 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 transactions on own shares (see above) result from the exercise of those options.

3. Overview of the direct holdings of Dexia SA as at 31 December 2009

The 11 direct holdings of Dexia SA as at 31 December 2009 are as follows:

- 100% in Dexia Bank SA (Belgium);
- 100% in Dexia Crédit Local SA (France);
- 57.68% in Dexia Banque Internationale à Luxembourg SA (Luxembourg);
- 100% in Dexia Management Services Ltd (United Kingdom);
- 99.99% in Dexia Participations Luxembourg SA (Luxembourg), which holds 42.23% of Dexia Banque Internationale à Luxembourg SA;
- 10% in Dexia Holdings Inc., the parent company of Dexia FP Holdings Inc. (USA);
- 100% in Dexia Nederland Holding NV (Netherlands);
- 100% in Dexia Funding Luxembourg SA (Luxembourg);
- 95.39% in Dexia Participation Belgique SA, which holds 99.84% of DenizBank AS;
- 99.40% in Associated Dexia Technology Services SA (Luxembourg);
- 0.01% in Deniz Faktoring AS (Turkey), 99.99% being held by DenizBank AS.

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

4. Litigations

4.1. Dexia Bank Nederland NV

4.1.1. 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 2008 (particularly on pages 91 to 92, including the consequences of the decision of the Netherlands Supreme Court of 28 March 2008, in respect of the so-called spouse consent matter) and in the Financial Reports published during the year 2009, which are available on *www.dexia.com*.

4.1.2. Specific litigations

On 5 June 2009, the Netherlands Supreme Court made an important ruling in respect of the share-leasing contracts of DBnl. Many allegations have been rejected, including error, misleading advertising, abuse of circumstances, and the applicability of the Netherlands Consumer Credit Act.
However, this decision also states that, generally speaking, DBnl had a special duty of care to inform and to warn its clients "... in clear and in unmistakable terms..." about the risks involved in share-leasing contracts, including the possibility of a so-called residual debt. Additionally, this ruling states that DBnl failed in respect of its obligation to check, prior to entering into the contract, on the income and wealth of the client. Therefore, for clients with sufficient financial capacity at the date they entered the share-leasing contract, DBnl has to grant a discount basically of 60% of the total residual debt. Other clients, who have been faced with an unreasonable heavy financial burden, are also, in addition to a discount of the residual debt, awarded a repayment in most cases of 60% of the instalments they have made. The distinction between those two categories of clients needed further interpretation by judges, based on the *de facto* position, and on a case-by-case basis.
Subsequently, on 1 December 2009, the Amsterdam Court of Appeal made four detailed rulings, in respect of the precise way the distinction of the Netherlands Supreme Court between those two categories of clients should have been made. Clients stating that they have been faced with an unreasonable heavy financial burden, have the obligation to furnish the facts. The Court of Appeal also ruled on some other issues, including the fact that profits from earlier share-leasing products should be taken into account, and the commencing date of the legal interest.

4.1.3. Number of court cases

As at 31 December 2009, DBnl is still involved in over 3,400 civil cases. However, the vast majority of these cases have been suspended. The number of clients in proceedings will decrease in 2010 because of settlements expected after the judgements of the Supreme Court and the Amsterdam Court of Appeal.

4.1.4. Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Particularly in view of the nature of these disputes, Dexia refers to its earlier reports and financial reports. Generally speaking, only the approximately 19,000 clients that filed a so-called opt-out statement before 1 August 2007, and did not enter into any settlement since then, are still entitled to start or to continue proceedings against DBnl.

4.1.5. Dutch Securities Institute (DSI)

At the end of 2009, no cases were still under consideration by the Grievance Committee of DSI, or under consideration by the Appeals Committee of DSI.

4.1.6. 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 2009, settlements had been reached with nearly all Depot Lease clients. DBnl faces fewer than ten remaining court cases with Depot Lease clients, but expects to be able to settle most of them.

4.1.7. Provisions as at 31 December 2009

In 2009, DBnl increased its provisions to cover the estimated consequences that the above-mentioned rulings on its duty of care might have under specific circumstances in certain cases. An additional provision was taken in relation to the spouse-consent matter, should DBnl's appeal on the three-year statute of limitation be denied. However, DBnl maintains its position that in many of those cases the three-year statute of limitation period has expired and, as a result, these cases have become void.
Provisions are updated every quarter and may be influenced by fluctuations in the value of the underlying stock of the share-leasing contracts, by client behaviour and by future judgments

4.2. Lernout & Hauspie

Dexia Bank SA is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products SA (LHSP) and the consequences thereof. This was described in detail in the 2007 and 2008 annual reports. Since the 2008 Annual Report, the following relevant events have occurred.

4.2.1. Claim on Lernout & Hauspie Speech Products (LHSP)

At 31 December 2009, Dexia Bank has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 27,926,275.50 (exchange rate USD/EUR 1.43985), of which EUR 176,941.28 reserved interest, for which an impairment has been recorded for EUR 23,377,584.70. This claim originates in the share taken by the former Artesia Banking Corporation (ABC hereafter) in the syndicated loan of USD 430,000,000 to LHSP on 5 May 2000. ABC'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.
In 2008, Dexia Bank has waived its claim on the insolvency of LHSP in the United States, in exchange for a waiver by the American Litigation Trustee of LHSP of all its claims entered against Dexia Bank.

4.2.2. Claim on Lernout & Hauspie Investment Company

The entire outstanding balance of EUR 40,500,000 and the impairments were finally written off in June 2009.

4.2.3. Prosecution of Dexia Bank in Belgium

On 4 May 2007, Dexia Bank was summoned, together with 20 other parties, to appear before the Court of Criminal Appeal in Ghent. According to the writ of summons, Dexia Bank is prosecuted by virtue of the former ABC being accused as an alleged accessory to the falsification of the financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and other related offences among which forgery (*valsheid in geschrifte/faux en écriture*), securities fraud (*emissiebedrog/délit d'émission*) and market manipulation (*koersmanipulatie/manipulation de cours*).
The Public Prosecutor alleges in substance that 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 utilise these funds for improper revenue recognition. The Public Prosecutor has asked the court to impose a "substantial fine" on Dexia Bank, without however specifying an amount. Furthermore, the Public Prosecutor demands the seizure of property in an amount of approximately EUR 29,000,000 to be borne by Dexia Bank.
Dexia Bank considers it has serious grounds for contesting the charges.
The oral pleadings regarding the criminal aspect of the case were closed on 19 December 2008. The Court of Appeal deliberated on the criminal case on 30 January 2009. No date was fixed for the delivery of its judgement. The processing of the claims by the civil parties to the case was postponed indefinitely.
Parties alleging that they have suffered losses in relation to the prosecuted offences have until the last day of the trial to enter a civil claim in the criminal proceedings or make a claim for damages, and for as long as the right to institute criminal proceedings lasts. This means that new civil actions can in principle be introduced if the Court of Appeal were to sentence Dexia Bank.
On 31 December 2009, 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 318,000,000.
- The Belgian receivers of LHSP SA 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 SA.
- Mercator & Noordstar which is claiming EUR 17,662,724.
- The receivers of The Learning Kernel SA who are claiming EUR 7,259,107.06.
- The receivers of L&H Holding who are claiming a provisional EUR 1 for their participation in LHSP (of more than 12 million shares). The accounting value of this holding as at 31 December 2000 was EUR 51,702,739.05, as shown by the annual accounts of L&H Holding.

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 rate of interest to be applied is the statutory rate of interest which between 2000 and 2009 has varied between 7% and 5.5%.

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. 9 November 2000 – the date on which the LHSP share was suspended –, 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 ABC is a very complicated matter.

Dexia Bank, in its turn, has made a claim as a civil party against Messrs Lernout, Hauspie, Willaert and Bastiaens and against LHSP SA in October 2007, claiming damages for a provisional amount of EUR 2. Dexia Bank's claim is in relation to the losses suffered on its LHSP portfolio (Dexia Bank is still holding 437,000 LHSP shares) and to an amount of EUR 27,926,275.50 owed to it by LHSP under a USD 430 million syndicated credit facility dated 5 May 2000 (see paragraph 4.2.1. above). The solvency of these parties however is uncertain.

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 before the Commercial Court of Ypres, including Dexia Bank. They claim compensation for 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 by the receivers 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 before the Commercial Court of Ypres 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. Moreover, 151 investors affiliated to Spaarverlies also commenced civil actions. 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

All the cases brought against Dexia Bank in the United States have been finally terminated in full in 2008.

4.2.6. L&H Holding

On 27 April 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 selling price of USD 25 million was credited not to the account of L&H Holding but to three separate accounts opened 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.

This claim is not likely to have any development until after the end of the criminal proceedings because of the principle *le criminel tient le civil en état*.

Dexia Bank vigorously contests the grounds for these applications.

4.2.7. Banque Artesia Nederland (BAN)

In October 2006, Dexia Bank sold its affiliated company BAN to General Electric (GE). In the context of this operation, it was agreed, in essence, that Dexia Bank would 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. They include the claim introduced by the receiver of L&H Holding before the civil court (see paragraph 4.2.6. above).

They also include the actions which BAN, as creditor, entered against Mr Bastiaens and against Messrs Lernout, Hauspie and Willaert, who had stood surety for Mr Bastiaens.

The action against Mr Bastiaens is still outstanding. The solvency of Mr Bastiaens is uncertain.

Messrs Lernout, Hauspie and Willaert were ordered to repay BAN USD 24,999,999. That decision is now final. The solvency of Messrs Lernout, Hauspie and Willaert is uncertain. The only genuine possibility of recovery is to be able to sell the Parvest shares on behalf of BAN.

Several parties have asserted rights over these Parvest shares, which were acquired by Messrs Lernout, Hauspie and Willaert with the proceeds of the sale of LHSP shares to Mr Bastiaens (cf. paragraph 4.2.6. above): the investigating magistrate on behalf of the Belgian State in the criminal case concerning LHSP with a view to confiscating them (on the grounds that those shares are the proceeds of a crime); the receiver in the insolvency of L&H Holding (because those shares were acquired by Messrs Lernout, Hauspie and Willaert through the sale of LHSP shares that belonged to L&H Holding) and KBC Bank (in its capacity as a creditor of L&H Holding). BAN has also taken possession of those shares and claims a right of distraint. Who finally ends up with these shares will

depend among other things on the outcome of the criminal proceedings (see paragraph 4.2.3. above).
In addition, the Luxembourg Court of Appeal issued a decision on 12 July 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 30 June 2007 or to pay to CAIL the counter-value of these Parvest shares on 30 June 2007 if the latter were not delivered to CAIL prior to 1 July 2007. The Luxembourg Court of Appeal condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation.
As the lifting of the different seizures of Parvest shares has not been obtained, BAN paid the counter-value to BNP Paribas Luxembourg. Dexia Bank repaid that sum (USD 30,039,336.54) to BAN on 9 July 2007 in execution of the said guarantee in favour of GE (cf. line 1 of the present paragraph).
Both BNP Paribas Luxembourg and BAN appealed against the decision of the Luxembourg Court of Appeal to the Supreme Court of Appeal. In the meantime these appeals have been rejected.
On 20 November 2009 the Parvest shares were valued at USD 31,457,469.42.

4.2.8. Provisions and impairments

On 31 December 2009, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounted to some EUR 42,284,075.60, of which EUR 8,746,160.54 reserved interests (see paragraphs 4.2.1., 4.2.2. and 4.2.7.). On the same date, value reductions within the context of the Lernout & Hauspie file amounted to some EUR 29,052,745.21. Dexia Bank expects to recover the difference in view of the available securities.
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 the likelihood of a court ruling ordering it to pay damages at less than 50%. The bank's lawyers are of the opinion that it has strong arguments to contest the charges brought against it.
- Dexia Bank observes that some of the civil actions (Deminor…), claim provisional amounts or do not justify the amount claimed.
- 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.

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

4.3. Financial Security Assurance

Financial Security Assurance Holdings Ltd and its subsidiary, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), former subsidiaries of the Dexia Group (collectively, "FSA"), along with numerous other banks, insurance companies and brokers, are subject to ongoing investigations in the United States by the Antitrust Division of the Department of Justice, the Internal Revenue Service and the Securities and Exchange Commission for alleged non-compliance with various US Federal antitrust, securities and other laws and regulations relating to their conduct, in the provision of Guaranteed Investment Contracts ("GICs") [1] to issuers of municipal bonds. A number of US States are also conducting parallel and similar investigations.
In connection with the foregoing, a number of private lawsuits, both putative class actions and otherwise, have been filed against a large number of banks, insurance companies and brokers, including FSA, Dexia and/or Assured Guaranty, alleging non-compliance with various US Federal and State antitrust, and securities regulations and seeking, among other things, damages in respect thereof. Such lawsuits, certain of which continue to name FSA, Dexia and/or Assured Guaranty as defendants, have been transferred to US Federal District Court in New York City for case management purposes. FSA, Dexia and Assured Guaranty are seeking the dismissal of all such lawsuits that continue to name them as defendants.
As part of its sale of FSA to Assured Guaranty, Dexia retained the Financial Products activity and, generally, agreed to indemnify FSA and Assured Guaranty for any losses they may suffer in relation to that activity and as a result of the foregoing investigations and lawsuits.
Dexia is not currently able to predict the timing or outcome, including potential financial consequences, of any of the foregoing investigations or lawsuits.

4.4. Investigations about alleged shortcomings in financial communication

A shareholder, Mr Robert Casanovas, lodged a complaint with the Public Prosecutors in Brussels and Paris on 11 March 2009. These complaints gave rise to the opening of two preliminary investigations.

Mr Casanovas also served direct summonses on the company Dexia SA and several former and current executives of the Group to appear on 29 October 2009 before the Criminal Court in Paris. A summary of these complaints as well as Dexia's position is included in the Financial Report in respect of the third quarter of 2009.
At the hearing on 29 October 2009, Mr Robert Casanovas and his wife Mrs Marie Christine Guil, who did not attend, withdrew their action against the company Dexia SA which acknowledged it. This withdrawal occurred after the Public Prosecutor in Paris, by decision dated 14 October 2009, dismissed the complaint filed by Mr Robert Casanovas and his wife Mrs Marie Christine Guil.

As to the complaint lodged in Brussels, by decision dated 15 December 2009, the Public Prosecutor dismissed the charges against Dexia.

(1) Guaranteed investment contracts (GICs) were issued by subsidiaries of FSA Holdings in exchange for funds submitted by US local authorities or by securitization issuers. With varying terms and repayment conditions, GICs give rights to their holders to receive interest at a guaranteed (fixed or variable) rate. The principal and interest of the contracts were guaranteed by FSA Inc., and remain so after the purchase of that company by Assured Guaranty.

4.5. Dexia banka Slovensko

Dexia banka Slovensko made a provision of EUR 100 million in 2008 within the context of currency transactions carried out by clients who proved to be unable to meet the margin calls caused by those transactions. In June 2009, one of these clients commenced a court action against the bank claiming EUR 162 million for non-compliance with the legislation and with contracts. For its part, Dexia filed pleadings applying for compensation for the loss caused to it by that counterparty. The competent jurisdiction appointed an expert to assess the loss and the procedures of Dexia banka Slovensko, and the parties to the case instructed their own experts. According to the client's expert, the latter's loss would amount to EUR 110 million, which the bank contests, considering the action unsubstantiated, and for which it has made no complementary provision. At this stage in the proceedings, Dexia is not in a position to predict the outcome.

4.6. Dexia Crediop

Investigations are under way in Italy on the use by local authorities of derivative products, and Dexia Crediop, like other banking establishments, has been heard on its activities and practices by a parliamentary commission. The bank responded to requests for documentation within the context of the ongoing enquiries. An action has been commenced by two clients against the bank.

Under Italian law, a debt restructuring transaction is only possible if it leads to a reduction of the cost weighing on the local authority. In these disputes, the legal question posed consists of knowing whether the cost to be taken into consideration includes hedge transactions or not. The two cases, the financial stakes of which are modest, are in their initial phase, and their outcome cannot be reasonably foreseen at this stage.

4.7. Dexia Israel

In May 2002, a complaint was filed in relation to the purchase by Dexia of shares held by the State of Israel claiming non-compliance with company law. In April 2009, the Central District Court rejected the application for a class action formulated by the complainants. In June 2009, the latter appealed to the Supreme Court, and the parties have to submit their arguments by mid-2010 for judgement in November 2010.

5. Agenda of the Shareholders' Meetings

The agendas for the Ordinary Shareholders' Meeting and the Extraordinary Shareholders' Meeting to be held on Wednesday 12 May 2010 in Brussels are available on the Dexia SA Internet site: *www.dexia.com*.

6. Share capital

6.1. Share capital as at 31 december 2009

As at 31 December 2009, the share capital amounted to EUR 8,089,020,254.08, represented by 1,762,478,783 shares without indication of nominal value, of which 467,500,179 registered shares, 1,278,959,732 dematerialised shares and 16,018,872 bearer (physical) shares. The shares are listed on Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange.

6.2. Summary table of Dexia subscription rights (warrants) (as at 31 december 2009)

	Exercise price (in EUR)	Exercise period from	Exercise period to	Number of subscription rights granted	Number of subscription rights exercised	Number of subscription rights cancelled as void	Number of residual subscription rights before transfer
Warrants granted in 2000							
"ESOP 2000" Warrants	14.58	30 Nov. 2000 (1)	31 Dec. 2010 (1)	5,915,000	2,831,037		3,083,963
Warrants granted in 2001							
"ESOP 2001" Warrants	17.86	30 June 2004 (1)	31 Dec. 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)	30 Sept. 2005 (1)	23 July 2012 (1)	10,000,000	5,541,057	234,774	4,224,169
	13.66						1,118,938
	11.88						3,105,231
Warrants granted in 2003							
"ESOP 2003" Warrants	11.37	30 Sept. 2006 (1)	24 July 2013 (1)	10,000,000	2,247,878		7,752,122
Warrants granted in 2004							
"ESOP 2004" Warrants	13.56	30 Sept. 2007 (1)	24 July 2014 (1)	10,000,000	81,250		9,918,750
"2004 network share ownership plan" Warrants	15.77	30 Oct. 2009	30 Oct. 2009	184,074	0	184,074	0
Warrants granted in 2005							
"ESOP 2005" Warrants	18.03	30 June 2008 (1)	29 June 2015 (1)	9,994,950	15,000	110,100	9,869,850
"2005 network share ownership plan" Warrants	18.20	29 Oct. 2010	29 Oct. 2010	189,972	0		189,972
Warrants granted in 2006							
"ESOP 2006" Warrants	18.62	30 June 2009 (1)	29 June 2016 (1)	9,760,225	15,000	125,650	9,619,575
"2006 network share ownership plan" Warrants	21.25	29 Oct. 2011	29 Oct. 2011	197,748	0		197,748
"ESOP 2006" Warrants (DenizBank)	20.71	15 Dec. 2009	14 Dec. 2016	235,000	0		235,000
Warrants granted in 2007							
"ESOP 2007" Warrants	23.25	30 June 2010 (1)	29 June 2017 (1)	10,322,550	0		10,322,550
Warrants granted in 2008							
"ESOP 2008" Warrants	10.09	30 June 2011	29 June 2018	7,093,355	0		7,093,355
"ESOP 2008" Warrants	12.65	30 June 2012	29 June 2018	3,466,450	0		3,466,450
"FP State guarantee" Warrants (3)		24 June 2009	23 June 2014 (4)	2	0	0	2

(1) Except under specific conditions.
(2) 13.66: France/11.88: other countries.
(3) Relates to the issue, decided by the Extraordinary Shareholders' Meeting on 24 June 2009, of a subscription right (warrant) in favour of the State of Belgium and a subscription right (warrant) in favour of the State of France, in relation to the mechanism for repayment of the guarantee granted by the Belgian and French States with regard to the obligations of Dexia related to the Financial Products activities of the FSA Group, within the context of the sale of FSA to Assured Guaranty. For a description of the specific characteristics of these subscription rights, please consult the special report of the Board of Directors of 12 May 2009: http://www.dexia.com/docs/2009/2009_legal/20090519_rapportSpecialFSA_FR.pdf.
(4) Warrants are issued for a term of five years and their reissue, by cancellation of the existing warrants, will be submitted to the approval of the Shareholders' Meeting every year on the date of the Shareholders' Meeting.

6.3. Notifications under the legislation on transparency

Under the terms of the Law of 2 May 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 14 February 2008 which came into force on 1 September 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 1%, 3%, then 5% or a multiple of 5%.
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" (cf. Corporate governance on page 46), 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.
During the year 2009, Dexia SA received various notifications from its shareholders, namely:

- On 19 February 2009, a notification from shareholders concluding an agreement under the terms of which they are deemed to constitute "parties acting in concert" (refer to point 6.4.) within the meaning of the Belgian legislation relating to tender offers;
- On 29 June 2009, the Walloon Region sent a notification from which it emerged that it exceeded the statutory threshold of 1% of the company's capital;
- On 1 July 2009, the Flemish Region, via the Vlaams Toekomstfonds, notified its holding greater than 1% of the company's capital;
- On 6 October 2009, shareholders concluding an agreement under the terms of which they are deemed to constitute "parties acting in concert" notified the company of the upward crossing of the threshold of 5% by one of the parties, namely Ethias;
- On 24 November 2009, Natixis Asset Management sent two successive notifications from which it emerged that they crossed the statutory threshold, upwards and then downwards, of 1% via the holding of their mutual funds.

All of these notifications are published in full on the Dexia SA internet site under the heading "Legal Information/Transparency Declarations".

6.4. Legislation on tender offers

6.4.1. "Grandfathering" regime

Under the terms of Article 74 of the Law of 1 April 2007 relating to tender offers, parties who, on 1 September 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 tender offer for the shares of the said company, provided in particular that, by 21 February 2008 at the latest, they send a notification to the Banking, Finance and Insurance Commission and a communication to the said company.
On 30 August 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 1 April 2007 relating to tender offers. The holding of the 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 1 April 2007 relating to tender offers.
The principal elements of that communication, which has been published on Dexia's website, are set out hereafter.
Moreover, in accordance with Article 74 § 8 of the said Law, the parties acting in concert must annually notify any change of their holding occurring since 1 September 2007.
Within this context, each year Dexia SA receives an update listing the transactions carried out on Dexia shares by the different shareholders acting in concert (and associated parties) as well as, if such should be the case, any changes of control holding within the meaning of Article 74 § 8 of the said Law.
The essential of the notifications received in 2009, which are available in full on the Dexia SA internet site under the heading "Legal Information/Belgian tender offer rules", is listed in the following table.

	Number of shares held with voting rights	Percentage of shares held with voting rights
Arcofin SCRL	246,450,499 (1)	13.98%
Arcopar SCRL	1,867,684 (1)	0.11%
Arcoplus SCRL	388,739 (1)	0.02%
Arcosyn SA	464,139 (1)	0.03%
Auxipar SA	790,502 (1)	0.04%
Holding Communal	256,981,170 (2)	14.58%
CNP Assurances SA	52,292,439 (3)	2.97%
Caisse des dépôts et consignations	310,436,225 (3)	17.61%
Ethias Vie (in liquidation)	0 (2)	0%
Ethias Droit Commun	0 (2)	0%
Belré SA	11,695,763 (2)	0.66%
Nateus Life SA	144,000 (2)	0.01%
Nateus SA	48,710 (2)	0.03%
Ethias SA (formerly Nateus SA)	72,758,790 (2)	4.13%
Ethias Investment RDT-DBI SA	3,350,500 (2)	0.19%
Ethias Finance SA	0 (2)	0%

(1) As at 30 August 2009.
(2) As at 31 August 2009.
(3) As at 1 September 2009.

6.4.2. 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 9 May 2007 decided to renew the following authorisations granted to the Board of Directors.

Authorisation to increase the capital within the limits of the authorised capital during a tender offer

The Extraordinary Shareholders' Meeting on 9 May 2007 expressly authorised the Board of Directors, in accordance with legal provisions, for a period of three years, to increase the capital within the limits of the authorised capital during a tender offer 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 authorised capital.

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

The Extraordinary Shareholders' Meeting on 9 May 2007 renewed for a period of three years the authorisations 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 authorisations are also valid for direct subsidiaries within the meaning of Article 627 § 1 of the Company Code).

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Consolidated balance sheet

ASSETS (in millions of EUR)		**Note**	**31/12/08**	**31/12/09**
I.	Cash and balances with central banks	7.2.	2,448	2,673
II.	Loans and advances due from banks	7.3.	61,864	47,427
III.	Loans and advances to customers	7.4.	368,845	353,987
IV.	Financial assets measured at fair value through profit or loss	7.5.	16,044	10,077
V.	Financial investments	7.6.	125,029	105,251
VI.	Derivatives	9.1.	55,213	40,728
VII.	Fair value revaluation of portfolio hedge		3,938	3,579
VIII.	Investments in associates	7.8.	682	171
IX.	Tangible fixed assets	7.9.	2,353	2,396
X.	Intangible assets and goodwill	7.10.	2,193	2,177
XI.	Tax assets	7.11. & 9.2.	4,139	2,919
XII.	Other assets	7.12. & 9.3.	1,998	1,895
XIII.	Non-current assets held for sale	7.13. & 9.5.	6,260	4,350
TOTAL ASSETS			**651,006**	**577,630**

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

LIABILITIES

(in millions of EUR)		Note	31/12/08	31/12/09
I.	Due to banks	8.1.	213,192	123,724
II.	Customer borrowings and deposits	8.2.	114,728	120,950
III.	Financial liabilities measured at fair value through profit or loss	8.3.	18,952	19,345
IV.	Derivatives	9.1.	75,834	58,364
V.	Fair value revaluation of portfolio hedge		1,543	1,939
VI.	Debt securities	8.4.	188,120	213,065
VII.	Subordinated debts	8.5.	4,407	4,111
VIII.	Technical provisions of insurance companies	9.3.	16,739	13,408
IX.	Provisions and other obligations	8.6.	1,487	1,581
X.	Tax liabilities	8.7. & 9.2.	302	238
XI.	Other liabilities	8.8.	4,393	4,585
XII.	Liabilities included in disposal groups held for sale	8.9. & 9.5.	5,691	4,332
TOTAL LIABILITIES			**645,388**	**565,642**

EQUITY

(in millions of EUR)		Note	31/12/08	31/12/09
XIV.	Subscribed capital	9.6.	8,089	8,089
XV.	Additional paid-in capital		13,618	13,618
XVI.	Treasury shares		(23)	(25)
XVII.	Reserves and retained earnings		(870)	(4,194)
XVIII.	Net income for the period		(3,326)	1,010
CORE SHAREHOLDERS' EQUITY			**17,488**	**18,498**
XIX.	Gains and losses not recognised in the statement of income		(13,572)	(8,317)
	a) Available-for-sale reserve on securities		*(11,866)*	*(7,084)*
	b) Other reserves		*(1,706)*	*(1,233)*
TOTAL SHAREHOLDERS' EQUITY			**3,916**	**10,181**
XX.	Minority interest		1,702	1,806
XXI.	Discretionary participation features of insurance contracts	9.3.	0	1
TOTAL EQUITY			**5,618**	**11,988**
TOTAL LIABILITIES AND EQUITY			**651,006**	**577,630**

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

Consolidated statement of income

(in millions of EUR)		Note	31/12/08	31/12/09
I.	Interest income	11.1.	107,859	63,980
II.	Interest expense	11.1.	(101,786)	(58,950)
III.	Dividend income	11.2.	171	114
IV.	Net income from associates	11.3.	(1)	39
V.	Net income from financial instruments at fair value through profit or loss	11.4.	(614)	61
VI.	Net income on investments	11.5.	(3,515)	23
VII.	Fee and commission income	11.6.	1,756	1,507
VIII.	Fee and commission expense	11.6.	(325)	(279)
IX.	Premiums and technical income from insurance activities	11.7. & 9.3.	4,577	2,710
X.	Technical expense from insurance activities	11.7. & 9.3.	(4,513)	(3,059)
XI.	Other net income	11.8.	(53)	17
INCOME			**3,556**	**6,163**
XII.	Staff expense	11.9.	(2,021)	(1,847)
XIII.	General and administrative expense	11.10.	(1,390)	(1,089)
XIV.	Network costs		(370)	(366)
XV.	Depreciation & amortization	11.11.	(296)	(298)
XVI.	Deferred acquisition costs		(42)	(7)
EXPENSES			**(4,119)**	**(3,607)**
GROSS OPERATING INCOME			**(563)**	**2,556**
XVII.	Impairment on loans and provisions for credit commitments	11.12.	(3,292)	(1,096)
XVIII.	Impairment on tangible and intangible assets	11.13.	(10)	(51)
XIX.	Impairment on goodwill	11.14.	(12)	(6)
NET INCOME BEFORE TAX			**(3,877)**	**1,403**
XX.	Tax expense	11.15.	629	(314)
NET INCOME			**(3,248)**	**1,089**
	Attributable to minority interest		78	79
	Attributable to equity holders of the parent		(3,326)	1,010
(in EUR)				
	Earnings per share	11.16.		
	- basic		(2.54)	0.57
	- diluted		(2.54)	0.57

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

Consolidated statement of change in equity

CORE SHAREHOLDERS' EQUITY (in millions of EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained Earnings	Net income for the period	Core shareholders' equity
AS AT 31 DECEMBER 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 AT 31 DECEMBER 2008	**8,089**	**13,618**	**(23)**	**(870)**	**(3,326)**	**17,488**

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

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

MINORITY INTEREST (in millions of EUR)	Core equity	Gains and losses not recognised in the statement of income	Minority interest	DISCRETIONARY PARTICIPATION FEATURES OF INSURANCE CONTRACTS
AS AT 31 DECEMBER 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 AT 31 DECEMBER 2008	**1,756**	**(54)**	**1,702**	**0**

Core shareholders' equity	17,488
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(13,572)
Minority interest	1,702
TOTAL EQUITY AS AT 31 DECEMBER 2008	**5,618**

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 AT 31 DECEMBER 2008	**8,089**	**13,618**	**(23)**	**(870)**	**(3,326)**	**17,488**
Movements of the period						
- Issuance of subscribed capital				(1)		(1)
- Trading activities on treasury shares			(2)			(2)
- Transfers to reserves				(3,326)	3,326	0
- Share based payments: value of employee services				9		9
- Variation of scope of consolidation				(5)		(5)
- Other movements				(1)		(1)
- Net income for the period					1,010	1,010
AS AT 31 DECEMBER 2009	**8,089**	**13,618**	**(25)**	**(4,194)**	**1,010**	**18,498**

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

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GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	Gains and losses not recognised in the statement of income				Total gains and losses Group share
(in millions of EUR)	Securities (AFS)	Derivatives (CFH & FX Invt)	Associates (AFS, CFH)	Cumulative translation adjustments (CTA)	
AS AT 31 DECEMBER 2008	**(11,866)**	**(1,156)**	**(9)**	**(541)**	**(13,572)**
Movements of the period					
- Net change in fair value through equity – Available-for-sale investments	3,412		22		3,434
- Net change in fair value due to transfers to income – Available-for-sale investments	261				261
- Cancellation of FV following AFS disposals	232				232
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended	716				716
- Net change in fair value through equity – Cash flow hedges		454			454
- Net change in fair value due to transfers to income – Cash Flow hedges		(11)			(11)
- Translation adjustments	174	11		10	195
- Variation of scope of consolidation	(13)		(13)		(26)
AS AT 31 DECEMBER 2009	**(7,084)**	**(702)**	**0**	**(531)**	**(8,317)**

MINORITY INTEREST (in millions of EUR)	Core equity	Gains and losses not recognised in the statement of income	Minority interest	DISCRETIONARY PARTICIPATION FEATURES OF INSURANCE CONTRACTS
AS AT 31 DECEMBER 2008	**1,756**	**(54)**	**1,702**	**0**
Movements of the period				
- Increase of capital	2		2	
- Dividends	(10)		(10)	
- Net income for the period	79		79	
- Net change in fair value through equity		15	15	1
- Cancellation of FV following AFS disposals		2	2	
- Translation adjustments		1	1	
- Variation of scope of consolidation	(14)	13	(1)	
- Amortization of net fair value on reclassified portfolio in application of IAS 39 amended		16	16	
AS AT 31 DECEMBER 2009	**1,813**	**(7)**	**1,806**	**1**

Core shareholders' equity	18,498
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(8,317)
Minority interest	1,806
Discretionary participation features of insurance contracts	1
TOTAL EQUITY AS AT 31 DECEMBER 2009	**11,988**

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in millions of EUR)	31/12/08	31/12/09
NET RESULT RECOGNISED IN THE STATEMENT OF INCOME	**(3,248)**	**1,089**
Unrealised gains (losses) on available-for-sale financial investments, before tax	(13,078)	6,086
Gains (losses) on cash flow hedges, before tax	(1,549)	527
Cumulative translation adjustments	(391)	9
Gains (losses) from hedges on net investments, before tax	0	1
Other comprehensive income from associates	14	9
Tax relating to components of other comprehensive income	2,932	(1,330)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(12,072)**	**5,302**
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**(15,320)**	**6,391**
Attributable to equity holders of the parent	(15,311)	6,264
Attributable to minority interest	(9)	127

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in millions of EUR)	31/12/08	31/12/09
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(3,248)	1,089
Adjustment for:		
- Depreciation, amortization and other impairment	347	391
- Impairment on bonds, equities, loans and other assets	3,215	(112)
- Net gains or losses on investments	1,040 (1)	659
- Charges for provisions (mainly insurance provision)	3,980	1,441
- Unrealised gains or losses	(169)	36
- Income from associates	1	(39)
- Dividends from associates	47	33
- Deferred taxes	(883)	74
- Other adjustments	22	9
Changes in operating assets and liabilities	(9,778)	(14,852)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(5,426)**	**(11,271)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(622)	(636)
Sales of fixed assets	142	170
Acquisitions of unconsolidated equity shares	(2,334)	(1,534)
Sales of unconsolidated equity shares	2,520	2,412 (2)
Acquisitions of subsidiaries and of business units	(15)	(54)
Sales of subsidiaries and of business units	7	371
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(302)**	**729**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	6,142	1
Issuance of subordinated debts	318	20
Reimbursement of subordinated debts	(703)	(217)
Purchase of treasury shares	(231)	0
Sale of treasury shares	1	0
Dividends paid	(1,114)	(10)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**4,413**	**(206)**
NET CASH PROVIDED	**(1,315)**	**(10,748)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**51,603**	**49,715**
Cash flow from operating activities	(5,426)	(11,271)
Cash flow from investing activities	(302)	729
Cash flow from financing activities	4,413	(206)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	(573)	429
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**49,715**	**39,396**
ADDITIONAL INFORMATION		
Income tax paid	(119)	(384)
Dividends received	218	147
Interest received	106,193	65,824
Interest paid	(99,980)	(59,221)

(1) Includes EUR 951 million linked to agreement to sell FSA insurance business.
(2) Includes EUR 676 million for the sale of Dexia's stake in Crédit du Nord.

The notes on pages 106 to 210 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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1. Accounting principles and rules of consolidated financial statements

General information

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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 Bruxelles (Belgium).
Dexia is listed on the NYSE Euronext Stock Exchange in Brussels and also on the Luxembourg Stock Exchange.
These financial statements have been approved for issue by the Board of Directors on 24 February 2010.

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 19 July 2002, requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.
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 31 December 2009, 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 millions of euro (EUR) unless otherwise stated.

1.1.2. Accounting estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect amounts reported. While management believes they have considered all available information in developing these estimates, actual results may differ from such estimates and the differences could be material to the financial statements.
Judgments and estimates are principally made in the following areas:

- Estimation of the recoverable amount of impaired assets
- Determination of fair values of non-quoted financial instruments
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets
- Measurement of liabilities for insurance contracts
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets
- Estimation of present obligations resulting from past events in the recognition of provisions
- Estimate of future taxable profit for the measurement of deferred tax assets
- Judgment on impairment of financial assets
- Estimate of the recoverable amount of cash-generating units for goodwill impairment.

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 issued a new standard and two interpretations:

- **IFRS 9 "Financial instruments"**, applicable as from 1 January 2013.

This standard introduces new requirements for the classification and measurement of financial assets. It represents the completion of the first part of a three-part project to replace IAS 39 "Financial Instruments: Recognition and Measurement".
The IASB issued IFRS 9 in November 2009. Dexia has assessed the impact this new standard would have. In general, IFRS 9 will result in an increased application of fair value measurement mainly due to the new principle regarding non-basic loan features attached to financial assets and the accounting principle for tranches issued by special purpose entities.

- **IFRIC 18 "Transfers of assets from customers"**, which is effective prospectively as from 1 July 2009.
- **IFRIC 19 "Extinguishing financial liabilities with equity instruments"** which will be effective on or after 1 July 2010.

The interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability, often referred to as "debt for equity swaps".
These IFRIC interpretations do not have an impact on Dexia.
The IASB issued **a number of amendments to the existing standards and interpretations.**

- **Amendments to IFRS 7 "Improving disclosures about financial instruments"**, applicable as from 1 January 2009.

These amendments enhance disclosures about fair value measurement (by introducing a 3-level hierarchy) and liquidity risk. These amendments do not have an impact on the statement of income nor on the balance sheet of Dexia, but only on disclosures.

- **Amendments to IFRIC 9 and IAS 39 "Embedded derivatives"**, applicable for annual periods ending on or after 30 June 2009.

These amendments require a reassessment of the embedded derivatives at the moment of reclassification. These amendments do not have impact on Dexia's financial statements.

• **Amendments to IFRS 2 "Share-based Payment" "Group Cash-settled Share-based Payment Transactions"**, applicable for annual periods beginning on or after 1 January 2010.
These amendments aim to clarify the scope of IFRS 2. There is no impact for Dexia, as Dexia does not offer cash-settled share-based payments.

• **Amendments to IFRS 1 "Additional exemptions for first time adopters"**, applicable for annual periods beginning on or after 1 January 2010.
These amendments have no impact on Dexia, which is not a first-time adopter anymore.

• **Amendment to IAS 32 "Classification of Rights Issues"**, applicable for annual periods beginning on or after 1 February 2010.
This amendment addresses the accounting for right issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. It requires that, provided certain conditions are met, such rights issues are classified as equity, regardless of the currency in which the exercise price is denominated. This amendment will not impact Dexia, as we didn't have rights issues in foreign currencies.

• **Amendment to IFRIC 14 "Prepayment of a minimum funding requirement"**, applicable for annual periods beginning on or after 1 January 2011. This amendment will not impact Dexia.

• **IAS 24 "Related Party Disclosure"**, applicable as from 1 January 2011.
This standard supersedes IAS 24 "Related Party Disclosures" (as revised in 2003). It simplifies the disclosure requirements for entities that are controlled or significantly influenced by a government and clarifies the definition of a related party. This amendment will not impact Dexia.

The IASB also issued:

• **"Improvements to existing standards"**, which are a collection of amendments to existing International Financial Reporting Standards. Unless otherwise specified, the amendments are effective for annual period beginning on or after 1 January 2010. No significant impact is expected for Dexia.

1.2.2. IASB and IFRIC texts endorsed by the European Commission

The following amendments to standards or interpretation, having no significant impact on Dexia's financial statement, have been endorsed by the European Commission:

• **"Improvements 2008 to IFRSs"** issued by the IASB in May 2008. Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009.

• **Amendment to IAS 32 and IAS 1 "Puttable financial instruments and obligations arising on liquidation"** applicable as from 1 January 2009.

• **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 Entity or Associate"** applicable as from 1 January 2009.

• **Revised IFRS 3 "Business combinations"**, which replaces the standard as issued in 2004, and will be effective for annual reporting periods that begin on or after 1 July 2009.

• **Revised IFRS 1 "First time adoption"**, which will be effective for annual reporting periods that begin on or after 1 January 2010.

• **Amendments to IAS 27 "Consolidated and separate financial statements"**, which will be effective for annual reporting periods that begin on or after 1 July 2009.

• **Amendment to IAS 39 Financial Instruments: "Recognition and Measurement: Eligible Hedged Items"** which is effective as from 1 July 2009. This amendment has an impact on only a limited number of hedge transactions.

• **Amendment to IAS 39 "Reclassification of Financial Assets: Effective Date and Transition"**, which clarifies the effective date and transition requirements of the amendment to IAS 39 on reclassification of financial assets issued in October 2008.

• **Amendments to IFRS 7 "Improving disclosures about financial instruments"**, applicable as from 1 January 2009.

• **Amendments to IFRIC 9 and IAS 39 "Embedded derivatives"**, applicable for annual periods ending on or after 30 June 2009.

• **Amendment to IAS 32 "Classification of rights issues"**, applicable for annual periods beginning on or after 1 February 2010.

• **IFRIC 12 "Service concessions arrangements"**, which is effective for annual periods beginning on or after 1 January 2008.

• **IFRIC 15 "Agreements for the construction of Real Estate"**, which is effective for annual periods beginning on or after 1 January 2009.

• **IFRIC 16 "Hedges of a net investment in a foreign operation"**, which is effective for annual periods beginning on or after 1 January 2009.

• **IFRIC 17 "Distributions of non cash-assets to owners"**, which is effective for annual periods beginning on or after 1 July 2009.

• **IFRIC 18 "Transfers of assets from customers"**, which is effective for annual periods beginning on or after 1 July 2009.

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 unrealised gains and losses on transactions between Dexia's companies have been eliminated. Intra-Group 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 recognised 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.

Unrealised gains on transactions between Dexia and its "equity method investments" are eliminated to the extent of Dexia's interest. Unrealised 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) when Dexia has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5. Foreign currency translation and transactions

The consolidated financial statements are stated in EUR, 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 recognised 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 recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia. However, financial instruments held for trading are recognised and derecognised at trade date.

For financial assets and liabilities measured at initial recognition at fair value, Dexia recognises from the trade date any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. These unrealised gains and losses are recognised 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. Realised gains and losses on sales of financial assets

For financial assets not revalued through the statement of income, realised gains or losses on disposals is the difference between the proceeds received (net of transaction costs) and the cost or amortised cost of the investment (net of impairment).

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 amortised 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 (e.g.: 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 or using the effective interest rate at the reclassification date for reclassified assets. 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 recognised, 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 reversed via 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 write-back 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 recognised in the statement of income" or within the statement of income in the case of impairment. Dexia analyses all equities that have declined by more than 25% 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 financial assets are impaired, the total impairment losses are reported in the statement of income as "Net income on investments".

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 recognised 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 recognised 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 recognised in accordance with IAS 18. According to this standard, most of the commissions arising from Dexia's activities are recognised 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 recognised 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 recognised as earned when the service is provided. Performance fees are recognised when they are definitively acquired, i.e. when all underlying conditions are met.

Loan commitment fees are recognised 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 17 November 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.

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 recognised but unrealised gain or loss on an asset affects those measurements in the same way that a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) shall be recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.
Dexia Group decided to apply shadow accounting, if under legal and/or contract conditions the realisation 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 unrealised 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 unrealised 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
– realised and/or unrealised 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 unrealised gains and losses coming from investments backing insurance contracts and investment contracts with DPF are categorised 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 to 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 recognised 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 recognised 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 recognised in profit or loss.
For life insurance, LAT uses the following parameters, which are based on the Royal Decree of 14 November 2003 with respect to the life business:

- premiums: collected inventory premiums plus contractual provided inventory premiums;
- interest rate for actualisation cash flows: yields of the assets backing insurance liabilities;
- mortality table: experience table of the country (Assuralia for Belgium);
- costs: calculation based on the last updated tariff costs and the booked costs;
- tariff costs take into account the inventory surcharges, commercial surcharges and fixed sums;
- real assigned costs take into account management expenses, claims handling expenses and commissions. These costs are stipulated by product group and are indexed. Considering lapses, death and expiration period the annual delta is stipulated between the costs in the tariff and real assigned costs. Deltas are then actualised to the LAT-rate.

For nonlife insurance, the LAT that examines if the premium and claim provisions are sufficient to settle definitely the opened claim files and the claims that will occur within the contractual duration of the contracts to open and to settle definitively.
A LAT is carried out for all products. The test is subdivided into two parts. During the first part Dexia examines if the 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 examines 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 U.S. Some insurance products sold by insurance companies are considered as insurance contracts under IFRS 4. Dexia is applying IFRS 4 as from 1 January 2005, in order to be consistent with its date of first-time adoption of IAS 32 and 39.
Financial guaranty insurance generally provides an unconditional and irrevocable guaranty that protects the holder of a financial obligation against non-payment of principal and interest when due. Upon a payment default on an insured obligation, Dexia is generally required to pay the principal, interest or other amounts due in accordance with the obligation's original payment schedule or, at its option, to pay such amounts on an accelerated basis. The contract may be considered a derivative or an insurance contract depending on certain legal characteristics.
Gross and ceded premiums received in upfront payouts are earned in proportion to the amount of risk outstanding over the expected period of coverage. Deferred premium revenue and prepaid reinsurance premiums represent the portion of premium that is applicable to coverage of risk to be provided in the future on policies in force.
Dexia establishes provisions for losses liabilities based on its estimate of specific and non-specific losses. Dexia also establishes provisions for loss adjustment expenses, consisting of the estimated cost of settling claims, including legal and other fees and expenses associated with administering the claims process. Dexia calculates a loss and loss adjustment expense liability based upon identified risks inherent in its insured portfolio. If an individual policy risk has a probable loss as at 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 recognised 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 amortised 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 recognised in the statement of income. 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 categorised as "loans and advances", being those not included within trading, designated at fair value through P/L and AFS, are carried at amortised cost, being the outstanding principal amount, net of any deferred fees and material direct costs on loans and net of any unamortised premiums or discounts.

1.15. Financial assets or liabilities held for trading and 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 unrealised 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 recognised at fair value and subsequently re-measured at fair value. All related realised and unrealised 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 recognised 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 recognised at fair value plus transaction costs. Interest is recognised based on the effective interest-rate method and is recognised 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. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available for sale are recognised 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 amortised 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 recognised 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 these elements is representing the dirty 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 unrealised gains and losses reported in the statement of income.

1.18. Hedging derivatives

On the date a derivative contract is entered into, Dexia may designate certain derivatives as either:
(1) a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
(2) a hedge of a future cash flow attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge); or
(3) a hedge of a net investment in a foreign entity (net investment hedge).
If a derivative is not designated in a hedging relationship, it is to be deemed held for trading or part of a fair value option strategy.
Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.
The criteria for a derivative instrument to be accounted for as a hedge include inter alia:
- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in fair value or cash flows attributable to the

hedged risk in the hedged item throughout the reporting period; and

• the hedge is effective at inception and on an ongoing basis.

Entities of Dexia use internal derivative contracts (internal hedging) mainly to cover their interest-rate risk. Those internal contracts are offset with external parties. If the contracts cannot be offset with third parties, the hedging criteria are not met. Internal derivative contracts between separate divisions within the same legal entity and between separate entities within the consolidated group can qualify for hedge accounting in the consolidated financial statements only if the internal contracts are offset by derivative contracts with a party external to the consolidated group. In this case, the external contract is regarded as the hedging instrument.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the statement of income, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting (fair value hedge model), the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised 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 recognised in the hedging reserve in equity as "Gains and losses not recognised 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 recognised 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 behavioural 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 recognised 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 amortised 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 recognises the day one profits or losses at initial recognition in the statement of income. Where such evidence does not exist, day one profit or loss is deferred and recognised in the statement of income to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. The unrecognised amount of day one profit is amortised over the remaining life of the transaction. If subsequently, the inputs become market observable, or when the instrument is derecognised, the remaining amount of the deferred day one profit or loss is taken entirely in the statement of income.

1.21. Tangible fixed assets

Tangible fixed assets include property, plant and equipment and investment properties.
All property, plant and equipment are stated at its cost less accumulated depreciation and impairments.
Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.
The main service lives are as follows:
• Buildings (including acquisition costs and non deductible taxes): 20 to 50 years;
• Computer equipment: 3 to 6 years;
• Leasehold improvements, equipment and furniture: 2 to 12 years;
• Vehicles: 2 to 5 years.
An item of property, plant and equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:
• Structure of the building : 50 years;
• Roof, and frontage : 30 years;
• Technical installations : 10 to 20 years;
• Fixture and fittings: 10 to 20 years.
The exchange losses on liabilities for the acquisition of an asset are expensed immediately.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, should be capitalised. Other borrowing costs are recognised as an expense.
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 capitalised 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 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 recognised 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 recognised as assets are amortised 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 capitalised 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 is allocated to cash-generating units or groups of 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 about the carrying amount, goodwill 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 amortised cost less any allowance for impairment if applicable or following the applicable standard. Plan assets are recognised 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 recognised 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 recognised 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 capitalised. 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, Dexia recognises the net investment in the lease as a receivable. Lease income is recognised 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 recognised 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 counterparties are retained in the financial statements.
Securities borrowed are not recognised 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 recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
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.

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 harmonised and calculated in conformity with IAS 19.

1.29.1. Pension obligations

Dexia operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in insurance companies or pension funds. 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 Unit 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 unrecognised actuarial gains and losses exceeding the corridor (greater than 10% of the present value of the gross defined benefit obligation and 10% of the fair value of any plan assets) are recognised in income over the average remaining working lives of the plan participants.
The cost of plan amendments are recognised in income over the average period until the benefits become vested.

The defined obligation is presented net of plan assets as a liability or an asset unless the assets are held by a Group entity in which case the assets are recorded separately in the related lines of the assets in Dexia's balance sheet.
Any asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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. Under such plans, 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 after completion of specified periods of service.

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 and to 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 recognised within expense based over the period during which the options vest. 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 recognised 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 recognised 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 amortised 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 recognised in equity in the period in which they are declared (authorised 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 unrealised 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 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 and the net income are 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. 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.

2.1. Business segments (primary segment reporting)

Dexia's reportable segments are defined by using the "management approach". These segments reflect Dexia's internal organisational structure and are used by the management to make business decisions.
As from 1 January 2009, Dexia changed its business reporting in line with its new organisation and applied IFRS 8 for the first time.
Dexia's business is now divided in three business lines and one Group Center reflecting the organisational structure of Dexia and is reported as follows:
- "Retail and Commercial Banking";
- "Public and Wholesale Banking" ;
- "Asset management and services" divided in:
  - "Asset Management";
  - "Investor Services";
  - "Insurance";
- "Group Center" divided in:
  - "Treasury";
  - "Bond portfolios in run-off";
  - "Central assets".

Compared to the previous business segmentation, the main changes are:
- "Treasury and Financial Markets" is no longer a business line but is now reallocated to the Group Center and to operational business lines (Structuring, sales and trading activities being allocated to corresponding subsegments);
- Insurance is no longer distributed between RCB and PWB, but is now part of the newly created AMS which also includes Asset Management and Investor Services;
- All bond portfolios in run-off (Public bonds and FSA's Financial Products portfolios previously in PWB; Credit-Spread Portfolios and trading portfolios previously in TFM) are entirely reallocated to the Group Center;
- FSA insurance is taken out of PWB and included in Group Center;
- The former PWB activities of Turkey, Luxembourg and Slovakia are now included in RCB.

The basis of measurement of segment profit or loss is not materially different in IFRS 8 from IAS 14.
Relations between business lines and especially between commercial business lines, financial markets and production and service centers are subject to retrocession 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.

2.2. Geographic segments (secondary segment reporting)

Although Dexia's business segments are managed on a worldwide basis, they operate in five main geographic areas as follows:
- Belgium
- Luxembourg
- Turkey
- United States
- Others

3. 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 counterparty default or rating migrations and arises on credit exposure in all forms, including settlement risk;
• Funding and liquidity risk is the risk of the entity being unable to meet its payment when due, or being 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 derivative financial instruments provide a basis for comparison with instruments recognised 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 favourable (assets) or unfavourable (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 favourable or unfavourable 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.

As the Dexia Transformation Plan is resulting in a new TFM segmentation and a new Financial Markets Risk organisation, particular challenges were met in order to adapt our policies, guidelines and procedures to the new TFM and BSM organisation both from a credit and market risk perspective.

3.1. 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 market prices in an active market (such as a recognised stock exchange) are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. Quoted market prices are not, however, available for a significant number of financial assets and liabilities held or issued by Dexia.

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 sale.

The valuation model should 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.

Dexia's approach to the valuation of its financial instruments (direct P/L, AFS and annex) can be summarised as follows:

3.1.1. Financial instrument measured at fair value (trading, FVO, AFS, derivatives)

Financial instruments measured at fair value for which reliable quoted market prices are available:

If the market is active – meaning that bid-offer prices are available representing effective transactions concluded on an arm's length basis between willing counterparties – these market prices provide for the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 7 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques

Financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The models that Dexia uses range from standard market models (discount models) to in-house developed valuation models.

In order for a fair value to qualify for level 2 inclusion, only observable market data should be used. The market data that Dexia incorporates in its valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for level 3 disclosure.

• For bonds for which no liquid market exists, these are valued using Dexia's Mark-to-Model approach. The valuation price is composed of a market price component and a model price component. The weight granted to the model price component reflects an assessment of the illiquidity of the market considering the bond characteristics.

For its Mark-to-Model price, Dexia uses a discount cash-flow model, based on a discounted spread that incorporates both credit and liquidity risk. The credit spread is estimated from the security specific characteristics (sector, rating, Loss Given Default) and from the level of some liquid CDS indices. A liquidity component is added to the credit component to obtain the instrument's spread. The weight of the liquidity component depends on the instrument's central bank eligibility character.

Due to the financial crisis of 2008, many assets and liabilities for which quoted prices were available became illiquid. Risk Management developed models in 2008 to value those illiquid financial instruments. Risk management adjusted its classification between fair value levels in 2009 based on the recommendations included in the amendment to IFRS 7 published in March 2009 and included in the Exposure Draft on Fair Value, published in May 2009.

Regarding structured derivatives, Risk management continues to implement the action plan validated by the Management Board, including back-testing of models and external price comparisons, follow-up of evolutions of market parameters and liquidity together with Front and middle offices, Legal and Finance departments.

3.1.2. Financial instruments measured at amortised cost (valuations in IFRS annexes on fair value)

Financial instruments reclassified from Trading or AFS to L&R

As a response to the financial crisis, the IASB issued on 13 October 2008 an amendment to IAS 39 permitting the reclassification of certain illiquid financial assets. Dexia decided to benefit from this opportunity to reclassify assets for which an active market, as well as reliable quoted prices, was no longer available.
The Modelling team developed and implemented new models on instruments that became and remained illiquid.

3.1.3. Financial instruments classified in HTM and L&R since inception

Loans and receivables, including mortgages loans, are valued based on the following valuation principles

General principles:
- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds in HTM and L&R since inception, the valuation is done as for bonds classified in AFS.

Interest-rate part:
- the fair value of fixed-rate loans and mortgages reflect interest-rate movements since inception;
- embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables;
- the fair value of variable-rate loans is assumed to be approximated by their carrying amounts.

Credit risk part:
- for corporate loan and social profit portfolios, credit-spread evolutions since inception are reflected in the fair value. For other sectors, mainly retail and public sector, the spread is kept unchanged as no reliable information is available for SME and no credit losses have been recognised on the public sector where Dexia is present.

3.2. Market risk

3.2.1. Definition

Market risk comprises the Group's exposure to adverse movements in markets prices as a result of interest-rate risk, equity price risk, foreign exchange risk and other risks (inflation and CO_2 risks).
Interest-rate risk is composed of general interest-rate risk capturing value changes due to general market movements, while specific interest-rate risk (credit spread) captures individual issuer-related causes. This risk results from spread movements within a ratings class.
Equity-price risk is the risk arising from the potential reduction in value of equity, whereas foreign exchange risk represents the potential decrease of the value due to currency exchange rate movements.
Other market risks reflect a potential decrease in value due to changes in organised or OTC markets not taken into account in previous definitions, such as inflation, carbon (CO_2) and commodity risks.

3.2.2. Governance

The Financial Markets Risk Management (FMRM) teams act as expertise centres covering all Treasury and Financial Markets activities on a Group-wide basis.
FMRM is an integrated support line within the Group organisation in charge of the identification, analysis, monitoring and reporting of risks and results (including valuation) with a holistic view of risk management.
A set of policies, guidelines and procedures document and govern all activities in detail and FMRM oversees their effective application. Risk Management is also in charge of defining the statement of income and Risk Measurement methods and of assuring a consolidated measurement, reporting and follow-up of Risk and statement of income figures at Dexia Group level.
Local FMRM are situated at the level of the operational entities and are in charge of the day-to-day activity i.e. inter alia local risk assessment, local risk monitoring (computation of the risk indicators, control of the limits and triggers and so on), local reporting, reconciliation with local strategic planning and accounting and reconciliation with local information systems. Each operational entity is also responsible for the monitoring and reporting to local supervisory and regulatory bodies.

Committees

The Market Risk and Guidelines Committee (MRGC) meets on a monthly basis and is responsible for a wide range of topics such as: risk and statement of income trigger(1) reporting analysis and related decisions, limit definition and review, new product approval proposals, guideline discussions, risk governance and standards as well as risk concepts and measurement methodology.
Ad-hoc MRGC are organised to decide on specific issues when required from a business and/or a risk management perspective.
In addition to the monthly MRGC, a dedicated quarterly MRGC is organised to discuss risk and business reports for the Treasury and Financial Markets line.
Dexia Market Risk Committee (DMRC) meets bi-monthly and acts as supervisory committee of the MRGC.
The Risk Policy Committee and Risk Management Executive Committee validate all major changes in the risk profile or risk governance.

3.2.3. Management of the risk

Risk measures

The Dexia Group adopted the VaR (Value at Risk) 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 applies multiple VaR approaches based on their ability to measure market risk accurately in different market activities and portfolios.
- General interest-rate and forex risks are measured through a parametric VaR approach.

(1) Statement of income triggers, which represent a warning on results deterioration, are set as a percentage of the VaR limits: typically 50%, 75% & 100% for trigger 1, 2 and 3 and hereafter stop activity at 300% of VaR.

• Specific interest-rate risk, equity risk and other risks (inflation and CO_2) in trading books are moreover measured by means of a historical VaR approach.

• Non-linear and particular risks are measured through specific and historical VaR methodologies with a view to a more appropriate measurement of the sensitivity to market volatilities.

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

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

The VaR methodologies are improved on an on-going basis. No back-testing exceptions for interest-rate and forex risks, for equity risk and for credit-spread risk were observed during 2009, clearly demonstrating that the back-testing results by major risk factor remain appropriate.

As a complement to VaR risk measures and statement of income triggers, Dexia applies a wide range of other risk measures in order to assess the risks related to the different activities and portfolios (nominal limits, maturity and authorised market limits, sensitivity limits and Greeks and scenario analysis).

Stress-testing is becoming increasingly important for sound risk management as it explores a range of low-probability events outside the predictive capacity of VaR measurement techniques. As such, VaR measures assess market risk in a daily market environment, whereas stress-testing measures market risk in an abnormal market environment.

In this context, the range of scenario assumptions was constantly revised and updated during the financial year 2009.

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

3.3. Balance-Sheet Management

3.3.1. Definition

Balance-Sheet Management (BSM) risks include both structural market risk (structural interest-rate risk, specific interest-rate risk – credit-spread risk –, foreign exchange risk, equity risk generated off and on-balance sheet by the commercial business lines) and liquidity risk.

We refer to the part on Market Risks for detailed definitions of structural and specific interest-rate risk, foreign exchange risk, equity risk.

The liquidity risk is defined as the probability of the bank being unable to cover its expected and unexpected current and future liquidity requirements.

3.3.2. Governance

Committees

Overall BSM risks are managed by the Dexia Group Asset & Liabilities Committee (Group ALCo) meeting on a monthly basis. The Group ALCo decides on limits, ensures the consistency of the global BSM risk framework and strategy, decides on hedges to be implemented (or global investment/divestments to be made in the insurance activities) and validates internal transfer pricing mechanisms at Group level. Local ALCo committees are in place at entity level managing local specific risks within the framework and under guidance of the Group ALCo.

The Funding and Liquidity Committee (FLC), under the delegation of Group ALCo, centralises and coordinates the decision process on liquidity-related issues. The FLC is in charge of monitoring the evolution of short-term and long-term funding needs, elaborating the global funding strategy of Dexia, reviewing and updating liquidity-related stresses to be considered, putting contingency plans in place, proposing corrective actions to improve the liquidity situation, coordinating global liquidity reporting to the Boards, rating agencies, regulators, central banks and governments.

The FLC meets on a weekly and monthly (extended) basis.

3.3.3. Management of the risk

Risk Measures

Interest rate

BSM aims to minimise statement of income volatility, thus ensuring an immunisation of the commercial margin generated by the business lines and to preserve the overall value creation of the Group.

Measurement of balance-sheet risks is harmonised among the Group's various entities. A calculation of the sensitivity of the net present value of the BSM positions is currently used as the main indicator. In 2010 Dexia will improve the Earnings at Risk (EaR) calculations under stress scenarios among the Group's entities to integrate this indicator in the decision process.

Risk exposure as measured in both economic and accounting terms is primarily on long-term European interest rates 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 behavioural risk. VaR calculations are performed as an additional measurement.

Credit spread

The credit spread is defined as being the specific interest-rate risk capturing individual issuer related causes. This risk results from spread movements within a ratings class and is measured with sensibility measures (/basis point).

Equity

The Value at Risk measurement approach is applied to assess the portfolio's vulnerability to adverse changes in equity prices, volatility or correlation. Inter alia, the market risk management framework includes Earnings-at-Risk and Stress-Test measures representing the maximum accounting loss under different scenario assumptions. The equity portfolios of the banking entities are in run-off mode. In the insurance perimeter an "early warning" system has been developed to reallocate assets in case of stress scenarios in order to preserve the solvency ratios.

(Structural) Foreign exchange
Although Dexia's reporting currency is the euro, assets, liabilities, income and expenses are also denominated in other currencies. The Group ALCo decides on the hedges to be implemented in order to reduce both earnings volatility resulting from the structural foreign exchange risk and the volatility of the solvency ratio related to exposures (credit, participations) in foreign currencies.

Insurance companies and pension funds
Specific reports on insurance companies and pension funds are presented to the Group ALCo, covering interest rate, inflation and equity risk factors. Risk indicators are calculated on the basis of a Group harmonised risk methodology complemented with specific risk management factors.

3.3.4. Liquidity

Strong improvement of the liquidity profile

Significant progress was made in 2009 in terms of liquidity consolidation.
To recall, a guarantee on a major proportion of Dexia's short and long-term funding was granted in October 2008 by the Belgian, French and Luxembourg States. With an endorsement signed on 14 October 2009, this guarantee was extended until 31 October 2010 and the following changes were made to the mechanism:
• the cap on guaranteed outstandings was lowered from EUR 150 billion to EUR 100 billion;
• the maturity of new long-term debts issued was extended to a maximum of four years.
In addition, since 16 October 2009, Dexia has waived the benefit of the guarantee for all new contracts with a maturity below one month and for all new contracts with no fixed maturity. Dexia could easily replace guaranteed with non-guaranteed funding.
On 30 October 2009, the European Commission provisionally authorised the extension of this funding guarantee until the end of February 2010. Then, within the context of the agreement with the European Commission on 5 February 2010, an early exit from the guarantee mechanism was announced, the details of which are given in the chapter "2009 and early 2010 highlights" on page 13 of this annual report.
In 2009, the Group issued a total of EUR 45.7 billion of medium and long-term funds (with an average maturity of 5 years). The portion of debt not covered by the State guarantee was 51%, rising constantly over the year.
This good performance was made possible by:
• the reopening of the covered bond market in the second quarter 2009, which allowed a total of EUR 13.0 billion in covered bonds to be issued in 2009 via its three issuers Dexia Municipal Agency, Dexia Kommunalbank Deutschland and Dexia Lettres de Gage;
• the renewed access to unsecured non-guaranteed funding, particularly from the third quarter 2009, reflected by a volume of medium and long-term unsecured non-guaranteed issues of EUR 10.3 billion in 2009.
The short-term liquidity profile was also improved considerably in the second half of the year with the gradual increase of funding raised on the bilateral and triparty repo market and the improved access to non-guaranteed short-term liquidity.
Globally, the Group's short-term funding needs fell sharply in 2009 by virtue of the active deleveraging policy initiated by the Group since the fourth quarter 2008 (sale of bonds within the portfolio in run-off for an amount of EUR 15 billion in 2009, with a maturity of 4.5 years) and the strong momentum of the long-term issue programme.
The result of all these elements combined was a sharp reduction of guaranteed short and long-term debts. They amounted to EUR 50.4 billion as at 31 December 2009, compared to a maximum of EUR 95.8 billion in May 2009.
In 2010, liquidity consolidation efforts will continue with the principal aim of fully exiting the guarantee mechanism at the latest on 30 June 2010, which means that no new government guaranteed debt will be issued by the Group after this date.

Liquidity risk management

Dexia's approach to liquidity risk management was reviewed in the light of the financial and liquidity crisis. It is based on the general principle that Dexia's future funding needs should never exceed its proven covered funding capacity. In other words, Dexia ensures that its short-term funding needs can always be covered by the use of liquid assets in the interbank market.
Dexia ensures that it maintains a liquidity buffer which is sufficient to face cash exits under different scenarios. That liquidity buffer is formed of freely available securities accepted as underlying by the central banks to which Dexia has access.
Future funding needs are assessed dynamically and comprehensively, taking into account liquidity needs arising from current and programmed on and off-balance-sheet transactions. Its covered funding capacity is determined conservatively, taking the lessons from the current crisis into consideration. The adequacy of Dexia's future liquidity needs with its covered funding capacity is tested under an ungoing scenario as well as under a variety of severe stress scenarios including bank-specific and market stresses and even a combination of both.
Short-term funding needs are monitored on a daily basis. Longer-term funding needs (up to three years) are monitored on a monthly basis. More generally, liquidity risk management is at the very heart of the definition of Dexia's triennial financial plan. The result of that monitoring is presented weekly to the FLC, which determines the major orientations of the liquidity management. This framework is back-tested and updated regularly in accordance with best risk management practices and integrating all the local regulatory constraints.
The diversity of Dexia's funding sources is a key-mitigant of its liquidity risk. Dexia's principal funding sources are:
• retail bank deposits (essentially in Belgium, Luxembourg and Turkey);
• long-term funding:
- covered bonds;
- unsecured bonds, benefiting from the State guarantee or not (notably bonds distributed via the Dexia networks);
• short-term funding:
- bilateral and triparty repo transactions;
- central bank tender operations;
- a wide variety of wholesale short-term unsecured funding sources, some of which benefit from the State guarantee.
Dexia's liquidity risk is managed using a centralised approach. Although liquidity positions are managed by the different entities of the Group, the Dexia funding strategy is managed on a centralised and integrated basis.

Dexia also makes use of securitization operations in the framework of liquidity management both by means of the external sale of assets and by applying "internal securitization" techniques enhancing liquidity/eligibility of illiquid asset classes.

Since June 2009, the CBFA has applied a monthly observation ratio stress test on liquidity. This ratio measures the bank's liquidity position in exceptional circumstances by comparing the liquidity potentially required with its available liquidity on- and off-balance sheet. This approach combines the impact of a so-called " idiosyncratic " shock (shock associated with the establishment) with the consequences of a general liquidity crisis.

The hypotheses of this stress are principally based on the impossibility of obtaining unsecured funding, the impossibility of securitising or selling illiquid assets, and limited or impossible recourse to certain funding sources.

3.4. Credit risk

3.4.1. Definition

Credit risk represents the potential loss (decrease of asset value or payment default) which Dexia may incur as a result of deterioration in the solvency of any counterparty.

3.4.2. Governance

Dexia Risk Management oversees its credit risks under the supervision of the Management Board and specialist risk committees. It is responsible for elaborating credit-risk policies and guidelines, including the decision-taking process and the framework for delegations, and supervising the rating/analysis processes as well as the exposure surveillance functions. In order to optimise the appropriateness of the skills in the risks department and their field of intervention, Risk Management will evolve over 2010 into an organisation with specialist expertise centres consistent with the various Dexia business lines (Retail and Commercial Banking Credit Risk, Public and Wholesale Banking Credit Risk and Market Operations Credit Risk) giving rise to the establishment of risk committees specialising per expertise centre, the overall coordination of which will be in the hands of transversal committees.

Transversal committees

The Risk Policy Committee, organised quarterly, approves the credit assignment rules, which are detailed in the credit-risk policies.

The Risk Executive Committee, organised weekly, decides on the risk management strategy and the organisation of the support line.

The Management Credit Committee, organised weekly, takes binding decisions on major files or credit files with an increased credit risk.

Credit risk management falls within the more general framework of the internal capital adequacy process (cf. internal capital adequacy in this chapter).

Committees specialising per expertise centre

The decision-making process applied to transactions is organised via a series of credit committees. These are organised per specialist expertise centre, and approve transactions which are not delegated to the entities. All of these committees operate under the delegation of the Management Credit Committee. A transaction is delegated on the basis of specific delegation rules, depending upon the type of counterparty, rating levels and credit-risk exposure. Subcommittees have been created within the Group (entities, subsidiaries and branches) to deal with credit delegations. Each file presented to a credit committee contains an independent analysis made by the Risk Management department.

The Special Mention and Watchlist Committees of the expertise centres and of the entities monitor "sensitive" assets placed on watch. The committees are organised quarterly.

The Default Committees of the expertise centres and of the entities define and monitor counterparties in default according to Basel II applying the rules which prevail at Dexia. These committees are organised quarterly.

The Impairments Committees of the expertise centres and of the entities draw up quarterly reports on the amount of provisions allocated and monitor the cost of risk. These committees are organised quarterly.

The Rating Committees of the expertise centres and of the entities deal with the correct application of internal rating systems as well as the adequacy of the rating processes. These committees are organised quarterly.

The Credit Line Committee attributes and checks the limits for certain counterparties monitored by the expertise centre for credit risk on market operations. This committee is organised quarterly.

3.4.3. Management of the risk

Dexia manages its credit risk by assessing it, controlling it and taking the measures necessary to limit it.

Credit-risk limits are defined in order to manage the general risk profile and to limit concentrations of risks. A limit is fixed for a given counterparty, in line with credit-risk policy. Such limit represents the maximum exposure to the credit risk that Dexia is willing to accept for that given counterparty. Limits may also be imposed per economic sector and per product. In order to take more recent events into consideration, specific limits may be frozen at any time by the Risk Management department.

As to risk management of derivatives, Dexia closely monitors the conclusion of appropriate legal documentation relating to netting agreements and the exchange of collateral. During the year 2009, important efforts have been made as to the streamlining of the valuation process of derivatives in the perspective of an appropriate collateral management and subsequently reducing credit risk. Credit Default Swaps are used in the context of intermediation and the mitigation of risk concentrations.

In order to assess its credit risk, Dexia relies in particular on a series of internal rating systems put in place under Basel II. Credit-risk analysts are responsible for assigning a rating to all counterparties. Each rating corresponds to an assessment of the counterparty's risk level expressed in accordance with an internal scale which, without duly substantiated exception, takes into account the possible risk associated with the country in which it is established. On attribution, the internal rating constitutes a key element in the decision taken by the credit committee. An annual ratings review enables counterparties to be proactively identified and this requires regular monitoring which will then be entered in a quarterly watchlist, jointly reviewed by the Credit Risks department and the Sales department, within a "Special Mention & Watchlist Committee".

4. CAPITAL ADEQUACY

The adequacy of Dexia's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"). The ratios of the Bank of International Settlements (BIS) compare the amount of eligible capital (in Total and Tier 1) with the total of Risk-Weighted Assets (RWAs). While Dexia monitors and reports its capital ratios under BIS rules, it also has to report to the CBFA (Banking, Financial and Insurance Commission) the capital requirements underpinning Dexia's business following the banking prudential rules and the prudential rules of conglomerates.
Dexia has complied with all regulatory capital rules for all periods reported.

4.1. 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.
As from 1 January 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 1 January 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 1 January 2013.
As from 1 January 2008, Dexia calculates its capital adequacy according to Basel II regulation and its regulatory capital will be calculated consequently.

4.2. BIS risk-weighted assets (RWAs)

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 counterparty. When assessing credit risk related to a single counterparty, 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.
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 subportfolio 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.

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.

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

IN 2008

Dexia exits from Kommunalkredit Austria AG (previously 49%-owned by Dexia) and takes full ownership of Dexia Kommunalkredit Bank AG (previously 51%-owned by Dexia).

Dexia signed a binding agreement to sell FSA Holdings Ltd to Assured Guaranty Ltd, a bond insurer listed on the NY Stock Exchange. Financial Products activity was excluded from the scope of the transaction. On 20 January 2009 the anti-trust authorities gave their authorisation for the sale of FSA Insurance activities to Assured Guaranty. Dexia recorded all the accounting and prudential impacts of the sale of FSA Insurance in the fourth quarter 2008.

IN 2009

As from 1 April 2009, Dexia no longer consolidates the activities of Financial Security Assurance Holdings Ltd (hereafter FSA Insurance) sold to Assured Guaranty Ltd (Assured).

FSA Insurance's result for the first quarter is consolidated on a line-by-line basis and the net result is offset in "Net Income on Investments".

The sale was completed on 1 July 2009. The sales price of USD 816.5 million was partially paid in cash (USD 546 million) and partially with 21.85 million Assured shares. The shares are included in Available-for-sale Portfolio as Dexia does not have a significant influence in Assured.

As from the fourth quarter 2009, Crédit du Nord is no longer included in Dexia's consolidated financial statements pursuant to the agreement under which Société Générale buys Dexia's 20% stake in Crédit du Nord for a cash consideration consisting of EUR 676 million. The EUR 30 million first nine-month result for Crédit du Nord is considered in Dexia's annual result 2009. The transaction generates a capital gain of around EUR 153 million.

Simultaneously to this transaction Dexia purchased Crédit du Nord's 20%-stake in Dexia Crédit Local de France Banque for a cash consideration of EUR 13 million. Pursuant to this acquisition, Dexia controls 100% of Dexia Crédit Local de France Banque.

As at 9 December 2009, Dexia signed an agreement relating to the sale of Dexia Epargne Pension ("DEP") to BNP Paribas Assurance. DEP, a 100% subsidiary of Dexia, offers life insurance products in France.

The transaction is subject to approval from the competent supervisory authorities and is expected to be finalised during the first half of 2010. The final result made by Dexia will be recorded in the accounts at the closing of the transaction.

Following the signing of the agreement, DEP was recorded in "Non-current assets held for sale" and in "Liabilities included in disposal groups held for sale" for amounts around EUR 4.3 billion as at 31 December 2009.

2.2. Main subsidiaries and affiliated enterprises of the Dexia Group [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 Funding Luxembourg SA	180, rue des Aubépines L-1145 Luxembourg	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 BANQUE BELGIQUE SA: MAIN SUBSIDIARIES AND AFFILIATES			
Dexia Auto Lease SA	Place Rogier 11 – B-1210 Bruxelles	100	fully
Dexia Bank Belgium SA	Boulevard Pachéco 44 – B-1000 Bruxelles	100	fully
Dexia Commercial Finance SA	Place Rogier 11 – B-1210 Bruxelles	100	fully
Dexia Crédits Logement SA	Boulevard Pachéco 44 – B-1000 Bruxelles	100	fully
Dexia Epargne Pension SA	79, rue de la Victoire – F-75009 Paris	100	fully
Dexia Funding Netherlands NV	Strawinskylaan 3105 – NL-1077 ZX Amsterdam	100	fully

(1) Complete list available on request.

Name	Head Office	% of capital held	consolidation method
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
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 SA	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
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-1470 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 35th floor, Royal Trust Tower Toronto, ON, Canada M5W-1P9	50	proportionally
DEXIA CRÉDIT LOCAL SA: MAIN SUBSIDIARIES AND AFFILIATES			
Dexia banka Slovensko	Hodzova 11 – 010 11, Zilina – Slowakia	85.47	fully
Dexia CLF Banque	1, Passerelle des Reflets Tour Dexia la Défense 2 TSA F-92919 La Défense Cedex	100	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 TSA F-92919 La Défense Cedex	100	fully
Dexia Delaware LLC	15 East North Street, Delaware 19901 Dover – USA	100	fully
Dexia FP Holdings Inc.	445 Park Avenue – 5th floor New York NY 10022 USA	100	fully
Dexia Holdings Inc.	445 Park Avenue – 5th floor New York NY 10022 USA	100	fully
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82, D-10969 Berlin	100	fully
Dexia Kommunalkredit Bank AG	Fischhof 3 – A-1010 Wien	100	fully
Dexia Kommunalkredit Bank Polska	ul Sienna 39 – 00-121 Warszawa – Poland	100	fully
Dexia Municipal Agency SA	1, Passerelle des Reflets Tour Dexia la Défense 2 TSA F-92919 La Défense Cedex	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 France	100	fully
FSA Global Funding Ltd	PO Box 1093GT, Boundary Hall, Cricket Square Grand Cayman – Cayman Islands	100	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 reporting

3.1. IFRS 8 Operating Segments superseded IAS 14 Segment Reporting as from 1 January 2009

On 1 January 2009, Dexia changed its business reporting in line with its new organisation and applied IFRS 8 for the first time. Figures for 2008 were restated accordingly in order to enable comparisons.

3.2. Description of differences from last annual financial statements

The business segmentation was adapted to Dexia's new profile and strategic directions. The Group is now divided into three business lines representing operational activities focused on homogeneous client franchises (Retail and Commercial Banking or RCB, Public and Wholesale Banking or PWB, Asset Management and Services or AMS). A fourth business line, named Group Center (GC), includes treasury operations and activities in run-off as well as the former Central Assets segment.
Compared to the previous business segmentation, the main changes are:
- "Treasury and Financial Markets" is no longer a business line but is now reallocated to the Group Center and to operational business lines (structuring, sales and trading activities being allocated to corresponding subsegments);
- Insurance is no longer distributed between RCB and PWB, but is now part of the newly created AMS which also include Asset Management and Investor Services;
- All bond portfolios in run-off (Public bonds and Financial Products portfolios previously in PWB; Credit-Spread Portfolios and trading portfolios previously in TFM) are entirely reallocated to the Group Center;
- FSA insurance is taken out of PWB and included in Group Center;
- The former PWB activities of Turkey, Luxembourg and Slovakia are now included in RCB.

The basis of measurement of segment profit or loss is not materially different in IFRS 8 from IAS 14.

BUSINESS REPORTING	31/12/08			31/12/09		
(in millions of EUR)	**Assets**	o/w investments in associates	**Liabilities**	**Assets**	o/w investments in associates	**Liabilities**
Retail and Commercial Banking	58,375	553	64,164	53,629	48	74,857
Public and Wholesale Banking	231,661	97	25,466	226,143	90	24,500
Asset Management and Services	25,038	23	27,713	23,812	24	24,232
Asset Management	*300*	*1*	*0*	*302*	*1*	*0*
Investor Services	*6,153*	*0*	*8,660*	*6,523*	*0*	*8,829*
Insurance	*18,586*	*23*	*19,052*	*16,987*	*24*	*15,402*
Group Center	250,411	8	415,437	208,232	9	347,557
Treasury	*50,347*	*0*	*399,770*	*39,301*	*0*	*331,846*
Bond portfolios in run-off	*187,686*	*0*	*12,515*	*149,943*	*0*	*12,745*
Central assets	*12,378*	*8*	*3,152*	*18,988*	*9*	*2,966*
Subtotal (1)	**565,483**	**682**	**532,779**	**511,816**	**171**	**471,147**
Unallocated items (2)	**85,523**		**112,609**	**65,814**		**94,495**
TOTAL	**651,006**	**682**	**645,388**	**577,630**	**171**	**565,642**

Some amounts may not add up due to roundings off.

(1) Subtotal Assets 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. Subtotal Liabilities includes Due to banks, Customer borrowings and deposits, Debt securities, Technical provisions of insurance companies.
(2) Includes mainly Derivatives and Other Assets. The impact of the corresponding items in P&L is nevertheless allocated by segment result.

(in millions of EUR)	Income	o/w net income from associates	o/w net interest income	Net income before tax	Tax expense	Net income- Group share	o/w impact of the financial crisis	Net income – Group share excluding financial crisis impacts
AS AT 31 DECEMBER 2008								
Retail and Commercial Banking	2,722	40	1,882	235	(64)	184	(251)	435
Public and Wholesale Banking	1,483	(58)	1,237	612	(183)	388	(278)	667
Asset Management and Services	345	0	715	(350)	28	(329)	(651)	323
Asset Management	*161*	*0*	*4*	*17*	*(2)*	*11*	*(57)*	*68*
Investor Services	*409*	*0*	*85*	*110*	*(27)*	*80*	*0*	*80*
Insurance	*(224)*	*0*	*626*	*(477)*	*57*	*(420)*	*(594)*	*174*
Group Center	(994)	16	2,239	(4,373)	848	(3,570)	(4,687)	1,117
Treasury	*825*	*0*	*991*	*645*	*(176)*	*454*	*(119)*	*574*
Bond portfolios in run-off	*(1,049)*	*0*	*859*	*(2,257)*	*137*	*(2,102)*	*(2,432)*	*330*
Central assets	*(770)*	*16*	*388*	*(2,762)*	*886*	*(1,922)*	*(2,136)*	*214*
TOTAL	**3,556**	**(1)**	**6,073**	**(3,877)**	**629**	**(3,326)**	**(5,868)**	**2,542**

Some amounts may not add up due to roundings off.

(in millions of EUR)	Income	o/w net income from associates	o/w net interest income	Net income before tax	Tax expense	Net income- Group share	o/w impact of the financial crisis	Net income – Group share excluding financial crisis impacts
AS AT 31 DECEMBER 2009								
Retail and Commercial Banking	3,035	21	1,979	797	(190)	608	(17)	625
Public and Wholesale Banking	1,482	2	1,193	752	(222)	502	(8)	510
Asset Management and Services	748	2	712	53	26	74	(197)	271
Asset Management	*179*	*0*	*3*	*51*	*(10)*	*37*	*3*	*33*
Investor Services	*327*	*0*	*59*	*27*	*(8)*	*19*	*(4)*	*23*
Insurance	*242*	*2*	*651*	*(25)*	*44*	*19*	*(196)*	*214*
Group Center	898	14	1,145	(198)	73	(173)	(466)	292
Treasury	*738*	*0*	*753*	*710*	*(215)*	*469*	*22*	*447*
Bond portfolios in run-off	*(424)*	*0*	*204*	*(915)*	*400*	*(514)*	*(510)*	*(3)*
Central assets	*584*	*14*	*188*	*6*	*(112)*	*(128)*	*22*	*(151)*
TOTAL	**6,163**	**39**	**5,030**	**1,403**	**(314)**	**1,010**	**(687)**	**1,698**

Some amounts may not add up due to roundings off.

OTHER SEGMENT INFORMATION (in millions of EUR)	31/12/08				31/12/09			
	Capital expenditures	Depreciation and amortization	Impairments (1)	Other non cash expenses (2)	Capital expenditures	Depreciation and amortization	Impairments (1)	Other non cash expenses (2)
Retail and Commercial Banking	0	(48)	(508)	(44)	(150)	(75)	(364)	(6)
Public and Wholesale Banking	(130)	0	(236)	0	(141)	0	(143)	(2)
Asset Management and Services	0	0	(606)	(5)	0	0	499	0
Asset Management	*0*	*0*	*0*	*(1)*	*0*	*0*	*0*	*0*
Investor Services	*0*	*0*	*(1)*	*(4)*	*0*	*0*	*(8)*	*0*
Insurance	*0*	*0*	*(605)*	*0*	*0*	*0*	*507*	*0*
Group Center	(246)	(248)	(4,482)	(44)	(173)	(223)	(386)	18
Treasury	*0*	*(2)*	*(114)*	*1*	*0*	*(2)*	*36*	*0*
Bond portfolios in run-off	*0*	*(2)*	*(1,725)*	*(1)*	*0*	*(1)*	*(315)*	*0*
Central assets	*(246)*	*(245)*	*(2,644)*	*(43)*	*(173)*	*(220)*	*(107)*	*18*
TOTAL	**(376)**	**(296)**	**(5,833)**	**(92)**	**(464)**	**(298)**	**(395)**	**10**

Some amounts may not add up due to roundings off.

(1) Includes impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments impairments on goodwill.
(2) Includes IFRS 2 costs, net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19, capital losses on exchange of assets.

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

- The earnings from commercial transformation, including the management costs of this transformation and the Group equity allocated to this activity on the basis of medium and long-term outstanding;
- Interest on economic capital: economic capital is allocated to the business lines for internal purposes and the return on economic capital is used to measure the performance of each business line;
- Funding cost.

Tangible and intangible assets are allocated to "Group Center" except when they are directly managed by a commercial or financial business line.

GEOGRAPHIC REPORTING (in millions of EUR)	Belgium	France	Luxembourg	Turkey	United States	Other	Total
AS AT 31 DECEMBER 2008							
Income	1,852	186	928	721	(1,069)	938	3,556
AS AT 31 DECEMBER 2009							
Income	2,341	516	612	975	421	1,298	6,163

Geographic information is 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/or unusual transactions and not only large transactions. The amounts mentioned are year-to-date.

As explained in Note 2."Significant changes in scope of consolidation", Dexia no longer consolidates the activities of Financial Security Assurance Holdings Ltd (hereafter FSA Insurance) sold to Assured Guaranty Ltd (Assured) as from 1 April 2009.

The contribution of FSA Insurance's first quarter 2009 result in Dexia's consolidated financial statements on a line by line basis impacts significantly some publication lines among which "Net income from financial instruments at fair value through profit or loss" for EUR 478 million, "Impairment on loans and provisions for credit commitments" for EUR -272 million and "Tax expenses" for EUR -71 million. The net result of EUR 163 million is offset in "Net income on investments" so that the net contribution of FSA Insurance in Dexia's financial statements is zero.

As the sales price of FSA Insurance to Assured Guaranty included Assured Guaranty shares that were valued at USD 8.1 per share on 31 December 2008 (price at the moment of signing sales purchase agreement) and as the quotation of Assured Guaranty shares was USD 12.38 per share on 30 June 2009, a positive amount of EUR 67 million is included in the "Net income on investments" to come to the definitive result on the sale.

The impact of the US mortgage crisis and of the financial turmoil on the Financial Products activity led to the recognition of an amount of EUR -187 million in net income due to impairments on FP portfolio.

A tax refund was recorded for an amount of EUR 57 million.

A charge of EUR 432 million was recognised in interest margin for the retribution of the Belgian, French and Luxembourg states for the guarantee they give for Dexia's financing and another EUR 61 million interest charge was recognised for the guarantee received from Belgian and French states for Financial Products's portfolio and the related GIC's liabilities.

A capital gain of around EUR 153 million was recognised on the sale of Dexia's 20% stake in Crédit du Nord (see also note 2."Changes in scope of consolidation").

In 2009, Dexia deleveraged its balance sheet and assets were sold for an amount of EUR 18 billion. In this context, a capital loss net of provision has been recognised for EUR 175 million.

Financial turmoil effects still generated the recognition of several amounts in net income:

• EUR -145 million for own credit risk adjustments;
• EUR -231 million for capital losses and impairments on shares belonging to insurance portfolio;
• EUR -84 million due to cost of risk on other portfolios;
• EUR -80 million for credit value adjustments on derivatives related to monolines;
• EUR -89 million for mark-to-market adjustments on CDS.

In 2009, additional provisions in respect of duty of care and spouse consent were recognised for EUR 35 million in DBnl accounts (see also note 6. "Litigations").

Within the context of the extension of the States guarantee in favour of Dexia, Dexia didn't make any payment of any discretionary coupons on any hybrid Tier 1 instruments classified in minority interest.

As a consequence, Dexia Funding Luxembourg and Dexia Crédit Local did not pay the coupons relating to their Tier 1 issues (see also Note 9.8.), respectively due 2 November 2009 and 18 November 2009. As the coupons were distributed to minority interest, this led to a decrease of minority interest result of respectively EUR 17.5 million and EUR 20 million.

Significant items included in the statement of income as at 31 December 2008 have been reported in Dexia Annual Report 2008.

Significant items of the year 2009 are discussed in the Management report.

5. Post-balance-sheet events

On 5 February 2010, the Belgian, French and Luxembourg States and the European Commission concluded an agreement in principle on the Dexia Group restructuring plan which was definitively confirmed by the new Commission on 26 February 2010.

• Divestments: as a part of the negotiations with the European Commission, the decision was taken to divest Dexia Crediop (70% stake) and Dexia banka Slovensko (85.5% stake) by 31 October 2012, and Dexia Sabadell (60% stake) by 31 December 2013. Dexia will also divest Adinfo (51% stake) by 31 October 2010 and Dexia's insurance operations in Turkey by 31 October 2012. The impact of these decisions on Dexia's result is not yet determined.

• Early exit from State Guarantee on funding: in line with the improvement of its funding requirements, Dexia will exit earlier than expected from the State Guarantees on funding.

The Group will no longer make use of the guarantee:

- for its deposit contracts, particularly interbank deposits, as from 1 March 2010, anticipating the calendar agreed with the European Commission;
- for its short-term issues after 31 May 2010;
- for its long-term issues after 30 June 2010.

In accordance with what was agreed on renewal of the guarantee in October 2009, the total amount of assets guaranteed will not exceed EUR 100 billion.

• Restrictions on dividends, hybrids and acquisitions for the next two years: in addition, the agreement with the European Commission provides that:

- Dexia will not make any acquisition of financial institutions until end of 2011;
- until the end of 2011, Dexia will be able to pay dividends on common equity in shares only;
- until the end of 2011, Dexia will pay coupons on its subordinated debt instruments only if deemed contractually mandatory and will not call them.

Dexia will give up the EUR 376 million convertible bond which was to be subscribed by the Grand Duchy of Luxembourg in the context of the increase of capital of September 2008.

6. Litigations

6.1. Dexia Bank Nederland NV

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 2008 (particularly on pages 91 to 92, including the consequences of the decision of the Netherlands Supreme Court of 28 March 2008, in respect of the so-called spouse consent matter) and in the Financial Reports published during the year 2009, which are available on *www.dexia.com*.

6.1.2. SPECIFIC LITIGATIONS

On 5 June 2009, the Netherlands Supreme Court made an important ruling in respect of the share-leasing contracts of DBnl. Many allegations have been rejected, including error, misleading advertising, abuse of circumstances, and the applicability of the Netherlands Consumer Credit Act.
However, this decision also states that, generally speaking, DBnl had a special duty of care to inform and to warn its clients "... in clear and in unmistakable terms..." about the risks involved in share-leasing contracts, including the possibility of a so-called residual debt. Additionally, this ruling states that DBnl failed in respect of its obligation to check, prior to entering into the contract, on the income and wealth of the client. Therefore, for clients with sufficient financial capacity at the date they entered the share-leasing contract, DBnl has to grant a discount basically of 60% of the total residual debt. Other clients, who have been faced with an unreasonable heavy financial burden, are also, in addition to a discount of the residual debt, awarded a repayment in most cases of 60% of the instalments they have made. The distinction between those two categories of clients needed further interpretation by judges, based on the de facto position, and on a case-by-case basis.
Subsequently, on 1 December 2009, the Amsterdam Court of Appeal made four detailed rulings, in respect of the precise way the distinction of the Netherlands Supreme Court between those two categories of clients should have been made. Clients stating that they have been faced with an unreasonable heavy financial burden, have the obligation to furnish the facts. The Court of Appeal also ruled on some other issues, including the fact that profits from earlier share-leasing products should be taken into account, and the commencing date of the legal interest.

6.1.3. NUMBER OF COURT CASES

As at 31 December 2009, DBnl is still involved in over 3,400 civil cases. However, the vast majority of these cases have been suspended. The number of clients in proceedings will decrease in 2010 because of settlements expected after the judgements of the Supreme Court and the Amsterdam Court of Appeal.

6.1.4. LITIGATIONS IN GENERAL

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Particularly in view of the nature of these disputes, Dexia refers to its earlier reports and financial reports. Generally speaking, only the approximately 19,000 clients that filed a so-called opt-out statement before 1 August 2007, and did not enter into any settlement since then, are still entitled to start or to continue proceedings against DBnl.

6.1.5. DUTCH SECURITIES INSTITUTE (DSI)

At the end of 2009, no cases were still under consideration by the Grievance Committee of DSI, or under consideration by the Appeals Committee of DSI.

6.1.6. 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 2009, settlements had been reached with nearly all Depot Lease clients. DBnl faces fewer than ten remaining court cases with Depot Lease clients, but expects to be able to settle most of them.

6.1.7. PROVISIONS AS AT 31 DECEMBER 2009

In 2009, DBnl increased its provisions to cover the estimated consequences that the above-mentioned rulings on its duty of care might have under specific circumstances in certain cases. An additional provision was taken in relation to the spouse-consent matter, should DBnl's appeal on the three-year statute of limitation be denied. However, DBnl maintains its position that in many of those cases the three-year statute of limitation period has expired and, as a result, these cases have become void.
Provisions are updated every quarter and may be influenced by fluctuations in the value of the underlying stock of the share-leasing contracts, by client behaviour and by future judgments.

6.2. Lernout & Hauspie

Dexia Bank SA is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products SA (LHSP) and the consequences thereof. This was described in detail in the 2007 and 2008 annual reports. Since the 2008 Annual Report, the following relevant events have occurred.

6.2.1. CLAIM ON LERNOUT & HAUSPIE SPEECH PRODUCTS (LHSP)

At 31 December 2009, Dexia Bank has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 27,926,275.50 (exchange rate USD/EUR 1.43985), of which EUR 176,941.28 reserved interest, for which an impairment has been recorded for EUR 23,377,584.70. This claim originates in the share taken by the former Artesia Banking corporation (ABC hereafter) in the syndicated loan of USD 430,000,000 to LHSP on 5 May 2000. ABC'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.
In 2008, Dexia Bank has waived its claim on the insolvency of LHSP in the United States, in exchange for a waiver by the American Litigation Trustee of LHSP of all its claims entered against Dexia Bank.

6.2.2. CLAIM ON LERNOUT & HAUSPIE INVESTMENT COMPANY

The entire outstanding balance of EUR 40,500,000 and the impairments were finally written off in June 2009.

6.2.3. PROSECUTION OF DEXIA BANK IN BELGIUM

On 4 May 2007, Dexia Bank was summoned, together with 20 other parties, to appear before the Court of Criminal Appeal in Ghent. According to the writ of summons, Dexia Bank is prosecuted by virtue of the former ABC being accused as an alleged accessory to the falsification of the financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and other related offences among which forgery (*valsheid in geschrifte/faux en écriture*), securities fraud (*emissiebedrog/délit d'émission*) and market manipulation (*koersmanipulatie/manipulation de cours*).
The Public Prosecutor alleges in substance that Artesia 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. The Public Prosecutor has asked the court to impose a "substantial fine" on Dexia Bank, without however specifying an amount. Furthermore, the Public Prosecutor demands the seizure of property in an amount of approximately EUR 29,000,000 to be borne by Dexia Bank.
Dexia Bank considers it has serious grounds for contesting the charges.
The oral pleadings regarding the criminal aspect of the case were closed on 19 December 2008. The Court of Appeal deliberated on the criminal case on 30 January 2009. No date was fixed for the delivery of its judgement. The processing of the claims by the civil parties to the case was postponed indefinitely.
Parties alleging that they have suffered losses in relation to the prosecuted offences have until the last day of the trial to enter a civil claim in the criminal proceedings or make a claim for damages, and for as long as the right to institute criminal proceedings lasts. This means that new civil actions can in principle be introduced if the Court of Appeal were to sentence Dexia Bank.
On 31 December 2009, 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 318,000,000.
- The Belgian receivers of LHSP SA 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 SA.
- Mercator & Noordstar which is claiming EUR 17,662,724.
- The receivers of The Learning Kernel SA who are claiming EUR 7,259,107.06.
- The receivers of L&H Holding who are claiming a provisional EUR 1 for their participation in LHSP (of more than 12 million shares). The accounting value of this holding as at 31 December 2000 was EUR 51,702,739.05, as shown by the annual accounts of L&H Holding.

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 rate of interest to be applied is the statutory rate of interest which between 2000 and 2009 has varied between 7% and 5.5%.
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. 9 November 2000 – the date on which the LHSP share was suspended –, 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 ABC is a very complicated matter.

Dexia Bank, in its turn, has made a claim as a civil party against Messrs Lernout, Hauspie, Willaert and Bastiaens and against LHSP SA in October 2007, claiming damages for a provisional amount of EUR 2. Dexia Bank's claim is in relation to the losses suffered on its LHSP portfolio (Dexia Bank is still holding 437,000 LHSP shares) and to an amount of EUR 27,926,275.50 owed to it by LHSP under a USD 430 million syndicated credit facility dated 5 May 2000 (see paragraph 4.2.1. above). The solvency of these parties however is uncertain.

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 before the Commercial Court of Ypres, including Dexia Bank. They claim compensation for 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 by the receivers in the criminal proceedings, is not likely to have any development until after the end of the criminal proceedings because of the principle *le criminel tient le civil en état*.

6.2.4.2. Claims by individuals

Certain civil claims have been filed before the Commercial Court of Ypres 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. Moreover, 151 investors affiliated to Spaarverlies also commenced civil actions. 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

All the cases brought against Dexia Bank in the United States have been finally terminated in full in 2008.

6.2.6. L&H HOLDING

On 27 April 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 selling price of USD 25 million was credited not to the account of L&H Holding but to three separate accounts opened 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.

This claim is not likely to have any development until after the end of the criminal proceedings because of the principle *le criminel tient le civil en état*.

Dexia Bank vigorously contests the grounds for these applications.

6.2.7. BANQUE ARTESIA NEDERLAND

In October 2006, Dexia Bank sold its affiliated company BAN to General Electric (GE). In the context of this operation, it was agreed, in essence, that Dexia Bank would 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. They include the claim introduced by the receiver of L&H Holding before the civil court (see paragraph 6.2.6. above).

They also include the actions which BAN, as creditor, entered against Mr Bastiaens and against Messrs Lernout, Hauspie and Willaert, who had stood surety for Mr Bastiaens.

The action against Mr Bastiaens is still outstanding. The solvency of Mr Bastiaens is uncertain.

Messrs Lernout, Hauspie and Willaert were ordered to repay BAN USD 24,999,999. That decision is now final. The solvency of Messrs Lernout, Hauspie and Willaert is uncertain. The only genuine possibility of recovery is to be able to sell the Parvest shares on behalf of BAN.

Several parties have asserted rights over these Parvest shares, which were acquired by Messrs Lernout, Hauspie et Willaert with the proceeds of the sale of LHSP shares to Mr Bastiaens (cf. paragraph 6.2.6. above): the investigating magistrate on behalf of the Belgian state in the criminal case concerning LHSP with a view to confiscating them (on the grounds that those shares are the proceeds of a crime); the receiver in the insolvency of L&H Holding (because those shares were acquired by Messrs Lernout, Hauspie and Willaert through the sale of LHSP shares that belonged to L&H Holding) and KBC Bank (in its capacity as a creditor of L&H Holding). BAN has also taken possession of those shares and claims a right of distraint. Who finally ends up with these shares will depend among other things on the outcome of the criminal proceedings (see paragraph 6.2.3. above).

In addition, the Luxembourg Court of Appeal issued a decision on 12 July 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 30 June 2007 or to pay to CAIL the counter-value of these Parvest shares on 30 June 2007 if the latter were not delivered to CAIL prior to 1 July 2007. The Luxembourg Court of Appeal condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation.

As the lifting of the different seizures of Parvest shares has not been obtained, BAN paid the counter-value to BNP Paribas Luxembourg. Dexia Bank repaid that sum (USD 30,039,336.54) to BAN on 9 July 2007 in execution of the said guarantee in favour of GE (cf. line 1 of the present paragraph).

Both BNP Paribas Luxembourg and BAN appealed against the decision of the Luxembourg Court of Appeal to the Supreme Court of Appeal. In the meantime these appeals have been rejected.

On 20 November 2009 the Parvest shares were valued at USD 31,457,469.42.

6.2.8. PROVISIONS AND IMPAIRMENTS

On 31 December 2009, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounted to some EUR 42,284,075.60, of which EUR 8,746,160.54 reserved interests (see paragraphs 6.2.1., 6.2.2. and 6.2.7.). On the same date, value reductions within the context of the Lernout & Hauspie file amounted to some EUR 29,052,745.21. Dexia Bank expects to recover the difference in view of the available securities.

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 the likelihood of a court ruling ordering it to pay damages at less than 50%. The bank's lawyers are of the opinion that it has strong arguments to contest the charges brought against it.

• Dexia Bank observes that some of the civil actions (Deminor…), claim provisional amounts or do not justify the amount claimed.

• 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.

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

6.3. Financial Security Assurance

Financial Security Assurance Holdings Ltd and its subsidiary, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), former subsidiaries of the Dexia Group (collectively, "FSA"), along with numerous other banks, insurance companies and brokers, are subject to ongoing investigations in the United States by the Antitrust Division of the Department of Justice, the Internal Revenue Service and the Securities and Exchange Commission for alleged non-compliance with various US Federal antitrust, securities and other laws and regulations relating to their conduct, in the provision of Guaranteed Investment Contracts ("GICs") [1] to issuers of municipal bonds. A number of US States are also conducting parallel and similar investigations.

In connection with the foregoing, a number of private lawsuits, both putative class actions and otherwise, have been filed against a large number of banks, insurance companies and brokers, including FSA, Dexia and/or Assured Guaranty, alleging non-compliance with various US Federal and State antitrust, and securities regulations and seeking, among other things, damages in respect thereof. Such lawsuits, certain of which continue to name FSA, Dexia and/or Assured Guaranty as defendants, have been transferred to US Federal District Court in New York City for case management purposes. FSA, Dexia and Assured Guaranty are seeking the dismissal of all such lawsuits that continue to name them as defendants.

As part of its sale of FSA to Assured Guaranty, Dexia retained the Financial Products activity and, generally, agreed to indemnify FSA and Assured Guaranty for any losses they may suffer in relation to that activity and as a result of the foregoing investigations and lawsuits.

Dexia is not currently able to predict the timing or outcome, including potential financial consequences, of any of the foregoing investigations or lawsuits.

6.4. Investigations about alleged shortcomings in financial communication

A shareholder, Mr Robert Casanovas, lodged a complaint with the Public Prosecutors in Brussels and Paris on 11 March 2009. These complaints gave rise to the opening of two preliminary investigations.

Mr Casanovas also served direct summonses on the company Dexia SA and several former and current executives of the Group to appear on 29 October 2009 before the Criminal Court in Paris. A summary of these complaints as well as Dexia's position is included in the Financial Report in respect of the third quarter of 2009.

At the hearing on 29 October 2009, Mr Robert Casanovas and his wife Mrs Marie Christine Guil, who did not attend, withdrew their action against the company Dexia SA which acknowledged it. This withdrawal occurred after the Public Prosecutor in Paris, by decision dated 14 October 2009, dismissed the complaint filed by Mr Robert Casanovas and his wife Mrs Marie Christine Guil.

As to the complaint lodged in Brussels, by decision dated 15 December 2009, the Public Prosecutor dismissed the charges against Dexia.

(1) Guaranteed investment contracts (GICs) were issued by subsidiaries of FSA Holdings in exchange for funds submitted by US local authorities or by securitisation issuers. With varying terms and repayment conditions, GICs give rights to their holders to receive interest at a guaranteed (fixed or variable) rate. The principal and interest of the contracts were guaranteed by FSA Inc., and remain so after the purchase of that company by Assured Guaranty.

6.5. Dexia banka Slovensko

Dexia banka Slovensko made a provision of EUR 100 million in 2008 within the context of currency transactions carried out by clients who proved to be unable to meet the margin calls caused by those transactions. In June 2009, one of these clients commenced a court action against the bank claiming EUR 162 million for non-compliance with the legislation and with contracts. For its part, Dexia filed pleadings applying for compensation for the loss caused to it by that counterparty. The competent jurisdiction appointed an expert to assess the loss and the procedures of Dexia banka Slovensko, and the parties to the case instructed their own experts. According to the client's expert, the latter's loss would amount to EUR 110 million, which the bank contests, considering the action unsubstantiated, and for which it has made no complementary provision. At this stage in the proceedings, Dexia is not in a position to predict the outcome.

6.6. Dexia Crediop

Investigations are under way in Italy on the use by local authorities of derivative products, and Dexia Crediop, like other banking establishments, has been heard on its activities and practices by a parliamentary commission. The bank responded to requests for documentation within the context of the ongoing enquiries. An action has been commenced by two clients against the bank.

Under Italian law, a debt restructuring transaction is only possible if it leads to a reduction of the cost weighing on the local authority. In these disputes, the legal question posed consists of knowing whether the cost to be taken into consideration includes hedge transactions or not. The two cases, the financial stakes of which are modest, are in their initial phase, and their outcome cannot be reasonably foreseen at this stage.

6.7. Dexia Israël

In May 2002, a complaint was filed in relation to the purchase by Dexia of shares held by the state of Israel claiming non-compliance with company law. In April 2009, the Central District Court rejected the application for a class action formulated by the complainants. In June 2009, the latter appealed to the Supreme Court, and the parties have to submit their arguments by mid-2010 for judgement in November 2010.

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7. Notes on the assets of the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

7.1. Cash and cash equivalents

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

A. ANALYSIS BY NATURE

	31/12/08	31/12/09
Cash and balances with central banks	2,438	2,668
Loans and advances due from banks	43,700	32,827
Financial assets available for sale	3,195	3,690
Financial assets held for trading	378	83
Financial assets designated at fair value	4	2
Non current assets held for sale	0	126
TOTAL	**49,715**	**39,396**

B. OF WHICH RESTRICTED CASH

	31/12/08	31/12/09
Mandatory reserves (1)	957	839
Cash collaterals	26,421	25,144
Other	2	2
TOTAL	**27,380**	**25,986**

(1) Mandatory reserves: minimum reserve deposits credit institutions must have with European Central Bank or with other central banks.

7.2. Cash and balances with central banks

ANALYSIS BY NATURE

	31/12/08	31/12/09
Cash in hand	714	666
Balances with central banks other than mandatory reserve deposits	768	1,163
Mandatory reserve deposits	966	844
TOTAL	**2,448**	**2,673**
of which included in cash and cash equivalents	2,438	2,668

7.3. Loans and advances due from banks

A. ANALYSIS BY NATURE

	31/12/08	31/12/09
Nostro accounts and cash collaterals	31,447	28,367
Reverse repurchase agreements	9,387	3,385
Loans and other advances	15,210	10,500
Debt instruments	5,863	5,233
Impaired loans	111	11
Impaired debt instruments	9	2
Less:		
Specific impairment on impaired loans or impaired debt instruments	(98)	(9)
Collective impairment	(65)	(62)
TOTAL	**61,864**	**47,427**
of which included in cash and cash equivalents	43,700	32,827

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 COUNTERPARTY

	31/12/08	31/12/09
Public sector	196,409	185,764
Other	172,426	167,488
Impaired loans	1,623	2,781
Impaired debt instruments	1,911	2,026
Less:		
Specific impairment on impaired loans or impaired debt instruments (1)	(2,083)	(2,657)
Collective impairment (2)	(1,441)	(1,415)
TOTAL	**368,845**	**353,987**
of which included in finance lease	5,002	5,125

(1) 31 Dec. 2008: of which EUR 78 million relating to share leasing of DBnl and EUR 1,059 million relating to Financial Products activities of FSA; 31 Dec. 2009: of which EUR 1,150 million relating to Dexia FP.
(2) 31 Dec. 2008: of which EUR 76 million relating to share leasing of DBnl and EUR 316 million relating to Financial Products activities of FSA; 31 Dec. 2009: of which EUR 239 million relating to Dexia FP.

B. ANALYSIS BY NATURE

	31/12/08	31/12/09
Cash collaterals	3,416	3,789
Reverse repurchase agreements	4,690	1,158
Loans and other advances	259,275	258,183
Debt instruments	101,454	90,122
Impaired loans	1,623	2,781
Impaired debt instruments	1,911	2,026
Less:		
Specific impairment on impaired loans or impaired debt instruments (1)	(2,083)	(2,657)
Collective impairment (2)	(1,441)	(1,415)
TOTAL	**368,845**	**353,987**
of which included in finance lease	5,002	5,125

(1) 31 Dec. 2008: of which EUR 78 million relating to share leasing of DBnl and EUR 1,059 million relating to Financial Products activities of FSA; 31 Dec. 2009: of which EUR 1,150 million relating to Dexia FP.
(2) 31 Dec. 2008: of which EUR 76 million relating to share leasing of DBnl and EUR 316 million relating to Financial Products activities of FSA; 31 Dec. 2009: of which EUR 239 million relating to Dexia FP.

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 (IAS39 AMENDED)

See note 7.7.

7.5. Financial assets measured at fair value through profit or loss

	31/12/08	31/12/09
Financial assets held for trading	10,836	6,362
Financial assets designated at fair value	5,208	3,715
TOTAL	**16,044**	**10,077**

7.5.1. FINANCIAL ASSETS HELD FOR TRADING

A. ANALYSIS BY COUNTERPARTY

	31/12/08	31/12/09
Public sector	1,302	1,200
Banks	1,257	377
Other	8,277	4,784
TOTAL	**10,836**	**6,362**
of which included in cash and cash equivalents	378	83

B. ANALYSIS BY NATURE

	31/12/08	31/12/09
Loans	3	0
Bonds issued by public bodies	842	1,105
Other bonds and fixed-income instruments	9,834	5,081
Equity and variable-income instruments	157	176
TOTAL	**10,836**	**6,362**

C. TREASURY BILLS AND OTHER ELIGIBLE BILLS FOR REFINANCING TO THE CENTRAL BANKS

	31/12/08	31/12/09
Treasury bills and other eligible bills for refinancing to the central banks	423	669

D. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS WITH OTHER BANKS

	31/12/08 Market value	31/12/09 Market value
Included in bonds issued by public bodies (1)	472	570
Included in other bonds and fixed-income instruments	907	259

(1) Figures as at 31 December 2008 have been restated.

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 (IAS39 AMENDED)

See note 7.7.

7.5.2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

A. ANALYSIS BY COUNTERPARTY

	31/12/08	31/102/09
Public sector	190	209
Banks	512	29
Other	4,506	3,477
TOTAL	5,208	3,715
of which included in cash and cash equivalents	4	2

B. ANALYSIS BY NATURE

	31/12/08	31/12/09
Loans	67	49
Bonds issued by public bodies	184	46
Other bonds and fixed-income instruments	396	394
Equity and variable-income instruments	39	31
Unit linked products Insurance	4,522	3,194
TOTAL	5,208	3,715

C. TREASURY BILLS AND OTHER ELIGIBLE BILLS FOR REFINANCING TO THE CENTRAL BANKS

	31/12/08	31/12/09
Treasury bills and other eligible bills for refinancing to the central banks	30	0

D. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS WITH OTHER BANKS

	31/12/08 Market value	31/12/09 Market value
Included in other bonds and fixed-income instruments	1	0

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 determined by Group Risk Management.

The pricing tool is a discounted cash flow model whereby the net present value is determined by an interest rate based on available market rates applicable for similar assets and for issuers with a similar credit rating.

7.6. Financial investments

A. ANALYSIS BY COUNTERPARTY

	31/12/08	31/12/09
Public sector	53,359	45,578
Banks	55,876	43,508
Others	14,842	15,751
Impaired financial investments	2,613	1,267
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**126,690**	**106,104**
Less:		
Specific and collective impairment on impaired financial investments [1]	(1,661)	(853)
TOTAL	**125,029**	**105,251**
of which included in cash and cash equivalents	3,195	3,690

(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	
	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09
Loans	46	43	0	0	46	43
Bonds issued by public bodies	46,294	41,023	1,147	887	47,441	41,910
Other bonds and fixed-income instruments	73,761	59,838	820	679	74,581	60,517
Equity and variable-income instruments	4,622	3,634	0	0	4,622	3,634
TOTAL	**124,723**	**104,538**	**1,967**	**1,565**	**126,690**	**106,104**

E. CONVERTIBLE BONDS INCLUDED IN THE AVAILABLE-FOR-SALE PORTFOLIO (POSITION GREATER THAN EUR 50 MILLION)

Nil.

F. TRANSFERS BETWEEN PORTFOLIOS

	31/12/08	31/12/09
Securities transferred from the AFS to the HTM portfolio during the year [1]	(304)	0
Impact on equity related to the transfer to the-held-to-maturity portfolio	(1)	0

(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)

	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 as at 1 Oct. 2008	6,591	2,704	90,784
Carrying amount of assets reclassified as at 31 Dec. 2008 (A)	6,342	2,655	95,522
Fair value of assets reclassified as at 31 Dec. 2008 (B)	6,298	2,651	93,399
AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(44)**	**(4)**	**n.a.**
AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(2,123)**
P/D amortization in P&L during the year	28	12	n.a.
P/D amortization in AFS Reserve during the year	n.a.	n.a.	293
Carrying amount of assets reclassified as at 1 Oct. 2008	6,591	2,704	90,784
Carrying amount of assets reclassified as at 1 Jan. 2009	0	0	874
Carrying amount of assets reclassified as at 31 Dec. 2009 (A)	5,214	589	83,763
Fair value of assets reclassified at 31 Dec. 2009 (B)	5,070	713	83,201
CUMULATED AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(144)**	**124**	**n.a.**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(562)**
P/D amortization in P&L during the year	103	59	n.a.
P/D amortization in AFS Reserve during the year	n.a.	n.a.	892

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 1 October 2008 (see annual report 2008) and 1 January 2009.

On 1 January 2009 the Group reclassified some Available-for-sale financial assets to "Loans and Receivables", mainly in the insurance portfolios. The Group identified assets, eligible under the amendments, for which at the reclassification date it had a clear change of intent and ability to hold for the foreseeable future rather than to exit or trade in the short term. The reclassifications were made at the fair value of the assets at the reclassification date.

The effective interest rates at reclassification date on assets reclassified on 1 January 2009 ranged from 2.4% to 37.1%. The reimbursement amount of those assets reclassified was EUR 1,061 million. If these financial assets had not been reclassified, in 2009, there would have been a further positive movement in shareholders' equity ("Net gains (losses) not recognised in the income statement") of EUR 129 million.

Impacts of reclassifications of 2008 and 2009 on 2009 equity and results

Transfer from "Held for Trading" to "Loans and Receivables" (L&R) and "Available for Sale" (AFS)

The difference between the carrying amount at reclassification date and the reimbursement amount is amortised on the remaining period. The impact of this amortization on the result of the period is shown in the line "P/D amortization in P&L during the year".

The difference between the "Carrying amount of reclassified assets as at 31 December 2009" and the fair value represents the cumulated changes in fair value as from reclassification date until 31 December 2009 and also includes the cumulated amortization of the premium discount since reclassification.The difference is positive for trading assets reclassified in AFS as markets have become more liquid and spreads have decreased in 2009, whereas for trading assets reclassified in "Loans & Receivables", markets remain illiquid and the difference is estimated negative, based on model valuations.

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", except for the financial products portfolio (see annual report 2008).

The impact on the result regarding the "cost of risk" is the net of allocation and use of collective impairment and specific impairments. In 2009, the net impact is estimated to an additional charge of EUR 108 million before tax.

If there is objective evidence of impairment for a financial asset initially classified as "Available for Sale" but reclassified to "Loans and Receivables" in accordance with the amended IAS 39, any difference between the net present value of expected future cash flows, discounted at the effective interest rate at date of reclassification, and the carrying amount is recognised as an impairment loss. Consequently, any oustanding non-amortised amount recognised in the Available-for-Sale Reserve is recognised as an impairment loss as well. The latter mainly includes non-economic losses that will be reversed in the future through the interest margin.

The decrease of the carrying amount of the reclassified assets comes mainly from repayments, prepayments and opportunistic sale of bonds in the context of balance sheet management.

In comparison with 2008, the decrease of the difference between the carrying amount of reclassified assets and its fair value reflects the decrease of credit and liquidity spreads on the markets.

Impact on interest margin

For assets transferred from AFS to L&R, the amortization of the premium 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 impact in 2009 on the interest margin of the amortization of the negative mark-to-market of previous periods amounted EUR 162 million.

7.8. Investments in associates

A. CARRYING VALUE

	2008	2009
CARRYING VALUE AS AT 1 JAN.	**861**	**682**
- Acquisitions	34	0
- Disposals (1)	(5)	(392)
- Change in scope of consolidation (out) (2)	(41)	(7)
- Share of result before tax	31	55
- Share of tax	(20)	(15)
- Dividend paid	(47)	(33)
- Changes in goodwill (see below)	(1)	(142)
- Share of gains and losses not recognized in the income statement	(121)	22
- Translation adjustments	2	0
- Impairment: booked	(12)	0
- Other	1	1
CARRYING VALUE AS AT 31 DEC.	**682**	**171**

(1) Crédit du Nord in 2009.
(2) Mainly Kommunalkredit Austria AG in 2008.

B. POSITIVE GOODWILL INCLUDED IN CARRYING VALUE

	2008	2009
ACQUISITION COST AS AT 1 JAN.	**229**	**210**
- Change in scope of consolidation (out) (1)	(19)	0
- Disposals (2)	0	(178)
ACQUISITION COST AS AT 31 DEC. (A)	**210**	**33**
ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT AS AT 1 JAN.	**(46)**	**(41)**
- Booked	(12)	0
- Change in scope of consolidation (out) (1)	17	0
- Disposals (2)	0	36
ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT AS AT 31 DEC. (B)	**(41)**	**(6)**
NET CARRYING AMOUNT AS AT 31 DEC. (A)+(B)	**169**	**27**

(1) Mainly Kommunalkredit Austria AG in 2008.
(2) Crédit du Nord.

C. LIST OF MAJOR ASSOCIATES

Associates	2008 Book value	2008 Fair value of investment	2009 Book value	2009 Fair value of investment	Website
Crédit du Nord	507	700	0	0	www.groupe-credit-du-nord.com
SLF Finances SA	64	64	64	64	www.slf.be
Popular Banca Privada	46	58	48	64	www.popularbancaprivada.es
TOTAL	**617**	**822**	**112**	**128**	

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 AT 1 JAN. 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 AT 31 DEC. 2008 (A)	**2,046**	**3**	**1,138**	**65**	**124**	**988**	**4,364**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 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 AT 31 DEC. 2008 (B)	**(583)**	**0**	**(832)**	**(41)**	**(41)**	**(514)**	**(2,011)**
NET BOOK VALUE AS AT 31 DEC. 2008 (A)+(B)	**1,463**	**3**	**306**	**24**	**83**	**474**	**2,353**

	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 AT 1 JAN. 2009	**2,046**	**3**	**1,137**	**65**	**124**	**988**	**4,363**
- Acquisitions	186	0	88	14	43	134	464
- Subsequent expenditures	5	0	0	0	0	27	32
- Disposals	(123)	0	(80)	0	(18)	(11)	(233)
- Change in scope of consolidation (out)	(5)	0	(1)	0	0	(1)	(8)
- Transfers and cancellations	(68)	0	(19)	0	(9)	(25)	(122)
- Translation adjustments	1	0	0	0	0	0	1
- Other	0	0	0	0	1	0	1
ACQUISITION COST AS AT 31 DEC. 2009 (A)	**2,041**	**3**	**1,124**	**78**	**141**	**1,112**	**4,499**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 2009	**(583)**	**0**	**(831)**	**(41)**	**(42)**	**(513)**	**(2,010)**
- Booked	(81)	(1)	(71)	(9)	(20)	(73)	(256)
- Write-back	0	0	1	0	0	0	1
- Disposals	17	0	36	0	10	8	71
- Change in scope of consolidation (out)	1	0	1	0	0	1	2
- Transfers and cancellations	15	0	20	0	8	47	90
- Translation adjustments	0	0	0	0	0	0	(1)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DEC. 2009 (B)	**(632)**	**(1)**	**(845)**	**(50)**	**(44)**	**(531)**	**(2,103)**
NET BOOK VALUE AS AT 31 DEC. 2009 (A)+(B)	**1,409**	**2**	**279**	**28**	**96**	**581**	**2,396**

B. FAIR VALUE OF INVESTMENT PROPERTY

	31/12/08	31/12/09
Fair value subject to an independent valuation	0	58
Fair value not subject to an independent valuation	509	522
TOTAL	**509**	**581**

C. EXPENDITURES

	31/12/08	31/12/09
Expenditures capitalised for the construction of property, plant & equipment	51	3

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 AT 1 JAN. 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 AT 31 DEC. 2008 (A)	**1,936**	**714**	**612**	**3,262**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 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 AT 31 DEC. 2008 (B)	**(186)**	**(522)**	**(361)**	**(1,069)**
NET BOOK VALUE AS AT 31 DEC. 2008 (A)+(B)	**1,750**	**192**	**251**	**2,193**

(1) Other intangible assets include purchased software and intangible assets identified in the purchase of DenizBank group.

	Positive goodwill	Internally developed software	Other intangible assets (1)	Total
ACQUISITION COST AS AT 1 JAN. 2009	**1,936**	**714**	**612**	**3,262**
- Acquisitions	0	85	48	133
- Disposals	0	(2)	(1)	(3)
- Change in scope of consolidation (out)	(10)	0	(1)	(11)
- Transfers and cancellations	0	(1)	(27)	(28)
- Translation adjustments	0	3	(1)	2
- Other	0	0	(1)	(1)
ACQUISITION COST AS AT 31 DEC. 2009 (A)	**1,926**	**800**	**628**	**3,353**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 2009	**(186)**	**(521)**	**(361)**	**(1,069)**
- Booked	(6)	(62)	(68)	(135)
- Change in scope of consolidation (out)	8	0	1	9
- Disposals	0	0	1	1
- Transfers and cancellations	0	1	19	20
- Translation adjustments	(2)	(1)	0	(2)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DEC. 2009 (B)	**(186)**	**(583)**	**(408)**	**(1,176)**
NET BOOK VALUE AS AT 31 DEC. 2009 (A)+(B)	**1,740**	**217**	**220**	**2,177**

(1) Other intangible assets include purchased softwares and intangible assets identified in the purchase of DenizBank group.

7.11. Tax assets

	31/12/08	31/12/09
Current taxes	160	200
Deferred tax assets (see note 9.2.)	3,979	2,718
TOTAL	**4,139**	**2,919**

Deferred tax assets (DTA) are constituted for an amount of EUR 1.95 billion (3.1 billion in 2008) by DTA coming from negative AFS reserves on bonds and by DTA on cash flow hedges reserves for EUR 0.15 billion (0.2 billion in 2008).

Apart from this, it relates to other elements including recoverable tax losses and provisions.

7.12. Other assets

	31/12/08	31/12/09
Other assets	1,804	1,713
Other assets specific to insurance companies	194	182
TOTAL	**1,998**	**1,895**

A. OTHER ASSETS

Analysis by nature	31/12/08	31/12/09
Accrued income	106	109
Deferred expenses	89	60
Other accounts receivables	1,232	902
Plan assets (1)	17	19
Long-term construction contracts	1	0
Inventories	4	18
Operational taxes	82	76
Other assets	273	529
TOTAL	**1,804**	**1,713**

(1) See note 8.6.i.

B. OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES

Analysis by nature (acquisition costs and share of reinsurers)	31/12/08	31/12/09
Share of the reinsurers in the technical reserves	87	76
Receivables resulting from direct insurance transactions	64	50
Premiums still to be issued	1	0
Other insurance assets	42	57
Impaired insurance assets	1	0
Less:		
Specific impairment	(1)	0
TOTAL	**194**	**182**

7.13. Non-current assets held for sale

	31/12/08	31/12/09
Assets of subsidiaries held for sale (1)	6,225	4,296
Tangible and intangible assets held for sale	33	54
Other assets	2	1
TOTAL	**6,260**	**4,350**

(1) 2008: FSA Inc.; 2009: Dexia Epargne Pension. See note 9.5.C. Analysis of groups held for sale.

7.14. Leasing

7.14.1. DEXIA AS A LESSOR

A. FINANCE LEASE

Gross investment in finance leases:	31/12/08	31/12/09
Not later than 1 year	1,033	1,124
Later than 1 year and not later than 5 years	2,308	2,075
Later than 5 years	2,615	2,760
SUBTOTAL (A)	**5,956**	**5,959**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**962**	**835**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**4,994**	**5,124**

The net investment in finance leases:	31/12/08	31/12/09
Not later than 1 year	848	957
Later than 1 year and not later than 5 years	1,949	1,756
Later than 5 years	2,197	2,412
TOTAL	**4,994**	**5,124**

	31/12/08	31/12/09
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	31	37
Estimated fair value of finance lease	4,780	4,849
Accumulated allowance for uncollectible minimum lease payments receivable	19	27

B. OPERATING LEASE

Future net minimum lease receivables under non-cancelable operating leases are as follows:	31/12/08	31/12/09
Not later than 1 year	36	41
Later than 1 year and not later than 5 years	94	92
Later than 5 years	55	48
TOTAL	**185**	**181**
Amount of contingent rents recognised in statement of income during the period	1	1

7.14.2. DEXIA AS A 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:	31/12/08	31/12/09
Not later than 1 year	99	108
Later than 1 year and not later than 5 years	314	268
Later than 5 years	273	232
TOTAL	**686**	**608**

Amount of future minimum sublease payments expected to be received under non-cancelable subleases at the balance-sheet date	10	8

Lease and sublease payments recognised as an expense during the period:		
- minimum lease payments	159	177
- sublease payments	(7)	(3)
TOTAL	**152**	**175**

7.15. Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/08	31/12/09
Normal loans and advances due from banks	61,907	47,485
Normal loans and advances to customers	368,835	353,252
Normal investments held to maturity	1,967	1,565
Normal financial assets available for sale	122,110	103,272
- of which fixed-income instruments	*118,976*	*100,094*
- of which equity instruments	*3,134*	*3,178*
Collective impairment on not specifically impaired loans (-)	(1,506)	(1,477)
TOTAL	**553,313**	**504,097**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Total (B)+(C)	
	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09
Impaired loans and advances due from banks	120	13	(98)	(9)	22	4
Impaired loans and advances to customers	3,534	4,807	(2,083)	(2,657)	1,451	2,151
Impaired financial assets available for sale	2,613	1,267	(1,661)	(853)	952	413
- of which fixed-income instruments	*1,125*	*810*	*(817)*	*(652)*	*308*	*158*
- of which equity instruments	*1,488*	*457*	*(844)*	*(201)*	*644*	*256*
TOTAL	**6,267**	**6,087**	**(3,842)**	**(3,519)**	**2,425**	**2,568**

Normal + impaired	Gross amount (A)+(B)		Specific loan loss allowance (C)		Total (A)+(B)+(C)	
	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09
Loans and advances due from banks	62,027	47,498	(98)	(9)	61,929	47,489
Loans and advances to customers	372,369	358,059	(2,083)	(2,657)	370,286	355,402
Investments held to maturity	1,967	1,565	0	0	1,967	1,565
Financial assets available for sale	124,723	104,538	(1,661)	(853)	123,062	103,685
- of which fixed-income instruments	*120,101*	*100,904*	*(817)*	*(652)*	*119,284*	*100,252*
- of which equity instruments	*4,622*	*3,634*	*(844)*	*(201)*	*3,778*	*3,433*
Collective impairment on not impaired loans (-)	(1,506)	(1,477)	0	0	(1,506)	(1,477)
TOTAL	**559,580**	**510,184**	**(3,842)**	**(3,519)**	**555,738**	**506,665**

8. Notes on the liabilities of the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

8.1. Due to banks

A. ANALYSIS BY NATURE

	31/12/08	31/12/09
On demand	13,197	3,356
Term	12,393	9,852
Repurchase activity	35,331	31,512
Central banks	120,559	54,502
Other borrowings	31,712	24,502
TOTAL	**213,192**	**123,724**

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

	31/12/08	31/12/09
Demand deposits	30,874	34,174
Savings deposits	26,072	33,859
Term deposits	42,587	24,217
Other customer deposits	2,807	5,489
TOTAL CUSTOMER DEPOSITS	**102,340**	**97,739**
Repurchase activity	9,314	20,180
Other borrowings	3,074	3,030
TOTAL CUSTOMER BORROWINGS	**12,388**	**23,211**
TOTAL	**114,728**	**120,950**

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

	31/12/08	31/12/09
Financial liabilities held for trading	273	275
Financial liabilities designated at fair value	18,679	19,070
TOTAL	**18,952**	**19,345**

8.3.1. FINANCIAL LIABILITIES HELD FOR TRADING

A. ANALYSIS BY NATURE

	31/12/08	31/12/09
Bonds issued by public bodies	216	191
Other bonds	7	12
Equity instruments	50	72
TOTAL	**273**	**275**

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.

8.3.2. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

A. ANALYSIS BY NATURE

	31/12/08	31/12/09
Non-subordinated liabilities	15,135	15,520
Subordinated liabilities (1)	347	353
Unit-linked products	3,197	3,197
TOTAL	**18,679**	**19,070**

(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), for 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 Dexia Financial Products Inc. and FSA Global Funding Ltd 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 are subject to the FVO classification:

a) Fixed rate liabilities that are highly customised funding contracts that are tailored to the specific needs of the investor (GIC activities). The own credit spread is calculated based on benchmark spread;

b) FSA Global Funding fixed rate liabilities.

The credit spread used is the Long Term Funding spread used by Dexia for its own funding.

3) by companies issuing debt with embedded derivatives.

The pricing tools used and the procedures followed to determine the fair value for non-listed financial instruments classified under the fair value option, are set up by Group Risk Management.
The pricing tool is a discounted cash flow model whereby the net present value is determined by an interest rate based on available market rates applicable for similar securities and taking into account our own credit rating.

8.4. Debt securities

A. ANALYSIS BY NATURE

	31/12/08	31/12/09
Certificates of deposit	16,466	33,246
Customer savings certificates	5,011	13,136
Convertible debts	3	2
Non-convertible bonds	166,640	166,681
TOTAL	**188,120**	**213,065**

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

We refer to the note 9.4.C. in which the engagements taken by Dexia with respect to Tier 1 and Tier 2 issuances are disclosed.

Non-convertible subordinated debt	31/12/08	31/12/09
Loan capital perpetual subordinated notes	823	732
Other	3,352	3,146
TOTAL	**4,175**	**3,879**

List available on request.

	31/12/08	31/12/09
Hybrid capital and redeemable preference shares	232	232

Dexia Banque Internationale à Luxembourg has issued on 6 July 2001 an hybrid capital instrument perpetual of EUR 225 million at the rate of 6.821%, refunding only possible annually as from 6 July 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

	31/12/08	31/12/09
Litigation claims (1)	248	329
Restructuring	181	160
Long-term defined benefit plans	676	686
Other postretirement obligations	52	54
Other long-term employee benefits	36	39
Provision for off-balance-sheet credit commitments (2)	121	152
Onerous contracts	54	52
Other provisions (non insurance) (3)	119	109
TOTAL (4)	**1,487**	**1,581**

(1) Provisions for litigations, include provisions relating to staff, to taxes, for administrative and other claims.
(2) Of which EUR 81 million and EUR 109 million relating to Dexia Bank Nederland (Legio Lease Provision) for 2008 and 2009 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 analysed 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 AT 1 JAN. 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)
Utilised during the year	(55)	(32)	(60)	(72)	(7)	(30)
Transfers	65	0	0	(72)	0	(66)
AS AT 31 DEC. 2008	**248**	**181**	**764**	**121**	**54**	**119**

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions
AS AT 1 JAN. 2009	**248**	**181**	**764**	**121**	**54**	**119**
Exchange difference	(4)	0	1	(3)	0	(1)
Additional provisions	106	57	105	58	5	24
Unused amounts reversed	(49)	(34)	(29)	(6)	0	(19)
Utilised during the year	(14)	(44)	(65)	(6)	(7)	(14)
Transfers	43	0	3	(12)	0	0
AS AT 31 DEC. 2009	**329**	**160**	**778**	**152**	**52**	**109**

C. ANALYSIS BY MATURITY

See note 12.6.

D. PROVISIONS FOR PENSIONS AND OTHER LONG-TERM BENEFITS

a. Change in benefit obligation	31/12/08	31/12/09
1. Benefit obligation as at beginning of year	1,948	1,897
2. Current service cost	88	81
3. Interest cost	103	105
4. Plan participants' contributions	7	7
5. Amendments	2	(2)
6. Actuarial (gains)/losses	(140)	183
7. Benefits paid	(118)	(69)
8. Premiums paid	(4)	(4)
9. Acquisitions/divestitures	18	0
10. Plan curtailments	0	(8)
11. Plan settlements	0	(195)
12. Exchange rate changes	(7)	5
13. BENEFIT OBLIGATION AS AT END OF YEAR	**1,897**	**2,001**

b. Change in plan assets	31/12/08	31/12/09
1. Fair value of plan assets as of beginning of year	1,380	1,287
2. Expected return on plan assets	79	65
3. Actuarial gains/(losses) on plan assets	(141)	47
4. Employer contributions	83	95
5. Member contributions	6	6
6. Benefits paid	(118)	(69)
7. Premiums paid	(4)	(4)
8. Plan settlements	0	(195)
9. Acquisitions/divestitures	9	0
10. Exchange rate changes	(7)	5
11. FAIR VALUE OF PLAN ASSETS AS AT END OF YEAR	**1,287**	**1,237**

c. Amounts recognised in the balance sheet	31/12/08	31/12/09
1. Present value of funded obligations	1,357	1,390
2. Fair value of plan assets	1,287	1,237
3. Deficit/(surplus) for funded plans	70	153
4. Present value of unfunded obligations	540	611
5. Unrecognised net actuarial gains/(losses)	130	(16)
6. Unrecognised past service (cost)/benefit	0	1
7. Effect of paragraph 58(b) limit	7	9
8. NET LIABILITY/(ASSET)	**747**	**758**
Amounts in the balance sheet		
1. Liabilities	764	780
2. Assets	(17)	(22)
3. NET LIABILITY/(ASSET)	**747**	**758**

d. Components of pension cost	31/12/08	31/12/09
Amounts recognised in statement of income		
1. Current service cost	88	82
2. Interest cost	103	106
3. Expected return on plan assets	(79)	(65)
4. Amortization of past service cost incl. §58(a)	3	(1)
5. Amortization of net (gain)/loss incl. §58(a)	(10)	(11)
6. Effect of §58(b) limit	1	2
7. Curtailment (gain)/loss recognised	0	(8)
8. TOTAL PENSION COST RECOGNISED IN THE STATEMENT OF INCOME	**106**	**105**
Actual return on assets		
Actual return on plan assets	(62)	112
Actual return on reimbursement assets	0	5

e. Balance-sheet reconciliation	31/12/08	31/12/09
1. Balance-sheet liability/(asset) as at beginning of year	714	747
2. Pension expense recognised in statement of income in the financial year	106	105
3. Amounts recognised in SORIE in the financial year	0	0
4. Employer contributions made in the financial year	62	60
5. Benefits paid directly by company in the financial year	21	35
6. Credit to reimbursements	0	0
7. Net transfer in/(out) (including the effect of any business combinations/divestitures)	9	0
8. Exchange rate adjustment – (gain)/loss	1	1
9. BALANCE-SHEET LIABILITY/(ASSET) AS AT END OF YEAR (1)+(2)+(3)-(4)-(5)+(6)+(7)+(8)	**747**	**758**

f. Plan assets	Percentage of plan assets	
Asset category	31/12/08	31/12/09
1. Equity securities	13.03%	12.32%
2. Debt securities	85.07%	84.94%
3. Real estate	0.34%	0.33%
4. Other (1)	1.56%	2.41%

(1) Includes qualifying insurance policies.

g. History of experience gains and losses	31/12/06	31/12/07	31/12/08	31/12/09
1. Difference between the actual and expected return on plan assets				
a. Amount	(28)	(44)	(141)	47
b. Percentage of plan assets	-2.00%	-3.00%	-11.00%	4.00%
2. Experience gains (-) and losses on plan liabilities				
a. Amount	(31)	(53)	(5)	(18)
b. Percentage of present value of plan liabilities	-1.00%	-3.00%	0.00%	-1.00%

h. Range of assumptions to determine pension expense

	31/12/08					
	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%

	31/12/09					
	Discount rate	**Inflation**	**Expected return on assets**	**Expected return on bonds**	**Expected return on shares**	**Salary increase rate**
Europe	3.50% – 5.00%	2.50%	4.20% – 5.55%	2.95% – 4.68%	5.95% – 7.68%	2.50% – 5.50%
Switzerland	3.25%	0.90%	3.50%	3.25%	6.70%	2.50%
United Kingdom	5.70%	3.60%	6.74%	4.20%	8.40%	4.70%

Comment on assumptions:
Return on shares takes into account a risk premium.
The expected return on assets is function of the asset allocation.

I. Reconciliation with financial statements

Long-term obligations	**2008**	**2009**
Outstanding liability relating to defined benefit plans	676	686
Outstanding liability relating to other postretirement obligations	52	54
Outstanding liability relating to other long-term employee benefits	36	39
Total outstanding liability reported in the financial statements (1)	**764**	**779**
Total liability calculated by actuarials	**764**	**780**
TOTAL LIABILITY RELATING TO INSIGNIFICANT PLANS	**0**	**(1)**
Outstanding asset reported in the financial statements (2)	**17**	**19**
Total assets analysed by actuarials	**17**	**22**
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	**0**	**(3)**

(1) See note 8.6.A.
(2) See note 7.12.A.

j. Concentration risk

Some of Dexia's plan assets are insurance policies issued by Ethias.
The fair value of the plan assets amounts to respectively EUR 954 million as at 31 December 2008 and EUR 870 million as at 31 December 2009.

Sensibility to changes of interest rates

An increase/decrease of 25bp of interest rate would lead to the following consequences on 2009 amounts:
The Benefit Obligation as at end of the year 2009 would decrease/increase by 2.8/2.9% but the amount reported in "provision" would remain unchanged for the pension plans as the actuarial gains and losses would absorb the differences.
The service cost for the year 2010 would decrease/increase by 3.2/3.3%, interest cost would increase/decrease by 2.0/2.2% and the expected return on plan assets would increase/decrease by 5.1/5.1%.
The total net pension cost would decrease/increase in 2010 by 3.6/4.4% as a decrease of 25bp would result in a higher amortization of actuarial losses.
Without any amortization, the decrease/increase of total net pension cost would be 3.5/3.4%.

E. DEFINED CONTRIBUTION PLAN

Contributions to legal pensions are not included in the amounts.
The amount recognised as an expense for defined contribution plans was EUR 26.7 million for 2009 compared to EUR 30 million for 2008.

8.7. Tax liabilities

Analysis by nature	31/12/08	31/12/09
Current income tax	231	207
Deferred tax liabilities (see note 9.2.)	71	31
TOTAL	**302**	**238**

8.8. Other liabilities

	31/12/08	31/12/09
Other liabilities (except relating to insurance companies)	4,230	4,350
Other liabilities specific to insurance activities	163	235
TOTAL	**4,393**	**4,585**

A. OTHER LIABILITIES

	31/12/08	31/12/09
Accrued costs	238	529
Deferred income	311	408
Subsidies	84	91
Other accounts payable	2,369	2,116
Other granted amounts received	1	1
Salaries and social charges (payable)	316	291
Shareholder dividends payable	115	101
Operational taxes	159	165
Other liabilities	637	649
TOTAL	**4,230**	**4,350**

B. LIABILITIES SPECIFIC TO INSURANCE ACTIVITIES

	31/12/08	31/12/09
Debts for deposits from assignees	32	31
Debts resulting from direct insurance transactions	111	189
Debts resulting from reinsurance transactions	20	14
TOTAL	**163**	**235**

8.9. Liabilities included in disposal groups held for sale

	31/12/08	31/12/09
Liabilities of subsidiaries held for sale (1)	5,691	4,332
TOTAL	**5,691**	**4,332**

(1) 2008: FSA Inc.; 2009: Dexia Epargne Pension. See note 9.5.C. "Analysis of groups held for sale".

9. Other notes on the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

9.1. Derivatives

A. ANALYSIS BY NATURE

	31/12/08		31/12/09	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	45,408	42,094	30,585	31,891
Derivatives designated as fair value hedges	3,214	22,605	4,674	17,438
Derivatives designated as cash flow hedges	1,332	2,508	811	1,285
Derivatives of portfolio hedge	5,238	8,627	4,658	7,728
Derivatives designated as hedge of a net investment in foreign entities	21	0	0	22
TOTAL	**55,213**	**75,834**	**40,728**	**58,364**

B. DETAIL OF DERIVATIVES HELD FOR TRADING

	31/12/08				31/12/09			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**83,489**	**83,366**	**3,409**	**2,215**	**82,149**	**82,641**	**1,331**	**1,530**
FX forward	33,276	33,557	813	764	40,518	40,484	555	461
FX future	8	9	0	1	17	16	1	0
Cross currency swap	34,910	34,997	1,835	1,270	28,555	28,988	750	1,029
FX option	14,886	14,412	744	174	1,665	1,682	23	38
FX forward rate agreement	0	0	0	0	19	20	0	0
Other currency (FX)	409	391	17	6	11,375	11,451	2	2
Interest-rate derivatives	**917,943**	**928,812**	**35,263**	**35,586**	**789,390**	**821,490**	**26,958**	**28,378**
Options-Caps-Floors-Collars-Swaptions	33,027	40,618	546	798	55,414	88,517	788	999
IRS	819,942	819,963	34,432	34,633	687,041	688,008	26,133	27,348
FRA	61,042	64,006	185	150	36,092	33,787	35	28
Forward	5	2	0	0	5	2	0	0
Interest future	3,918	3,517	51	5	10,838	11,089	2	2
Other interest-rate derivatives	9	706	49	0	0	87	0	1
Equity derivatives	**13,937**	**12,152**	**2,754**	**2,869**	**5,125**	**6,250**	**437**	**455**
Equity forward	8	30	14	0	8	33	17	6
Equity future	15	10	1	1	34	7	0	0
Equity option	6,294	6,920	390	474	1,853	2,750	221	231
Warrant	0	0	0	0	54	107	2	5
Other equity	7,620	5,192	2,349	2,394	3,176	3,353	197	213
Credit derivatives	**28,367**	**19,316**	**3,976**	**1,416**	**22,414**	**20,373**	**1,856**	**1,524**
Credit default swap	28,367	19,316	3,976	1,416	18,741	16,700	1,803	1,319
Total return swap	0	0	0	0	3,673	3,673	53	205
Commodity derivatives	**62**	**46**	**6**	**8**	**35**	**22**	**3**	**4**
TOTAL	**1,043,798**	**1,043,692**	**45,408**	**42,094**	**899,113**	**930,776**	**30,585**	**31,891**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES

	31/12/08				31/12/09			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**45,383**	**47,596**	**1,030**	**4,096**	**32,341**	**34,008**	**1,104**	**3,020**
Cross currency swap	43,383	45,580	1,018	4,066	26,328	27,795	1,077	2,498
FX option	2,000	2,016	12	30	0	0	0	0
FX forward rate agreement	0	0	0	0	6,013	6,213	27	522
Interest-rate derivatives	**201,291**	**200,874**	**1,897**	**18,055**	**186,781**	**186,573**	**3,157**	**14,209**
Option-Cap-Floor-Collar-Swaption	731	455	48	9	498	400	4	9
IRS	192,111	191,970	1,849	18,046	186,283	186,173	3,153	14,200
Interest future	8,449	8,449	0	0	0	0	0	0
Equity derivatives	**10,669**	**11,442**	**272**	**450**	**9,387**	**10,005**	**395**	**207**
Equity option	0	879	0	26	91	792	48	26
Other equity	10,669	10,563	272	424	9,296	9,213	347	181
Credit derivatives	**45**	**48**	**0**	**3**	**17**	**20**	**0**	**2**
Credit default swap	45	48	0	3	17	20	0	2
Commodity derivatives	**71**	**71**	**15**	**1**	**62**	**62**	**18**	**0**
TOTAL	**257,459**	**260,031**	**3,214**	**22,605**	**228,588**	**230,668**	**4,674**	**17,438**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

	31/12/08				31/12/09			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**3,170**	**2,824**	**548**	**315**	**2,909**	**2,371**	**241**	**316**
FX forward	823	896	2	1	149	146	0	0
Cross currency swap	2,347	1,928	544	314	2,687	2,140	239	316
FX forward rate agreement	0	0	0	0	73	85	0	0
Other currency (FX)	0	0	2	0	0	0	2	0
Interest-rate derivatives	**126,146**	**126,050**	**784**	**2,193**	**50,424**	**46,924**	**570**	**969**
IRS	126,146	126,050	784	2,193	49,924	46,924	570	967
FRA	0	0	0	0	500	0	0	2
TOTAL	**129,316**	**128,874**	**1,332**	**2,508**	**53,333**	**49,295**	**811**	**1,285**

E. DETAIL OF DERIVATIVES OF PORTFOLIO HEDGE

	31/12/08				31/12/09			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**992**	**871**	**2**	**179**	**282**	**244**	**2**	**14**
Interest-rate derivatives	**458,580**	**461,579**	**5,236**	**8,448**	**379,720**	**379,710**	**4,656**	**7,714**
TOTAL	**459,572**	**462,450**	**5,238**	**8,627**	**380,002**	**379,954**	**4,658**	**7,728**

F. DETAIL OF DERIVATIVES DESIGNATED AS HEDGE OF A NET INVESTMENT IN FOREIGN ENTITIES

	31/12/08				31/12/09			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**356**	**335**	**21**	**0**	**366**	**388**	**0**	**22**

9.2. Deferred taxes

A. ANALYSIS

	31/12/08	31/12/09
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	**3,908**	**2,688**
of which:		
Deferred income tax liabilities	(71)	(31)
Deferred income tax assets	4,550	4,302
Unrecognised deferred tax assets	(571)	(1,583)

B. MOVEMENTS

	2008	2009
AS AT 1 JAN.	**685**	**3,908**
Movements of the year:		
- Amounts recognised in the statement of income (1)	890	107
- Items directly computed by equity	2,806	(1,297)
- Effect of change in tax rates – statement of income	(6)	0
- Effect of change in tax rates – equity	(5)	0
- Exchange differences	66	(31)
- Other movements (2)	(528)	1
AS AT 31 DEC.	**3,908**	**2,688**

(1) in 2009, the movements of the deferred tax income of the Insurance activity of FSA Holdings during the first quarter of 2009 are recorded in "Non current assets held for sale". As a consequence, an amount of EUR 184 million, included in statement of income, is not recorded on this line (see note 11.15.).
(2) In 2008, the most significant amount is due to the transfer of the Insurance activity of FSA Holdings to disposal groups held for sale.

Deferred tax coming from assets of the balance sheet	31/12/08	31/12/09
Cash, loans and loan loss provisions	(2,061)	(1,549)
Securities	1,702	1,177
Derivatives	(1,772)	(1,686)
Tangible and intangible fixed assets	(177)	(181)
Other assets and liabilities specific to insurance companies	1	0
Other	6	13
TOTAL	**(2,301)**	**(2,226)**

Deferred tax coming from liabilities of the balance sheet	31/12/08	31/12/09
Derivatives	4,507	3,771
Borrowings, deposits and issuance of debt securities	1,159	933
Provisions	97	98
Pensions	114	113
Other assets and liabilities specific to insurance companies	(35)	(5)
Tax losses carried forward	1,080	1,665
Tax credit carried forward	6	17
Legal tax free provisions	(111)	(114)
Entities with special tax status	(161)	(110)
Other	124	129
TOTAL	**6,780**	**6,497**

C. EXPIRY DATE OF UNRECOGNISED DEFERRED TAX ASSETS

Nature	Less than 1 year	between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	0	(1,220)	(1,220)
Tax losses carried forward	(6)	(4)	(194)	(143)	(347)
Tax credit carried forward	0	0	(16)	0	(16)
TOTAL	**(6)**	**(4)**	**(210)**	**(1,363)**	**(1,583)**

9.3. Insurance contracts

A. LIFE CONTRACTS

A.1. Income and expenses

Premium income

	31/12/08				31/12/09			
	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	421	313	2,753	53	329	315	1,092	34
Premiums ceded to reinsurers	(6)	(57)	0	0	(3)	(80)	(4)	0
Change in gross unearned premium reserves (UPR)	(2)	0	0	0	(2)	0	0	0
NET PREMIUM AFTER REINSURANCE	**413**	**256**	**2,753**	**53**	**324**	**235**	**1,088**	**34**

(1) Discretionary Participation Features.

Claims expenses

	2008				2009			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Gross claims paid	(176)	(115)	(1,227)	(19)	(194)	(144)	(943)	(30)
Claims reserve as at 1 Jan.	18	5	34	0	36	10	22	0
Variation in opening due to variation of scope of consolidation	(1)	(1)	0	0	0	0	0	0
Claims reserve as at 31 Dec.	(36)	(10)	(22)	0	(39)	(6)	(26)	0
Transferred claims reserves	0	0	0	0	1	0	(1)	0
Share of reinsurers	3	16	0	0	3	32	1	0
NET CLAIMS INCURRED	**(192)**	**(105)**	**(1,215)**	**(19)**	**(193)**	**(108)**	**(946)**	**(30)**

Changes in technical reserves

1) Change in life insurance reserve

	2008				2009			
	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 1 Jan.	3,974	911	9,450	306	2,755	808	12,059	269
Variation in opening due to conversion rate and to variation of scope of consolidation	(228)	(169)	(89)	(66)	(1)	(47)	0	0
Life insurance reserve as at 31 Dec.	(2,755)	(808)	(12,059)	(269)	(2,710)	(871)	(12,656)	(280)
Of which Dexia Epargne Pension as at 31 Dec. 2009	*0*	*0*	*0*	*0*	*(251)*	*0*	*(3,672)*	*(149)*
Transferred life insurance reserve	(58)	(33)	0	0	(262)	(22)	(54)	(5)
Share of reinsurers in life insurance reserve as at 1 Jan.	(12)	(7)	0	0	(13)	(3)	0	0
Variation in opening due to conversion rate and to variation of scope	2	4	0	0	0	0	0	0
Share of reinsurers in life insurance reserve as at 31 Dec.	13	3	0	0	8	3	31	0
Of which Dexia Epargne Pension as at 31 Dec. 2009	*0*	*0*	*0*	*0*	*1*	*0*	*31*	*0*
Share of reinsurers in transferred life insurance reserve	(1)	0	0	0	171	0	(198)	0
NET CHANGE IN LIFE INSURANCE RESERVE	**935**	**(99)**	**(2,698)**	**(29)**	**(52)**	**(132)**	**(817)**	**(16)**

2) Change in profit sharing reserve

	2008				2009			
	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 1 Jan.	10	13	91	2	13	6	9	1
Profit sharing reserve as at 31 Dec.	(13)	(6)	(9)	(1)	(5)	(8)	(74)	(1)
Transferred profit sharing reserve	0	0	0	0	(12)	0	9	(1)
NET CHANGE IN PROFIT SHARING RESERVE	**(3)**	**7**	**82**	**1**	**(4)**	**(2)**	**(56)**	**(1)**

A.2. ASSETS AND LIABILITIES

Gross reserves

	31/12/08				31/12/09			
	Insurance contracts		Investment contracts with DPF		Insurance contracts		Investment contracts with DPF	
	Individual	Group	Individual	Group	Individual	Group	Individual	Group
Life insurance reserve local GAAP	2,755	808	12,059	269	2,710	871	12,656	280
Figures of Dexia Epargne Pension transferred to Liabilities held for sale	0	0	0	0	(249)	0	(3,672)	(149)
Reserves due to shadow accounting adjustments	0	1	0	0	0	5	0	0
TOTAL LIFE INSURANCE RESERVE	**2,755**	**809**	**12,059**	**269**	**2,461**	**876**	**8,983**	**131**
Claims reserves	36	10	23	1	39	6	26	0
Gross unearned premium reserves (UPR)	1	0	0	0	5	0	0	0
Other technical reserves	13	7	9	1	5	8	74	1
TOTAL GROSS RESERVES	**2,805**	**826**	**12,091**	**271**	**2,511**	**891**	**9,083**	**132**

Share of reinsurers

	31/12/08				31/12/09			
	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	13	3	0	0	8	3	31	0
Share of Dexia Epargne Pension transferred to Assets held for sale	0	0	0	0	(1)	0	(31)	0
Share of reinsurers in claims reserves	2	0	0	0	1	0	0	0
TOTAL SHARE OF REINSURERS	**15**	**3**	**0**	**0**	**8**	**3**	**0**	**0**

Discretionary participation feature included in equity

	31/12/08			31/12/09		
	Contracts with DPF			Contracts with DPF		
	Individual	Group	Total	Individual	Group	Total
Net discretionary participation feature included in equity	0	0	0	1	0	1

Insurance or investment contracts with DPF that have embedded derivatives that need to be separated and fair value through profit and loss are limited to two products. Their amounts are not significant.

Reconciliation of changes in life insurance reserve

	2008			2009		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS AT 1 JAN.	14,057	13	14,044	15,892	16	15,876
Net payments received/premiums receivable	3,295	20	3,275	1,545	44	1,501
Additional reserves due to shadow adjustments	34	0	34	4	0	4
Claims paid	(1,464)	(18)	(1,446)	(1,226)	(10)	(1,216)
Results on death and on life	(131)	(3)	(128)	(74)	5	(79)
Attribution of technical interest	637	4	633	487	(1)	488
Other changes	(533)	0	(533)	(59)	(11)	(48)
Variation due to Dexia Epargne Pension (1)	0	0	0	(4,070)	(33)	(4,037)
Variation of scope of consolidation	(3)	0	(3)	(47)	0	(47)
LIFE INSURANCE RESERVE AS AT 31 DEC.	15,892	16	15,876	12,453	10	12,443

(1) Dexia Epargne Pension is transferred to Assets held for sale and to Liabilities included in disposal groups held for sale.

B. NONLIFE CONTRACTS

B.1. Income and expenses

Premium income

	31/12/08	31/12/08
Gross premiums written	417	453
Premiums ceded to reinsurer	(33)	(34)
NET PREMIUMS AFTER REINSURANCE (A)	384	419
Change in gross Unearned Premium Reserves (UPR)	(9)	(6)
Share of reinsurers in change of Unearned Premium Reserve (UPR)	1	0
CHANGE IN NET UNEARNED PREMIUM RESERVE (UPR) (B)	(8)	(6)
TOTAL NET EARNED PREMIUMS (A)+(B)	376	413

Claims expenses

	2008	2009
Gross claims paid	(217)	(265)
Claims reserve as at 1 Jan.	600	631
Claims reserve as at 31 Dec.	(631)	(667)
Share of reinsurers	14	10
NET CLAIMS INCURRED	(234)	(291)

Change in other nonlife insurance reserves

	2008	2009
Other nonlife insurance reserves as at 1 Jan.	19	19
Other nonlife insurance reserves as at 31 Dec.	(19)	(21)
Share of reinsurers in other nonlife insurance reserves as at 1 Jan.	(1)	(1)
Share of reinsurers in other nonlife insurance reserves as at 31 Dec.	1	1
NET CHANGES IN INSURANCE LIABILITIES	0	(2)

B.2. Assets and liabilities

Gross reserves

	31/12/08	31/12/09
Claims reserves	564	610
Reserves Unallocated Loss Adjustment Expenses (ULAE)	31	23
Reserves for claims Incurred But Not Reported (IBNR)	36	34
Total claims reserves	**631**	**667**
Other technical reserves	19	21
Unearned Premium Reserve (UPR)	96	102
TOTAL GROSS RESERVES	**746**	**790**

Share of reinsurers

	31/12/08	31/12/09
Share of reinsurers in claims reserves	65	61
Share of reinsurers in total claims reserve	**65**	**61**
Share of reinsurers in other technical reserves	1	1
Share of reinsurers in UPR	3	3
TOTAL SHARE OF REINSURERS	**69**	**65**

Reconciliation of changes in claims reserves

	2008			2009		
	Gross amount	Reinsurance amount	Net amount	Gross amount	Reinsurance amount	Net amount
Claims reserves as at 1 Jan.	**600**	**63**	**537**	**631**	**66**	**565**
Claims paid on previous years	(113)	(5)	(108)	(117)	(8)	(109)
Change in claim charges on previous years	(29)	(22)	(7)	(44)	1	(45)
Liabilities on claims current year	173	30	143	197	3	194
CLAIMS RESERVES AS AT 31 DEC.	**631**	**66**	**565**	**667**	**62**	**605**

Claims development

Runoff triangle total costs (gross figures)	Occurrence year					
Liquidation year	**Previous**	**2005**	**2006**	**2007**	**2008**	**2009**
2005	433	240				
2006	334	129	237			
2007	278	75	133	267		
2008	235	60	77	145	285	
2009	197	48	57	77	168	330

9.4. Related parties transactions

A. RELATED PARTIES TRANSACTIONS

	Key management (1)		Entities with joint control or significant influence over the entity (2)		Subsidiaries		Associates		Joint ventures in which the entity is a venturer	
	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09
Loans (3)	0	0	1,777	1,674	6	2	234	217	64	32
Interest income	0	0	52	72	0	0	12	12	3	1
Deposits (3)	3	2	1,744	1,675	6	96	304	104	2,676	838
Interest expense	0	0	(32)	(39)	0	(7)	(7)	(2)	(135)	(25)
Net commission	0	0	1	0	0	1	4	19	(11)	(9)
Guarantees issued and commitments provided by the Group (4)	0	0	347	349	0	9	44	63	1,737	1,709
Guarantees and commitments received by the Group	0	0	507	740	1,853	0	4	9	15	30

(1) Key management includes the Board of Directors and the Management Board.
(2) We refer here to the main shareholders of Dexia (2008-2009): Arcofin, Holding Communal, Caisse des dépôts et consignations.
Dexia applies IAS 24 § 25 for those transactions concluded at general market conditions.
As a consequence, transactions with the Belgian and French States are not disclosed in the table A.
However, significant transactions which are carried out on non-market terms are disclosed under 9.4.C.
(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

	31/12/08	31/12/09
Short-term benefits	9	5
Post-employment benefits	3	1
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	2	0

Details per person are reported on pages 39-42 of the annual report.

Short-term benefits include the salaries, bonuses and other advantages. Payment of bonuses is subject to some conditions and is partially deferred as explained on page 41.
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. TRANSACTIONS WITH THE BELGIAN AND FRENCH STATES

3 October 2008 capital increase and resulting shareholdings

On 3 October 2008, the Belgian federal State, the Flemish and Walloon Regions, the Brussels-Capital Region and the French State, together with the historical reference shareholders (Holding Communal, Arcofin, Ethias, the Caisse des Dépôts et Consignations and CNP Assurances), subscribed for a capital increase of Dexia in an amount of EUR 6 billion.

The capital increase was subscribed for in the following proportion:

• the Belgian federal State, through the Federal Holding and Investment Company, invested EUR 1 billion;

• the three Belgian Regions invested a total amount of EUR 1 billion (EUR 500 million by the Flemish Region, EUR 350 million by the Walloon Region, and EUR 150 million by the Brussels-Capital Region);

• the French State, through the Société de Prise de Participation de l'Etat, invested EUR 1 billion;

• the Caisse des Dépôts et Consignations and CNP Assurances invested EUR 2 billion; and

• the other reference shareholders invested a total amount of EUR 1 billion (EUR 500 million by the Holding Communal, EUR 350 million by Arcofin, and EUR 150 million by Ethias).

This capital increase resulted in a shareholding of 5.73% for the Belgian federal State, 5.73% for the French State, 2.87% for the Flemish Region, 2.01% for the Walloon Region and 0.86% for the Brussels-Capital Region. (the total participation of the three regions amounts to 5.73%).

Guarantee mechanism in favour of Dexia's financing

On 9 December 2008, the French, Belgian and Luxembourg States and Dexia entered into a First Demand Guarantee Agreement implementing the principles set forth in the Protocol of 9 October 2008 between the three States and Dexia. Pursuant to this guarantee agreement, the three States guarantee severally, but not jointly, the performance by Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Crédit Local (including certain of their branches and issuance vehicles) of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these financings were contracted or issued between 9 October 2008 and 31 October 2009 and maturing at the latest on 31 October 2011.

The States guarantee the repayment obligations in the following proportion:

(i) 60.5% for the Belgian State;

(ii) 36.5% for the French State; and

(iii) 3.0% for the Luxembourg State.

To supplement the Guarantee Agreement on operational and procedural aspects, the three States and Dexia have entered into an Operational Memorandum. This memorandum provides, among other things, for a monitoring process of the guaranteed financings on a daily basis, including a daily publication of the aggregate guaranteed amount and, with respect to guaranteed bond issues of Dexia, a system of eligibility certificates whereby the States issue, on Dexia's request, certificates confirming for each bond issue that it is covered by the Guarantee Agreement.

On 19 November 2008, the European Commission authorised this guarantee mechanism for a period of 6 months as from 3 October 2008, with an automatic extension until the Commission's definitive decision, on condition that a restructuring plan be filed with the Commission. In March 2009, the three States confirmed the extension of the guarantee in accordance with the decision of the European Commission of 13 March 2009.

By an Addendum to the above-mentioned Guarantee Agreement of 9 December 2008, dated 14 October 2009, the Belgian, French and Luxembourg States and Dexia agreed to renew the guarantee scheme for a period of one year, covering financings contracted or issued at the latest on 31 October 2010. The parties also wished to effect certain changes to the guarantee in order to limit the States' intervention to a strict minimum and to allow an orderly exit out of the guarantee within a credible time-horizon. The changes include:

(i) the decrease of the maximum of the total amount of guaranteed financings from EUR 150 billion to EUR 100 billion, with a commitment by Dexia to undertake its best efforts to limit this amount to EUR 80 billion;

(ii) the extension to 4 years of the maximum duration of the new financings contracted or issued; and

(iii) the waiver by Dexia of the benefit of the guarantee, as from 16 October 2009, for all new contracts with a maturity of less than one month and all contracts with an indefinite term.

The Guarantee Agreements provided for the following remuneration to be paid by Dexia to the States:

(i) for financings with a maturity of less than 12 months: 50 bps on an annual basis calculated on the average amount guaranteed financings outstanding; and

(ii) for financings with a maturity of 12 months or more: 50 bps on an annual basis, increased by the lowest of (i) the median of the Dexia CDS 5 years spread calculated between 1 January 2007 and 31 August 2008 or (ii) the median of the 5 years CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated on the average amount guaranteed financings outstanding.

The renewal and modifications as provided for in the Addendum of 14 October 2009 have been duly authorised by an interim decision of the European Commission for a period of 4 months as from 30 October 2009 (i.e., until 28 February 2010) or until the final decision – if such decision is adopted prior to 28 February 2010 – of the European Commission in the context of the State aid procedure opened on 13 March 2009.

By separate agreement dated 17 March 2010, the Belgian, French and Luxembourg States and Dexia amended and supplemented the above-mentioned Addendum to the Guarantee Agreement of 14 October 2009 to reflect the terms of the final decision of the European Commission in the context of the State aid procedure of 26 February 2009. The changes include:

(i) advancing the latest issue date for guaranteed financings to 31 May 2010 (for financings with a maturity of less than 12 months) resp. 30 June 2010 (for financings with a maturity of than 12 months);

(ii) advancing the expiry date of the guarantee on deposits (and equivalents) to 1 March 2010;
(iii) a gradual increase of the remuneration payable by Dexia, *pro rata temporis*, if the outstanding amount of repayment obligations guaranteed by the States exceeds certain thresholds (by 50bps if and to the extent the amount exceeds EUR 60 billon but not higher than EUR 70 billon, 65bps if and to the extent the amount exceeds EUR 70 billon but not higher than EUR 80 billon, and 80bps above EUR 80 billon).
As at 31 December 2009, the total outstanding amount of repayment obligations guaranteed by the States was EUR 50 billion and Dexia had paid a total remuneration of EUR 432 million to the States for this guarantee.
All the above mentioned agreements, as well as the total outstanding amount of guaranteed repayment obligations and the list of securities for which the States have issued eligibility certificates are available on the website *www.dexia.com*.

Guarantee for the Financial Products portfolio

Dexia entered into an agreement for the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured) on 14 November 2008; the sale was completed on 1 July 2009. The Financial Products activity of FSA, managed by FSA Asset Management (FSAM), was carved out of the transaction and remains under Dexia's ownership.
In that context, the Belgian and French States have agreed to provide a guarantee on the Financial Products assets portfolio.
The terms of this guarantee are set out in two agreements (the First Demand Guarantee Agreement relating to the "financial products" portfolio of FSA Asset Management LLC and the Guarantee Reimbursement Agreement) entered into by the Belgian and French States and Dexia. The main relevant terms are the following:
• Dexia SA and Dexia Crédit Local S.A. ("DCL") entered into a put agreement whereby FSAM is entitled to sell to Dexia and/or DCL certain assets included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events (asset default, liquidity default, collateral default and insolvency of Dexia).
• The Belgian and French States have each undertaken to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to the put agreement up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.
• The portfolio to which this put relates is the FSAM portfolio after deduction of certain "excluded assets" for an amount of USD 4.3 billion, such that the par value of the assets included in the portfolio to which the put relates is equal to USD 11.2 billion as at 31 December 2009. Dexia will therefore cover a first loss tranche of USD 4.5 billion, of which an amount of approximately USD 2 billion has already been reserved as at 31 December 2009 (USD 1.804 billion on the Financial Products portfolio and a USD 344 million collective impairment on US RMBS).
• The States are entitled to recover from Dexia the amounts that they will have paid pursuant to their guarantee. This recourse of the States can be exercised either in cash or in the form of instruments representing Tier 1 capital of Dexia (ordinary shares or profit shares).
• Dexia therefore issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be reimbursed through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The cancellation and re-issuance of the existing warrants for a new period of 5 years will be submitted to the approval of the general meeting of shareholders every year. In case of failure to re-issue the warrants, a penalty will be applied (500bps per annum for a period of two years, compounded on the guarantee commission).
• Dexia may also issue profit shares at the request of the States instead of the shares. The profit shares would be issued for a price equal to the exercise price of the warrants, would not have voting rights, would be entitled to a special dividend and be convertible at the option of the States into ordinary Dexia shares, one for one. The terms of the profit shares have been approved by the extraordinary shareholders' meeting of Dexia on 24 June 2009 and are set out in Article 4bis of the Articles of Association of Dexia.
• Dexia must semi-annually pay to the States a guarantee fee at a rate of 1.13% per annum, calculated on the average outstanding nominal amount of the FSAM portfolio (excluding the excluded assets) over a 6 month-period, plus a fee of 0.32% per annum calculated on the lower of (i) the total amount of the liabilities pursuant to the Guaranteed Investment Contracts and (ii) the average outstanding nominal amount of the FSAM portfolio (excluding the excluded assets) over a 6 month-period.
• The guarantee of the States pursuant to an asset default or the insolvency of Dexia expires in 2035, unless the parties decide to extend the guarantee. The guarantee pursuant to a liquidity or collateral default expires on 31 October 2011.

This guarantee was approved by the European Commission on 13 March 2009.
As at 31 December 2009, Dexia recognised EUR 61 million interest charge for this guarantee.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009 available on the website of Dexia (*www.dexia.com*).

9.5. Acquisitions and disposals of consolidated companies

A. MAIN ACQUISITIONS

There were no significant acquisitions in 2008 nor in 2009.

B. MAIN DISPOSALS

Year 2008
In June 2008, the Group sold Omega 8/10, owner of the building Omega Court.

Year 2009
In March 2009, Experta Trust Services Jersey Ltd has been sold. The amounts are not significant.
On 14 November 2008 Dexia has signed a binding agreement to sell the Insurance activity of FSA Holdings to Assured Guaranty Ltd.
As required by IFRS 5, the insurance activity of FSA Holdings has been recorded as a group held for sale as from 1 October 2008.
For assets and liabilities included in the group held for sale as at 31 December 2008, see note 9.6.C. of the Dexia's annual report 2008.
The sale was completed as at 1 July 2009. The sales price of USD 816.5 million was partially paid in cash (USD 546 million) and partially with 21.85 million Assured shares.

The assets and liabilities disposed are as follows:	2008	2009
	Omega 8-10	Insurance activity of FSA Holdings
Cash and cash equivalents	0	8
Loans and advances due from banks	0	76
Loans and advances to customers	0	18
Financial assets measured at fair value through profit and loss	0	0
Financial investments	0	4,464
Derivatives	0	79
Tax assets	0	554
Other assets	13	1,987
Due to banks	(8)	0
Customer borrowings and deposits	0	0
Financial liabilities measured at fair value through profit and loss	0	0
Derivatives	0	(673)
Debt securities	0	(543)
Technical provisions of insurance companies	0	(1,399)
Other liabilities	(1)	(4,027)
NET ASSETS	**4**	**543**
Proceeds from sale (in cash)	7	398
Less: cost of the transaction	0	(19)
Less: cash and cash equivalents in the subsidiary sold	0	(8)
NET CASH INFLOW ON SALE	**7**	**371**

C. ASSETS AND LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE

Year 2008

The Insurance activity of FSA Holdings has been recorded as a group held for sale as from 1 October 2008 (signed on 14 november).

The Share Purchase Agreement with Assured Guaranty stipulated a purchase price consisting of a 50/50 payment in cash (USD 361 mio) and stock (44.6 mio shares).

At the date of signing both cash and stock portion equalled USD 361 mio (stock portion being 44.6 mio shares at a price of USD 8.1, the Assured Guaranty share price at the date of signing).

At closing, Assured Guaranty had the option to substitute USD 8.1 in cash per share for up to 22.3 mio of the 44.6 mio shares.

As the number of shares and the value of shares at closing were uncertain, the signing value of USD 8.1 has been used for accounting purposes.

The assets of this activity have been summarised 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 had a control on this activity, but the economic result as from 1 October 2008 was for Assured Guaranty, as the price was based on the equity at 30 September 2008, except in some exceptional conditions.

Details and figures are reported in Dexia's annual report 2008, note 9.6.C.

Year 2009

As required by IFRS 5, the assets and liabilities of Dexia Epargne Pension (DEP) have been recorded as a group held for sale as from 31 December 2009.

As at 9 December 2009, Dexia signed an agreement relating to the sale of Dexia Epargne Pension to BNP Paribas Assurance.

The transaction is expected to be finalised during the first half of 2010.

The assets and liabilities included in the group held for sale are as follows:	2009
	DEP
Cash and cash equivalents	126
Loans and advances due from banks	2
Loans and advances to customers	377
Financial assets measured at fair value through profit and loss	1,658
Financial investments	2,066
Other assets	66
Non current assets held for sale	4,295
Due to banks	(109)
Subordinated debts	(108)
Technical provisions of insurance companies	(4,072)
Other liabilities	(43)
Liabilities included in disposal groups held for sale	(4,332)
NET ASSETS	**(37)**

9.6. Equity

By category of share	2008	2009
Number of shares authorised and not issued	352,542,645	1,760,513,402
Number of shares issued and fully paid	1,762,478,783	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 at 1 Jan.	1,178,576,763	1,762,478,783
Number of shares issued	606,160,256	0
Number of shares cancelled	(22,258,236)	0
Outstanding as at 31 Dec.	1,762,478,783	1,762,478,783
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of treasury shares	293,570	293,570
Number of shares reserved for issue under stock options and contracts for the sale of share	293,570	293,570

See note 9.4.C. Warrants granted to the Belgian and the French States.
See note 9.7. Stock option plan.

9.7. Share-based Payments

Stock Option Plans settled in Dexia shares	31/12/08 Number of Options (1)	31/12/09 Number of Options (1)
Outstanding at the beginning of the period	62,824,793	71,787,214
Granted during the period	10,559,805	0
Exercised during the period (2)	(106,600)	0
Expired during the period	(1,490,784)	(544,498)
Outstanding at the end of the period	71,787,214	71,242,716
Exercisable at the end of the period	40,352,840	49,972,641

(1) Outstanding options also include the call options granted to Dexia Crédit Local's employees in 1999.
(2) The weighted average exercise price for 2008 was EUR 11.60 per share.

Range of exercise prices (EUR)	31/12/08			31/12/09		
	Number of outstanding options	Weighted-average options exercise price (EUR)	Weighted-average remaining contractual life (year)	Number of out-standing options	Weighted-average options exercise price (EUR)	Weighted-average remaining contractual life (year)
10.09	7,093,355	-	9.50	7,093,355	-	8.50
10.97 – 11.37	7,752,122	11.37	4.56	7,752,122	11.37	3.56
11.88 – 13.66	17,844,143	13.18	5.90	17,609,369	13.20	4.86
13.81 – 14.58	3,083,963	14.58	2.00	3,083,963	14.58	1.00
15.17– 15.88	184,074	-	0.83	0	-	0.00
17.23 – 17.86	5,269,212	17.86	3.00	5,269,212	17.86	2.00
18.03 – 18.20	10,059,822	18.03	6.41	10,059,822	18.03	5.41
18.62 – 21.25	10,177,973	-	7.42	10,052,323	18.67	6.42
23.25	10,322,550	-	8.50	10,322,550	-	7.50

Stock option plans settled in Dexia shares	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	30/06/08	30/06/08	23/09/08
Number of instruments granted	6,945,450	3,466,450	147,905
Exercise price	10.09	12.65	10.09
Share price at the date of grant	10.28	10.28	10.20
Contractual life (years)	10 years	10 years	10 years
Vesting conditions	(1)	(1)	(2)
Settlement	Dexia shares	Dexia shares	Dexia shares
Fair value per granted instrument at grant date	1.72	0.9	3.62
Valuation model	(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.

	31/12/08	31/12/09
Equity-settled arrangements	21	9
Cash-settled arrangements (1)	(16)	0
Arrangements with settlement alternatives	0	0
TOTAL EXPENSES	**5**	**9**
Liabilities for cash-settled arrangements (1)	0	0
Liabilities for arrangements with settlement alternatives	0	0
TOTAL LIABILITIES	**0**	**0**

(1) Performance share plan of FSA. In 2008, due to the fall of Dexia shares, the provision constituted in the past has been reversed.

9.8. Minority interest – Core equity

AS AT 1 JAN. 2008	**1,721**
- Increase of capital	97
- Dividends	(62)
- Net income for the period	78
- Variation of scope of consolidation	(79)
- Other	1
AS AT 31 DECEMBER 2008 (1)	**1,756**
AS AT 1 JAN. 2009	**1,756**
- Increase of capital	2
- Dividends	(10)
- Net income for the period	79
- Variation of scope of consolidation	(14)
AS AT 31 DECEMBER 2009 (1)	**1,813**

(1) This amount includes:
- the undated deeply subordinated non-cumulative Notes for EUR 700 million, issued by DCL and booked for 698 million;
- the undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked for EUR 498 million.

Within the context of the extension of the States guarantee in favour of Dexia, Dexia didn't make any payment of any discretionary coupons on any hybrid Tier 1 instruments classified in minority interest.
As a consequence, Dexia Funding Luxembourg and Dexia Crédit Local did not pay the coupons relating to their Tier 1 issues, respectively due 2 November 2009 and 18 November 2009. This leads to a decrease of EUR 37 million in the amount declared as dividends paid to the minority interests in 2009 by comparison with the amount declared in 2008.

9.9. Contribution by activity

		31/12/08				31/12/09			
		Banking and other activities	FSA	Other insurance activities (1)	TOTAL	Banking and other activities	FP	Other insurance activities (1)	TOTAL
I.	Cash and balances with central banks	2,448	0	0	2,448	2,673	0	0	2,673
II.	Loans and advances due from banks	61,805	0	59	61,864	47,011	19	397	47,427
III.	Loans and advances to customers	359,498	7,543	1,804	368,845	345,551	6,312	2,124	353,987
IV.	Financial assets measured at fair value through profit or loss	11,522	0	4,522	16,044	6,882	0	3,195	10,077
V.	Financial investments	108,263	1,711	15,055	125,029	90,416	1,732	13,103	105,251
VI.	Derivatives	54,991	217	5	55,213	40,299	426	3	40,728
VII.	Fair value revaluation of portfolio hedge	3,938	0	0	3,938	3,579	0	0	3,579
VIII.	Investments in associates	652	0	30	682	139	0	32	171
IX.	Tangible fixed assets	2,144	0	209	2,353	2,233	1	162	2,396
X.	Intangible assets and goodwill	2,061	1	131	2,193	2,053	1	123	2,177
XI.	Tax assets	2,839	1,047	253	4,139	1,989	831	99	2,919
XII.	Other assets	1,727	10	261	1,998	1,652	2	241	1,895
XIII.	Non current assets held for sale	35	6,225	0	6,260	55	0	4,295	4,350
TOTAL ASSETS		**611,923**	**16,754**	**22,329**	**651,006**	**544,532**	**9,324**	**23,774**	**577,630**
I.	Due to banks	213,074	46	72	213,192	123,636	84	4	123,724
II.	Customer borrowings and deposits	108,181	6,344	203	114,728	116,941	3,509	500	120,950
III.	Financial liabilities measured at fair value through profit or loss	9,608	6,147	3,197	18,952	12,085	4,139	3,121	19,345
IV.	Derivatives	76,029	(196)	1	75,834	57,917	447	0	58,364
V.	Fair value revaluation of portfolio hedge	1,543	0	0	1,543	1,939	0	0	1,939
VI.	Debt securities	188,120	0	0	188,120	213,065	0	0	213,065
VII.	Subordinated debts	4,360	0	47	4,407	4,063	0	48	4,111
VIII.	Technical provisions of insurance companies	3	0	16,736	16,739	16	0	13,392	13,408
IX.	Provisions and other obligations	1,197	0	290	1,487	1,156	106	319	1,581
X.	Tax liabilities	274	0	28	302	231	0	7	238
XI.	Other liabilities	4,035	72	286	4,393	4,236	7	342	4,585
XII.	Liabilities included in disposal groups held for sale	0	5,691	0	5,691	0	0	4,332	4,332
TOTAL LIABILITIES		**606,424**	**18,104**	**20,860**	**645,388**	**535,285**	**8,292**	**22,065**	**565,642**

(1) Dexia Insurance Belgium Group and DenizEmeklilik ve Hayat AS.

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	31/12/08				31/12/09			
	Banking Companies	FSA (1)	Other insurance activities (2)	TOTAL	Banking Companies	FSA-FP (1)	Other insurance activities (2)	TOTAL
Interest margin	5,230	224	619	6,073	4,369	1	660	5,030
Dividend income	59	1	111	171	59	1	54	114
Net income from associates	(1)	0	0	(1)	36	0	3	39
Net income from financial instruments at fair value through profit or loss	(493)	(119)	(2)	(614)	(258)	343	(24)	61
Net income on investments	(898)	(1,910)	(707)	(3,515)	282	(129)	(130)	23
Net fees and commissions	1,402	(4)	33	1,431	1,208	(2)	22	1,228
Premiums and technical income from insurance activities	4	459	4,114	4,577	4	28	2,678	2,710
Technical expense from insurance activities	1	(120)	(4,394)	(4,513)	(15)	(3)	(3,041)	(3,059)
Other net income	(71)	17	1	(53)	23	(5)	(1)	17
INCOME	**5,233**	**(1,452)**	**(225)**	**3,556**	**5,708**	**234**	**221**	**6,163**
Staff expense	(1,890)	(26)	(105)	(2,021)	(1,720)	(20)	(107)	(1,847)
General and administrative expense	(1,221)	(85)	(84)	(1,390)	(1,015)	(16)	(58)	(1,089)
Network costs	(309)	0	(61)	(370)	(306)	0	(60)	(366)
Depreciation & amortization	(285)	(2)	(9)	(296)	(275)	(1)	(22)	(298)
Deferred acquisition costs	0	(42)	0	(42)	0	(7)	0	(7)
EXPENSES	**(3,705)**	**(155)**	**(259)**	**(4,119)**	**(3,316)**	**(44)**	**(247)**	**(3,607)**
GROSS OPERATING INCOME	**1,528**	**(1,607)**	**(484)**	**(563)**	**2,392**	**190**	**(26)**	**2,556**
Impairment on loans and provisions for credit commitments	(1,589)	(1,703)	0	(3,292)	(577)	(503)	(16)	(1,096)
Impairment on tangible and intangible assets	(10)	0	0	(10)	(51)	0	0	(51)
Impairment on goodwill	(5)	(7)	0	(12)	(6)	0	0	(6)
NET INCOME BEFORE TAX	**(76)**	**(3,317)**	**(484)**	**(3,877)**	**1,758**	**(313)**	**(42)**	**1,403**
Tax expense	40	532	57	629	(404)	58	32	(314)
NET INCOME	**(36)**	**(2,785)**	**(427)**	**(3,248)**	**1,354**	**(255)**	**(10)**	**1,089**
Attributable to minority interest	96	(18)	0	78	79	0	0	79
Attributable to equity holders of the parent	(132)	(2,767)	(427)	(3,326)	1,275	(255)	(10)	1,010

(1) As at 31 December 2008, the column includes the full group FSA while as at 31 December 2009, the FSA column includes 3-months results of the sold activities on a line by line basis, but offset in Net income on investments and full year results of Financial Products activities.

(2) Dexia Insurance Belgium Group and DenizEmeklilik ve Hayat AS.

The contribution to the financial statements is presented under IFRS after elimination of intercompany balances and transactions, and therefore does not correspond to the published financial statements of DIB, published under Belgian GAAP.

9.10. Contribution of joint ventures in the financial statements

	31/12/08	31/12/09
Total assets	9,586	9,531
Total liabilities	9,279	9,224

	31/12/08	31/12/09
Income	428	342
Expenses	(299)	(296)
Gross operating income	129	46

Net income	95	29
Attributable to minority interest	3	0
Attributable to equity holders of the parent	92	29

Mainly group RBC-DIS.

9.11. Exchange rates

		31/12/08		31/12/09	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	2.0305	1.7506	1.6028	1.7641
Canadian dollar	CAD	1.6943	1.5655	1.5104	1.5830
Swiss franc	CHF	1.4861	1.5787	1.4832	1.5076
Koruna (Czech republic)	CZK	26.8551	25.0188	26.4515	26.5315
Danish krone	DKK	7.4488	7.4553	7.4423	7.4464
Euro	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.9535	0.8018	0.8879	0.8908
Hong Kong dollar	HKD	10.8275	11.4473	11.1648	10.8220
Forint	HUF	265.2744	250.3233	270.6846	281.7823
Shekel	ILS	5.2880	5.2337	5.4491	5.4740
Yen	JPY	126.6890	151.4854	133.4453	130.5573
Mexican peso	MXN	19.3270	16.3725	18.8445	18.8996
Norwegian krone	NOK	9.7371	8.2804	8.2997	8.7083
New Zealand dollar	NZD	2.4253	2.0913	1.9811	2.2081
Swedish krona	SEK	10.8841	9.6779	10.2514	10.5881
Singapore dollar	SGD	2.0130	2.0689	2.0195	2.0241
New Turkish lira	TRY	2.1332	1.9053	2.1427	2.1505
US dollar	USD	1.3971	1.4707	1.4399	1.3962

9.12. Compensation of the Auditor

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

DELOITTE	Services rendered to the Dexia Group	
	31/12/08	31/12/09
a) Audits of the financial statements	8 (1)	9 (2)
b) Certification work	0	1 (3)
c) Tax advice	0	0
d) Due diligence	0	0
e) Other work (not certification)	1	0
TOTAL	**9**	**10**

(1) This amount includes EUR 1 million in fees relating to additional work performed due to the financial crisis.
(2) This amount includes EUR 1 million fees relating to additional work not budgeted.
(3) This amount mainly includes the certification in the framework of the State's guarantee.

10. Notes on the consolidated off-balance-sheet items

(in millions of EUR – some amounts may not add up due to roundings off)

10.1. Regular way trade

	31/12/08	31/12/09
Loans to be delivered and purchases of assets	7,129	9,299
Borrowings to be received and sales of assets	17,707	13,049

10.2. Guarantees

	31/12/08	31/12/09
Guarantees given to credit institutions	2,868	3,019
Guarantees given to customers	14,236	15,751
Guarantees received from credit institutions	1,149	653
Guarantees received from customers	49,551	59,506
Guarantees from the States (1)	59,345	58,554

(1) See note 9.4.C.

10.3. Loan commitments

	31/12/08	31/12/09
Unused lines granted to credit institutions	957	895
Unused lines granted to customers	86,206	72,979
Unused lines obtained from credit institutions	9,649	16,321
Unused lines obtained from customers	5	50

10.4. Other commitments

	31/12/08	31/12/09
Insurance activity – Commitments given	6	1
Insurance activity – Commitments received	31	28
Banking activity – Commitments given (1)	198,239	165,728
Banking activity – Commitments received (1)	91,670	86,387

(1) Figures as at 31 December 2008 have been restated.

11. Notes on the consolidated statement of income

(in millions of EUR – some amounts may not add up due to roundings off)

11.1. Interest income – Interest expense

	31/12/08	31/12/09
INTEREST INCOME	**107,859**	**63,980**
a) interest income of assets not at fair value	**27,947**	**18,653**
Cash and balances with central banks	210	58
Loans and advances due from banks	4,412	835
Loans and advances to customers	13,804	13,144
Financial assets available for sale	9,245	4,257
Investments held to maturity	106	116
Interest on impaired assets	55	86
Other	115	157
b) interest income of assets at fair value	**79,912**	**45,327**
Financial assets held for trading	1,224	370
Financial assets designated at fair value	60	25
Derivatives held for trading	44,802	29,558
Derivatives used for hedging	33,826	15,374
INTEREST EXPENSE	**(101,786)**	**(58,951)**
a) interest expense of liabilities not at fair value	**(22,119)**	**(11,121)**
Due to banks	(7,283)	(1,917)
Customer borrowings and deposits	(5,989)	(1,972)
Debt securities	(8,330)	(6,516)
Subordinated debts	(441)	(158)
Preferred shares and hybrid capital	(15)	(15)
Expenses linked to the amounts guaranteed by the States	(36)	(493)
Other	(25)	(50)
b) interest expense of liabilities at fair value	**(79,667)**	**(47,831)**
Financial liabilities held-for-trading	(8)	(5)
Financial liabilities designated at fair value	(560)	(624)
Derivatives held for trading	(44,936)	(29,616)
Derivatives used for hedging	(34,163)	(17,586)
NET INTEREST INCOME	**6,073**	**5,029**

11.2. Dividend income

	31/12/08	31/12/09
Financial assets available for sale	166	112
Financial assets held for trading	4	1
Financial assets designated at fair value	1	1
TOTAL	**171**	**114**

11.3. Net income from associates

	31/12/08	31/12/09
Income from associates before tax	31	55
Share of tax	(20)	(15)
Impairment on goodwill (1)	(12)	0
TOTAL	**(1)**	**39**

(1) Kommunalkredit Austria AG.

11.4. Net income from financial instruments at fair value through profit and loss

	31/12/08	31/12/09
Net trading income	(1,015)	(96)
Net result of hedge accounting	168	(47)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives (1)	(10)	70
Change in own credit risk	426	(154)
Forex activity and exchange differences	(183)	289
TOTAL	**(614)**	**61**
(1) Among which trading derivatives included in a fair value option strategy	576	(240)

RESULT OF HEDGE ACCOUNTING

	31/12/08	31/12/09
Fair value hedges	82	7
Fair value changes of the hedged item attributable to the hedged risk	*14,943*	*(4,760)*
Fair value changes of the hedging derivatives	*(14,861)*	*4,768*
Cash flow hedges	3	(1)
Fair value changes of the hedging derivatives – ineffective portion	*3*	*(1)*
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	1	5
Hedges of net investments in a foreign operation	0	3
Fair value changes of the hedging derivatives – ineffective portion	*0*	*3*
Portfolio hedge	82	(61)
Fair value changes of the hedged item	*3,171*	*(1,383)*
Fair value changes of the hedging derivatives	*(3,089)*	*1,322*
TOTAL	**168**	**(47)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	15	11

11.5. Net income on investments

	31/12/08	31/12/09
Gains on loans and advances	265	91
Gains on financial assets available for sale	619	691
Gains on tangible fixed assets	8	17
Gains on assets and liabilities held for sale	12	6
Gains on liabilities	27	74
Other gains	0	3
Total gains	**931**	**882**
Losses on loans and advances	(205)	(144)
Losses on financial assets available for sale [1]	(1,705)	(1,406)
Losses on investments held to maturity	0	(1)
Losses on tangible fixed assets	(8)	(15)
Losses on liabilities	(9)	(50)
Other losses	0	(1)
Total losses	**(1,927)**	**(1,617)**
Net impairment	**(2,519)**	**758**
TOTAL	**(3,515)**	**23**

(1) See note 9.5.C. Assets and liabilities included in disposal groups held for sale.

IMPAIRMENT ON SECURITIES

	Specific risk		Total
	Allowances	Write-backs	
As at 31 December 2008			
Securities available for sale	(2,612)	93	(2,519)
TOTAL	**(2,612)**	**93**	**(2,519)**
As at 31 December 2009			
Securities available for sale	(99)	857	758
TOTAL	**(99)**	**857**	**758**

11.6. Fee and commission income and expense

	31/12/08			31/12/09		
	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	387	(19)	368	289	(19)	270
Administration of unit trusts and mutual funds	138	(15)	123	114	(12)	102
Insurance activity	74	(5)	69	62	(4)	58
Credit activity	189	(21)	168	173	(13)	160
Purchase and sale of securities	106	(22)	84	100	(15)	86
Purchase and sale of unit trusts and mutual funds	35	(9)	26	20	(4)	16
Payment services	253	(81)	172	263	(89)	174
Commissions to not exclusive brokers	26	(19)	7	24	(19)	5
Financial engineering	38	(6)	32	30	(1)	29
Services on securities other than safekeeping	38	(8)	30	33	(7)	26
Custody	195	(44)	151	166	(37)	129
Issues and placements of securities	24	(4)	20	26	(2)	24
Servicing fees of securitisation	1	0	1	0	0	0
Private banking	31	(10)	21	29	(6)	24
Clearing and settlement	8	(12)	(4)	19	(10)	9
Securities lending	74	(28)	46	47	(16)	31
Other	139	(22)	117	112	(28)	84
TOTAL	**1,756**	**(325)**	**1,431**	**1,507**	**(279)**	**1,228**

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

	31/12/08	31/12/09
Premiums and contributions received	4,416	2,252
Claims incurred – part of reinsurers	30	51
Changes in technical reserves – part of reinsurers	7	(5)
Other technical income	124	414
INCOME	**4,577**	**2,710**

TECHNICAL EXPENSE FROM INSURANCE ACTIVITIES

	31/12/08	31/12/09
Premiums received transferred to reinsurers	(216)	(125)
Premiums and contributions paid	(170)	(148)
Claims incurred	(1,754)	(1,575)
Change in technical reserves	(1,864)	(1,129)
Other technical expenses	(509)	(82)
EXPENSES	**(4,513)**	**(3,059)**

11.8. Other net income

	31/12/08	31/12/09
Exploitation taxes	3	2
Rental income	43	51
Other banking income	5	21
Other income on other activities (1)	287	284
Other income	**338**	**358**
Exploitation taxes	(42)	(37)
Repair and maintenance on investment properties that generated income during the current financial year	(1)	(2)
Other banking expenses	(49)	(9)
Other expense on other activities (2)	(299)	(292)
Other expense	**(391)**	**(340)**
TOTAL	**(53)**	**17**

(1) "Other income on other activities" includes other operational income, write-back provisions for legal and other litigation claims and subsidies.
(2) "Other expenses on other activities" includes other operational expenses for operating lease (other than rental expenses and contingent rents), depreciation and amortization on office furniture and equipment given in operational lease, other operational expenses, provisions for legal and other litigations claims and depreciation and amortization on investment property.

11.9. Staff expense

	31/12/08	31/12/09
Wages and salaries	1,445	1,360
Social security and insurance costs	352	325
Pension costs-defined benefit plans	66	48
Pension costs-defined contribution plans	30	27
Other post-retirement benefits	1	1
Stock compensation expense (1)	5	9
Long-term employee benefits	(6)	4
Restructuring expenses	13	1
Other expenses	115	72
TOTAL	**2,021**	**1,847**

(1) See note 9.7.

(Average FTE)	**31/12/08**			**31/12/09**		
	Fully consolidated	**Proportionally consolidated**	**Total**	**Fully consolidated**	**Proportionally consolidated**	**Total**
Senior Executives	476	24	500	440	20	460
Employees	24,892	2,663	27,555	24,076	2,714	26,790
Other	42	2	44	29	1	30
TOTAL	**25,410**	**2,689**	**28,099**	**24,545**	**2,735**	**27,280**

(Average FTE) as at 31 Dec. 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**

(Average FTE) as at 31 Dec. 2009	Belgium	France	Luxembourg	Turkey	Other Europe	USA	Other	Total
Senior Executives	273	38	68	23	36	7	15	460
Employees	8,895	2,384	3,076	8,453	2,210	225	1,547	26,790
Other	3	17	0	0	5	0	5	30
TOTAL	**9,171**	**2,439**	**3,144**	**8,476**	**2,251**	**232**	**1,567**	**27,280**

11.10. General and administrative expense

	31/12/08	31/12/09
Occupancy	79	82
Operating leases (except technology and system costs)	117	110
Professional fees	208	162
Marketing advertising and public relations	123	100
Technology and system costs	195	197
Software costs and research and development costs	77	58
Repair and maintenance expenses	15	15
Restructuring costs other than staff	45	(18)
Insurance (except related to pension)	19	18
Transportation of mail and valuable	58	56
Operational taxes	103	107
Other general and administrative expense	351	204
TOTAL	**1,390**	**1,089**

11.11. Depreciation and amortization

	31/12/08	31/12/09
Depreciation on land and buildings	79	90
Depreciation on other tangible assets	88	82
Amortization of intangible assets	129	127
TOTAL	**296**	**298**

11.12. Impairment on loans and provisions for credit commitments

Collective impairment	31/12/08			31/12/09		
	Allowances	Reversal	Total	Allowances	Reversal	Total
Loans	(1,169)	58	(1,111)	(416)	412	(5)
Credit enhancement (collective reserve)	(37)	0	(37)	0	0	0
TOTAL	**(1,206)**	**58**	**(1,148)**	**(416)**	**412**	**(5)**

Specific impairment	31/12/08				
	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.

Specific impairment	31/12/09				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	0	93	(6)	0	87
Loans and advances to customers	(1,037)	272	(93)	9	(850)
Other receivables [1]	(9)	2	0	0	(7)
Commitments	(58)	8	0	0	(49)
Credit enhancement (specific reserve)	(272)	0	0	0	(272)
TOTAL	**(1,376)**	**376**	**(99)**	**9**	**(1,091)**

(1) Is published in heading XII. of the Assets.

11.13. Impairment on tangible and intangible assets

	31/12/08	31/12/09
Impairment on investment property	0	(51)
Impairment on other tangible assets	0	1
Impairment on assets held for sale	(4)	0
Impairment on intangible assets	(6)	(1)
TOTAL	**(10)**	**(51)**

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

	31/12/08	31/12/09
Impairment on goodwill	(12)	(6)

The goodwill on Dexia Bank Denmark A/S and the goodwill on Financial Security Assurance Holdings Ltd has been reviewed and found impaired in 2008.
The goodwill on Dexia banka Slovensko and Dexia Kommunalkredit Bank Polska has been reviewed and found impaired in 2009.

11.15. Tax expense

	31/12/08	31/12/09
Income tax on current year	(328)	(248)
Deferred taxes on current year	917	(126)
Tax on current year result (A)	**589**	**(375)**
Income tax on previous year	68	40
Deferred taxes on previous year	(33)	52
Provision for tax litigations	5	(31)
Other tax expense (B)	**40**	**61**
TOTAL (A)+(B)	**629**	**(314)**

EFFECTIVE CORPORATE INCOME TAX CHARGE

The standard tax rate applicable in Belgium in 2008 and 2009 was 33.99%
Dexia effective tax rate was respectively 15.3% and 27.3% for 2008 and 2009.
The difference between the standard and the effective tax rate can be analysed as follows:

	31/12/08	31/12/09
Net income before tax	**(3,877)**	**1,403**
Income and losses from companies accounted for by the equity method	(1)	39
Impairment on goodwill	(12)	(6)
Tax base	**(3,864)**	**1,370**
Statutory tax rate	33.99%	33.99%
Tax expense using statutory rate	**(1,313)**	**466**
Tax effect of rates in other jurisdictions	21	(133)
Tax effect of non-taxable revenues (1)	(308)	(357)
Tax effect of non-tax deductible expenses	665	192
Tax effect of utilisation of previously unrecognised tax losses	0	(4)
Tax effect on taxable benefit not previously recognised in profit or loss	(5)	0
Tax effect from reassessment of unrecognised deferred tax assets	454	314
Tax effect of change in tax rates	4	0
Items taxed at a reduced rate	(56)	(60)
Other increase (decrease) in statutory tax charge	(51)	(44)
Tax on current year result	**(589)**	**374**
Taxe base	(3,864)	1,370
Effective tax rate	15.3%	27.3%

(1) Mainly non-taxable gains on sales of equity shares.

11.16. Earnings per share

BASIC

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

	31/12/08	31/12/09
Net income attributable to equity holders of the parent	(3,326)	1,010
Weighted average number of ordinary shares (millions)	1,310	1,762
Basic earnings per share (expressed in EUR per share)	(2.54)	0.57

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 shares would decrease loss per share.
No adjustment is made to net income attributable to equity holders of the parent as there are no financial instruments convertible in Dexia shares.

	31/12/08	31/12/09
Net income attributable to equity holders of the parent	(3,326)	1,010
Weighted average number of ordinary shares (millions)	1,310	1,762
Adjustment for share options (millions)	0	0
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,310	1,762
Diluted earnings per share (expressed in EUR per share)	(2.54)	0.57

12. Notes on risk exposure

(in millions of EUR – some amounts may not add up due to roundings off)

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

	31/12/08			31/12/09		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	2,448	2,448	0	2,673	2,673	0
Loans and advances due from banks	61,864	59,550	(2,314)	47,427	46,018	(1,409)
Loans and advances to customers	368,845	371,206	2,361	353,987	349,069	(4,918)
Financial assets held for trading	10,836	10,836	0	6,362	6,362	0
Financial assets designated at fair value	5,208	5,208	0	3,715	3,715	0
Financial assets available for sale	123,062	123,062	0	103,685	103,685	0
Investments held to maturity	1,967	2,009	42	1,565	1,686	121
Derivatives	55,213	55,213	0	40,728	40,728	0
Fair value revaluation of portfolio hedge	3,938	3,938	0	3,579	3,579	0
Investments in associates	682	887	205	171	187	16
Other assets [(1)]	10,683	10,683	0	9,387	9,387	0
Non-current assets held for sale	6,260	6,285	25	4,350	4,423	73
TOTAL	**651,006**	**651,325**	**319**	**577,629**	**571,512**	**(6,117)**

(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

	31/12/08			31/12/09		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Due to banks	213,192	210,669	(2,523)	123,724	121,157	(2,567)
Customer borrowings and deposits	114,728	114,889	161	120,950	120,740	(210)
Financial liabilities held for trading	273	273	0	275	275	0
Financial liabilities designated at fair value	18,679	18,679	0	19,070	19,070	0
Derivatives	75,834	75,834	0	58,364	58,364	0
Fair value revaluation of portfolio hedge	1,543	1,543	0	1,939	1,939	0
Debt securities	188,120	184,742	(3,378)	213,065	208,788	(4,277)
Subordinated debts	4,407	4,378	(29)	4,111	3,912	(199)
Other liabilities [(1)]	22,921	22,921	0	19,811	19,811	0
Liabilities included in disposal groups held for sale	5,691	5,691	0	4,332	4,332	0
TOTAL	**645,388**	**639,619**	**(5,769)**	**565,641**	**558,388**	**(7,253)**

(1) Includes Technical provisions from insurance companies, provisions and other obligations, tax liabilities, 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

	31/12/08				31/12/09			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Financial assets held for trading	6,692	2,409	1,735	10,836	1,432	1,607	3,323	6,362
Financial assets designated at fair value	4,803	380	25	5,208	3,308	197	210	3,715
Financial assets available for sale	39,097	64,301	19,664	123,062	32,946	18,796	51,943	103,685
Derivatives	335	54,383	495	55,213	25	37,464	3,239	40,728
TOTAL	**50,927**	**121,473**	**21,919**	**194,319**	**37,711**	**58,064**	**58,715**	**154,490**

(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.

B.2. Liabilities

	31/12/08				31/12/09			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Financial liabilities held for trading	271	2	0	273	212	62	1	275
Financial liabilities designated at fair value	3,865	8,667	6,147	18,679	0	15,691	3,379	19,070
Derivatives	297	74,464	1,073	75,834	3	54,492	3,869	58,364
TOTAL	**4,433**	**83,133**	**7,220**	**94,786**	**215**	**70,245**	**7,249**	**77,709**

(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.

Dexia restated the disclosure on fair value classification reported in 2008 for the following reasons:
• The IASB published the Amendment to IFRS 7 – Improving Disclosure about Financial Instruments – in March 2009 and an Exposure Draft on Fair Value Measurement in May 2009. These texts better defined the classification between levels 1, 2 and 3 and clarified that an instrument must be classified in level 3 based on "the lowest level input that is significant to the fair value measurement in its entirety".
• For these financial instruments not quoted on a market, Dexia developed internal models to determine the fair value including the major risk parameters (see sensitivity section hereunder). In the past, credit risk has been assessed as the most important unobservable input having an impact, considered as limited, on the fair value of the financial instrument. This is explained by the fact that Dexia's counterparties are mainly governments, public authorities and banks. However, considering the new texts published, Dexia put more emphasis on liquidity risk, which has a significant impact on the fair value due to Dexia's specific business model, namely long-term financing.
This restatement of fair value classification has no impact on the measurement of the financial instruments but is only a disclosure issue.

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2 FAIR VALUE HIERARCHY

C.1. Assets

	31/12/09	
	From 1 to 2	From 2 to 1
Financial assets held for trading	321	32
Financial assets available for sale	33	1,105
Derivatives	130	0
TOTAL	**484**	**1,137**

C.2. Liabilities

	31/12/09	
	From 1 to 2	From 2 to 1
Financial liabilities held for trading	0	1
TOTAL	**0**	**1**

D. RECONCILIATION LEVEL 3

D.1. Assets

	31/12/09		
	Closing Dec. 2008	Restatement according to new definition	Opening balance
Financial assets held for trading	1,735	2,724	4,459
Financial assets designated at fair value	25	159	184
Financial assets available for sale	19,664	32,706	52,370
Derivatives	495	4,539	5,034
TOTAL	**21,919**	**40,128**	**62,047**

	31/12/09											
	Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Pur-chase	Sale	Settle-ment	Transfers in level 3	Transfers out of level 3	Changes in scope of consoli-dation	Conversion differences	Other (1)	Closing
Financial assets held for trading	4,459	1,086	0	260	(2,321)	(99)	0	(224)	0	162	0	3,323
Financial assets designated at fair value	184	(32)	0	173	(15)	0	0	(102)	0	2	0	210
Financial assets available for sale	52,370	851	1,124	1,209	(1,509)	(1,211)	1,841	(2,408)	(2)	(171)	(151)	51,943
Derivatives	5,034	404	0	5	(734)	(1,618)	0	(52)	0	200	0	3,239
TOTAL	**62,047**	**2,309**	**1,124**	**1,647**	**(4,579)**	**(2,928)**	**1,841**	**(2,786)**	**(2)**	**193**	**(151)**	**58,715**

(1) The assets of Dexia Epargne Pension are transferred to non-current assets held for sale.

D.2. Liabilities

	31/12/09		
	Closing Dec. 2008	Restatement according to new definition	Opening balance
Financial liabilities designated at fair value	6,147	(2,816)	3,331
Derivatives	1,073	3,770	4,843
TOTAL	**7,220**	**954**	**8,174**

	31/12/09							
	Opening balance	Total gains/ losses in P&L	Purchase	Direct origination	Settle-ment	Transfers out of level 3	Conversion differences	Closing
Financial liabilities held for trading	0	0	1	0	0	0	0	1
Financial liabilities designated at fair value	3,331	29	0	88	(69)	0	0	3,379
Derivatives	4,843	(707)	0	0	(63)	(5)	(199)	3,869
TOTAL	**8,174**	**(678)**	**1**	**88**	**(132)**	**(5)**	**(199)**	**7,249**

The column "Restatement according to new definition" is a net amount consisting of the following reclassifications:
On the one hand, the reclassification out of level 3 (as reported in 2008) into level 2:
• For "Financial liabilities designated at fair value" the significance of own credit risk assessed against the fair value is not material;
• For some derivatives, the input used in the pricing model could be considered as "observable" based on the guidance in the amended IFRS.
On the other hand, there was a reclassification out of level 2 into level 3:
• These financial instruments mostly contained non-closely related embedded derivatives for which a change in risk

parameters (such as equity prices) resulted in a significant shift in the fair value;

• For some financial assets, mainly bonds, liquidity risk became a more important factor in the determination of the fair value and therefore led to a classification into level 3;

• Most of complex derivatives were reclassified into level 3 due to the definition published by the amended IFRS 7. Note that complex products are mostly back-to-back structures.

Evolution of level 3 instruments during 2009 can be explained as follows:

• Some markets recovered during 2009, such as for German and French covered bonds and some bank securities, so those instruments moved in the fair value hierarchy from level 3 to level 2;

• The column "Total gains/losses in P/L" can not be analysed on a stand alone basis, as some assets/liabilities classified in amortised cost or in level 1 or 2 may be hedged by derivatives classified in level 3. We refer to the note 11.4. – Result of hedge accounting – to have an economic view on the P/L impact;

• Improvement in internal model as well as increasing the back-testing resulted in a transfer between levels; mainly from level 3 to level 2;

• During its review of classification in levels in 2009, Dexia identified that some senior banks bonds, classified as liquid and therefore level 2, became illiquid. By consequence, they were transferred to level 3;

• High sales and low purchases of financial instruments are mainly explained by management decision to:
(i) stop proprietary trading activities; and
(ii) decrease Dexia's bond portfolio.
However, impact in P&L is rather limited due to the fact that structured financial instruments are fully hedged: not only the interest-rate risk but also the risks attached to the structure via back-to-back derivatives.

E. SENSITIVITY OF LEVEL 3 VALUATIONS TO ALTERNATIVE ASSUMPTIONS

For its Mark-to-Model price, Dexia uses a discount cash-flow model. The sensitivity measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.
When using its models, Dexia decided to elaborate alternative assumptions on the unobservable parameters, mainly:

• credit spreads; depending on availability of credit spreads for the same counterparty, or credit spreads based on similar counterparties, similar sectors or by using credit risk indexed on liquid CDS indexes;

• liquidity premiums; that are mainly used in the context of calculating the fair value for bonds and mainly depend on the ability of qualifying as eligible for the refinancing at Central Banks;

• illiquidity of the financial instrument, depending on the liquidity of the market for the same instrument, similar products, including the analysis of the difference between bid and ask prices for real transactions.

Tests have been performed on all financial instruments classified in level 3. The main impacts are the following:

• For level 3 bonds in AFS, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR +377 million and a negative impact of EUR -189 million.

• Negative Basis Trades are considered as one single product on the market, and are therefore tested for the bond and its related CDS together. The main assumption having an impact on their fair value is the unwinding (bid-ask spread) impact. Based on the important number of unwinds performed by Dexia in 2009, and taking into account the stock of remaining NBT transactions, the positive impact (median unwind premium of 2009) is EUR +5 million whereas the negative impact (highest unwind premium of 2009) gives an impact of EUR -18 million.

Dexia tested the impact of different unobservable parameters for its derivatives, like exotic currencies, interest-rate volatility (unobservable vega and smile) and correlation, model uncertainties, extrapolation for long-term periods, equities' sensitivities (unobservable vega, dividend volatility, correlation, etc). The main impacts relate to correlation on CMS-spread options, estimated at EUR +8 million (positive scenario) or EUR -8 million (negative scenario), and to credit spread on CDS, where the impact is estimated at EUR +32 million (positive scenario) versus EUR -28 million (negative scenario) before tax.

F. DISCLOSURE OF DIFFERENCE BETWEEN TRANSACTION PRICES AND MODELED VALUES (DEFERRED DAY ONE PROFIT)

No significant amounts are recognised as deferred Day One Profit (DOP) as at 31 December 2008 nor as at 31 December 2009.

DOP is recognised up-front on simple products like Interest-Rate Swaps (IRS) or complex products (like structured transactions) that are backed-to-back.

Day one profit taken up-front amounted respectively to EUR 45 million and EUR 23 million as at 31 December 2008 and as at 31 December 2009. The amounts are recognised in Net trading income (disclosure 11.4.).

12.2. Credit-risk 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.

Credit-risk exposure is broken down by geographical region and by counterparty taking into account the guarantees obtained. This means that when credit-risk exposure is guaranteed by a third party 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.
As an exception, Dexia does not apply this "substitution principle" to the Dexia FP portfolio in this breakdown. Consequently the guarantee provided by the French and the Belgian governments on this portfolio is not taken into account.

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.

Exposure by geographical region	31/12/08	31/12/09
Belgium	116,081	110,645
France	112,391	103,520
Germany	42,741	40,085
Italy	64,799	58,263
Luxembourg	12,780	12,725
Other EU countries	122,876	110,934
Rest of Europe	15,419	14,005
Turkey	15,480	10,629
United States and Canada	106,255	82,262
South and Central America	4,115	3,950
Southeast Asia	6,084	3,483
Japan	21,610	15,072
Other (1)	19,379	20,558
TOTAL (2)	**660,011**	**586,131**

(1) Includes supranational entities, like European Central Bank.
(2) The exposure as at 31 December 2008 of FSA Inc. is disclosed in Dexia's Annual Report 2008.

Exposure by category of counterparty	31/12/08	31/12/09
Central governments	78,800	74,518
Local public sector	298,989	265,223
Corporate	57,095	49,949
Monoline	14,766	11,056
ABS/MBS	52,213	36,272
Project finance	16,986	17,508
Individuals, SME, self-employed	45,619	45,197
Financial institutions	94,375	85,812
Other	1,168	596
TOTAL (1)	**660,011**	**586,131**

(1) The exposure as at 31 December 2008 of FSA Inc. is disclosed in Dexia's Annual Report 2008.

B. CREDIT-RISK EXPOSURE BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/08	31/12/09
Financial assets available for sale (excluding variable income securities)	119,592	101,441
Financial assets designated at fair value (excluding variable income securities)	594	490
Financial assets held for trading (excluding variable income securities)	10,976	6,056
Loans and advances (at amortised cost)	381,373	359,846
Investments held to maturity	1,906	1,611
Derivatives	11,488	8,111
Other financial instruments	2,056	1,801
Loan commitments granted	81,672	68,624
Guarantee commitments granted	50,355	38,152
TOTAL	**660,011**	**586,131**

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 (mainly 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.

C. CREDIT QUALITY OF FINANCIAL ASSETS NEITHER PAST DUE NOR IMPAIRED

As Dexia rating methodology is not yet fully implemented in DenizBank's organisation, and as few external ratings are available on Turkish exposures, Dexia reports the credit quality 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.

	31/12/08					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	DenizBank	Total
Financial assets available for sale (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 amortised cost)	195,050	138,196	23,627	12,164	8,134	377,170
Investments held to maturity	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**

	31/12/09					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	DenizBank	Total
Financial assets available for sale (excluding variable income securities)	45,857	46,327	5,220	585	1,035	99,023
Financial assets designated at fair value (excluding variable income securities)	82	238	20	149	0	490
Financial assets held for trading (excluding variable income securities)	2,862	2,518	208	403	50	6,040
Loans and advances (at amortised cost)	176,716	132,982	31,579	8,316	9,038	358,633
Investments held to maturity	563	677	1	0	370	1,611
Derivatives	3,250	3,764	555	434	39	8,042
Other financial instruments	98	47	21	1,614	15	1,795
Loan commitments granted	41,828	18,059	4,292	1,768	2,393	68,340
Guarantee commitments granted	18,557	13,927	2,264	873	2,428	38,051
TOTAL	**289,813**	**218,539**	**44,161**	**14,143**	**15,368**	**582,024**

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 Basel II Standard method.

Credit quality of DenizBank's financial assets

In 2009, the management and monitoring of DenizBank credit risks continued to be more integrated into Dexia's global credit-risk management, particularly with the ongoing development of internal rating systems specific to Turkish counterparties aimed at covering the main asset categories and an increased participation in the different committees at Group level.

The average credit quality of DenizBank's financial assets remains closely linked to the rating of the Turkish government (internal rating: BB- positive (foreign currency) / BB+ positive (local currency)). In fact, a financial asset cannot have a higher rating than that of the State where it is issued.

As the DenizBank portfolio is composed of 90% of Turkish assets, the majority of the DenizBank financial assets are in the "Non-Investment Grade" category.

Detail on the credit quality of the most significant financial assets:

- The Corporate & MidCorporate portfolio is entirely composed of Turkish counterparties or related to. The credit risk of this portfolio is therefore closely linked to the evolution of the Turkish economy. Each of these counterparties is rated annually with a Basel II compliant internal rating system, specifically developed for Turkish counterparties, the calibration of which is on the basis of an average rating between B+ and BB-;
- DenizBank's financial assets on financial institutions as at the end of 2009 are mainly on "Investment Grade" international banks. The remaining exposures are concentrated on Turkish banks with an average rating of BB;
- Exposure to the central government and assimilated to is solely associated with Turkish sovereign risk;
- Exposure to the local public sector has a rating between B and BB-, a consequence of the rules set by the Dexia credit committee for this type of assets;
- The credit-risk profile of the Retail & PME portfolio is monitored by the Retail Expertise Center of the Dexia Group and is also included in the quarterly risk reviews of this activity. Specific PD (Probability of Default) and LGD (Loss-Given Default) models have been developed and are being developed for the Retail & PME parts (including agriculture) and will be deployed during the 2010 financial year.

D. 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.

E. 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 counterparty fails to pay the required interests at due date, the entire loan is considered as past due.

	31/12/08				
	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		
Financial assets available for sale (excluding variable income securities)	1	0	0	1,125	0
Loans and advances (at amortized cost) [1]	1,482	398	382	3,653	1,479
Other financial instruments	21	5	9	329	0
TOTAL	**1,504**	**403**	**391**	**5,107**	**1,479**

Figures as at 31 December 2008 have been restated.

(1) As at 31 december 2008, the carrying amount of individually impaired financial assets, before deducting any impairment loss included debt instruments accounted for in the category "Loans and Receivables" for an amount of EUR 1,919 million.

	31/12/09				
	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		
Financial assets available for sale (excluding variable income securities)	1	0	0	810	0
Loans and advances (at amortised cost) [1]	1,112	399	769	4,820	1,724
Other financial instruments	0	3	3	335	0
TOTAL	**1,113**	**402**	**772**	**5,965**	**1,724**

(1) The carrying amount of individually impaired financial assets, before deducting any impairment loss included debt instruments accounted for in the category "Loans and Receivables" for an amount of EUR 2,028 million, of which an amount of EUR 1,780 million for Dexia FP. For the latter, no collaterals are declared in this disclosure. However, this amount benefits from the guarantee mechanism of the Belgian and French States described in disclosure 9.4.

Collateral held is 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 according to the description made in valuation rules (see note 1.8.).

F. 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	
	31/12/08	31/12/09
Cash	203	22
Debt instruments	1,391	4
Loans and advances	1	0
Property plant and equipment	26	42
Investment property	0	58
Other	4	0
TOTAL	**1,625**	**126**

Usually, Dexia does not intend to keep the collateral and converts into cash the collateral 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 collateral obtained in the framework of Lehman Brothers' bankruptcy. Debt instruments were obtained in the framework of a tri-partite repo agreement through Euroclear.
Cash represented collateral obtained for derivatives for EUR 85 million while another EUR 109 million was obtained for a tri-partite repo through Euroclear.

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G. ALLOWANCES MOVEMENTS FOR CREDIT LOSSES

	01/01/08	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other (1)	31/12/08	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR FINANCIAL ASSETS	**1,009**	**(98)**	**3,131**	**(179)**	**(21)**	**3,842**	**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)
Financial assets available for sale	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*		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**419**	**(11)**	**1,169**	**(58)**	**(13)**	**1,506**		
TOTAL	**1,428**	**(109)**	**4,300**	**(237)**	**(34)**	**5,348**	**10**	**(22)**

(1) An amount of specific allowances for individually assessed financial assets of EUR 1,045 million was reclassified from "Financial assets available for sale" to "Loans and advances to customers", due to the application of IAS 39 amended.

	01/01/09	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	31/12/09	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR FINANCIAL ASSETS	**3,842**	**(736)**	**1,135**	**(592)**	**(130)**	**3,519**	**9**	**(99)**
Loans and advances due from banks	98	0	0	(93)	4	9	0	(6)
Loans and advances to customers	2,083	(85)	1,036	(272)	(105)	2,657	9	(93)
Financial assets available for sale	1,661	(651)	99	(227)	(29)	853		
- of which fixed income instruments	*817*	*(13)*	*7*	*(133)*	*(26)*	*652*		
- of which equity instruments	*844*	*(638)*	*92*	*(94)*	*(3)*	*201*		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**1,506**	**(16)**	**361**	**(356)**	**(18)**	**1,477**		
TOTAL	**5,348**	**(752)**	**1,496**	**(948)**	**(148)**	**4,996**	**9**	**(99)**

H. CREDIT-RISK INFORMATION FOR LOANS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

31/12/08			
Maximum exposure to credit risk (1)	Amount by which any related credit derivatives mitigate the maximum exposure to credit risk declared in (1)	Amount of change in loans at fair value through profit and loss attributable to changes in the credit risk	
		Change of the period	Cumulative amount
67	0	0	0

31/12/09			
Maximum exposure to credit risk (1)	Amount by which any related credit derivatives mitigate the maximum exposure to credit risk declared in (1)	Amount of change in loans at fair value through profit and loss attributable to changes in the credit risk	
		Change of the period	Cumulative amount
49	0	1	1

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 contractual 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.

I. CREDIT-RISK INFORMATION ABOUT FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

31/12/08			
Carrying amount	Amount of change in fair value attributable to changes in the credit risk of the liability		Difference between carrying amount and contractual 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 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).

31/12/09			
Carrying amount	Amount of change in fair value attributable to changes in the credit risk of the liability		Difference between carrying amount and contractual amount required to be paid at maturity (1)
	Change of the period	Cumulative amount	
19,070	161	(313)	170

(1) This amount includes the premium/discount and the accumulated change in the market value.

The change of the period results from the decrease of Dexia's credit spread.

12.3. Information about collateral

A. ASSETS RECEIVED AS COLLATERAL IF THIS COLLATERAL CAN BE SOLD OR REPLEDGED

Assets received as collateral	Collateral received as at 31 Dec. 2008		Collateral received as at 31 Dec. 2009	
	Fair values of collateral held	Fair value of collateral sold/ repledge	Fair values of collateral held	Fair value of collateral sold/ repledge
Equity instrument	1,100	0	795	0
Debt instruments	22,377	10,658	4,930	1,795
Loans and advances	1,931	1,708	2,466	2,387
TOTAL	**25,408**	**12,366**	**8,191**	**4,182**

Figures as at 31 December 2008 were restated.

Collateral is obtained within the framework of repurchase agreement activities and of bond lending activities.
Cash is obtained as collateral within the framework of Credit-Support Annex (CSA).
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 at 31 Dec. 2008		Carrying amount of financial assets pledged as collateral as at 31 Dec. 2009	
For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
195,319	0	144,713	0

Figures as at December 2008 were restated.

Assets are mainly pledged to collateralise repurchase agreements and debts to central banks and to the European Central Bank. Carrying amount is not limited to the amount effectively borrowed. Cash is given as collateral within the framework of Credit-Support Annex (CSA). Repurchase agreements reimbursement amount was EUR 44 billion as at 31 December 2008 and EUR 53 billion as at 31 December 2009.

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 point of view, rather than on assumptions based on observed behavioural data. This latter approach is realised in the BSM sensitivity (see note12.5.).

a. Assets	**31/12/08**									
	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
Financial assets available for sale	685	34,464	10,460	19,532	55,671	3,343	1,849	(1,281)	(1,661)	123,062
Investments held to maturity	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		3,938
Investments in associates						682				682
Tangible fixed assets						2,353				2,353
Intangible assets and goodwill						2,193				2,193
Tax assets						4,139				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**	**25,400**	**14,627**	**61,029**	**(5,642)**	**651,006**

Figures as at 31 December 2008 were restated.

b. Liabilities	31/12/08								
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	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**

c. Net position	31/12/08					
	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	(2,522)

Balance-sheet sensitivity gap is hedged through derivatives.

a. Assets	31/12/09									
	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	2,466	202	0	0	0	0	5	0	0	2,673
Loans and advances due from banks	13,721	23,075	2,676	5,008	2,247	0	128	643	(71)	47,427
Loans and advances to customers	15,923	73,054	63,229	51,067	140,864	1,236	2,855	9,831	(4,072)	353,987
Financial assets held for trading	6	2,947	1,119	631	1,826	177	24	(368)	0	6,362
Financial assets desig-nated at fair value	0	358	97	82	61	3,143	4	(30)	0	3,715
Financial assets available for sale	657	21,680	9,458	18,356	48,261	2,522	1,559	2,046	(853)	103,686
Investments held to maturity	0	381	180	194	760	0	50	0	0	1,565
Derivatives							8,129	32,599	0	40,728
Fair value revaluation of portfolio hedge								3,579	0	3,579
Investments in associates						171				171
Tangible fixed assets						2,396				2,396
Intangible assets and goodwill						2,177				2,177
Tax assets						2,919				2,919
Other assets	428	651	233	26	40	800	0	19	(302)	1,895
Non-current assets held for sale						4,395	0	35	(80)	4,350
TOTAL	**33,201**	**122,348**	**76,992**	**75,364**	**194,059**	**19,936**	**12,754**	**48,354**	**(5,378)**	**577,630**

b. Liabilities	31/12/09								
	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	Total
Due to banks	19,536	59,127	42,003	1,450	1,184	2	267	155	123,724
Customer borrowings and deposits	74,262	33,570	6,046	4,729	1,462	41	791	49	120,950
Financial liabilities held for trading	4	102	5	52	98	13	1	0	275
Financial liabilities designated at fair value	323	1,745	2,165	8,161	3,086	3,121	250	219	19,070
Derivatives							10,081	48,283	58,364
Fair value revaluation of portfolio hedge								1,939	1,939
Debt securities	2,525	58,135	33,720	59,128	54,485	0	2,969	2,103	213,065
Subordinated debts	418	855	377	855	1,281	138	98	89	4,111
Technical provision of insurance companies						13,408			13,408
Provisions and other obligations						1,581			1,581
Tax liabilities						238			238
Other liabilities	1,996	1,386	105	38	101	955	4	0	4,585
Liabilities included in disposal groups held for sale						4,332	0	0	4,332
TOTAL	**99,064**	**154,920**	**84,421**	**74,413**	**61,697**	**23,829**	**14,461**	**52,837**	**565,642**

c. Net position	31/12/09					
	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
On-balance-sheet sensitivity gap	(65,863)	(32,572)	(7,429)	951	132,362	(3,893)

Balance-sheet sensitivity gap is hedged through derivatives.

12.5. Market risk & BSM

Market risk measures at Dexia as at year-end 2009 [(1)]:

a) Treasury and Financial Market:

• Trading-book risks: general interest rate, foreign exchange, equity, credit spread and other risks (inflation, CO_2), which are managed within Value at Risk limits;

• Cash and Liquidity Management (CLM) – only banking – followed by means of Value at Risk (VaR) and interest-rate sensitivity limits;

• Bond portfolio spread risk – managed through credit-spread sensitivities.

b) Balance-Sheet Management (BSM):

• Interest-rate risk is followed within sensitivity limits and indicative Value at Risk (VaR) for BSM and for the Dexia FP activities;

• Credit spread risk is followed through spread sensitivities;

• Equity exposure is followed within Value at Risk (VaR) limits.

A. TREASURY AND FINANCIAL MARKET ACTIVITIES

Treasury and Financial Markets (TFM) activities of Dexia are oriented as a support function for the Group.

TFM assumes trading activities as well as non-trading risk positions that arise from cash and liquidity management activities.

Following the reorientation of TFM activities, the Risk Policy Committee on 7 November 2008 decided to reduce VaR limits of TFM.

The global TFM limits have been reduced from EUR 178 to EUR 130 million in 4Q 2008 and since 1Q 2009 from EUR 130 to EUR 100 million.

TFM also manages the Bond Portfolio securities on banking books which have been largely put in run-off.

(1) The measures as at 31 December 2008 are disclosed in Dexia's Annual Report 2008.

a. Trading book and CLM

Dexia Group calculated in 2009:
- an Interest Rate (IR) and Foreign Exchange (FX) VaR mainly based on parametrical method (99% 10 days), complemented by a historical full valuation VaR to measure the FX derivatives and IR volatility risk;
- an Equity VaR based on a full valuation historical method;
- a historical credit-spread VaR based on sensitivities;
- a historical VaR on inflation based on sensitivities and a historical Var in full valuation on carbon ($C0_2$) risks.

The detailed VaR usage of Dexia Group is disclosed in the table below.
However, the Bond Portfolio exposure on banking books is not included in the table below as it is followed through spread sensitivity and not in VaR – See further.

Value at Risk – 99% 10 days (in milions of EUR)

		2008															
		IR (1) & FX (2) (Trading and Banking) (3)				EQT (4) Trading				Spread Trading				Other risks (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
	Max.	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															
	Max.	179.1															
	End period	127.5															
	Limit	3Q: 178; 4Q: 130															

(1) IR: interest rate
(2) FX: forex
(3) IR & FX: without BSM
(4) EQT: equities
(5) Other risks: inflation, commodities & CO_2

		2009															
		IR (1) & FX (2) (Trading and Banking) (3)				EQT (4) Trading				Spread Trading				Other risks (5)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
By risk factor	Average	58.9	24.0	17.2	20.3	6.3	5.6	4.2	2.4	43.4	43.4	42.0	28.6	4.9	4.4	4.6	4.4
	Max.	86.5	32.3	23.1	26.3	7.6	9.7	8.6	4.5	59.2	51.2	47.3	37.7	7.8	5.3	5.1	4.7
Global	Average	78.4															
	Max. (6)	137.8															
	End period	45.7															
	Limit	1Q: 130; 2Q, 3Q & 4Q: 100															

(1) IR: interest rate
(2) FX: forex
(3) IR & FX: without BSM
(4) EQT: equities
(5) Other risks: inflation, commodities & CO_2
(6) Temporary limit overdraft in January due to high volatility in BMA spread on TOB

The CLM risk is also followed on sensitivity limits.
As at 31 December 2008 the interest sensitivity was of EUR -200 million against a limit of EUR 200 million/%, following a strong decrease of the limit at the Risk Policy Committee of November 2008 from a previous level of EUR 424 million.
As at 31 December 2009 the CLM sensitivity was of EUR -81 million against a limit of EUR 200 million/%.

b. Bond Portfolio exposure (banking book only – portfolio largely in run-off)

Outstanding (in billions of EUR)

	2008	2009
Total TFM credit-spread banking	181.2	165.5

Interest-rate sensitivity

The interest-rate risk of the Bond portfolio is hedged & match funded on the coupon rolls, as its purpose is the credit spread; therefore it has a very limited sensitivity to change of interest rate.

Credit-spread sensitivity (in millions of EUR)

It estimates the sensitivity in fair value after a basis point spread increase, in millions of EUR. The table below shows the credit-spread sensitivity of this TFM Bond Portfolio including as at 31 december 2009 the CLM and DMA bond activities.

	2008	2009
Total TFM credit-spread banking	(130)	(116) [1]

(1) 2009: of which EUR -16.1 million/bp of spread sensitivity arises from the Crediop Public Finance portfolio, which however is not in run-off.

B. BSM-INTEREST RATE, EQUITY & CREDIT-SPREAD RISK

BSM falls under the direct decision and control authority of the ALCo Group and of the Funding and Liquidity Committee.
The sensitivity measures the change in the balance-sheet net economic value if interest rates rise by 1% across the entire curve (in order to better capture the shape of the curve the 1% increase is composed of a 10bp shift multiplied by 10).
For the sensitivity calculation, residual maturity of the portfolio until next refixing interest-rate date is defined using assumptions on the observed behaviour of the customers and not on legal repayment date (see note 12.4.).

a. Banking and insurance companies, excluding Dexia Financial Products (Dexia FP) (in millions of EUR)

		2008											
		Interest rate [2] [3]				Equity [4]				Credit spread [5] [6]			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies BSM [1]	Sensitivity	(185)	(282)	(177)	(197)					(16)	(15)	(15)	(16)
	VaR 99% 10d	68	125	111	161	94	96	76	66				
Insurance	Sensitivity	9	5	8	8					n.a.	n.a.	n.a.	n.a.
	Mitigated VaR 99% 10d					118	127	12	137				

(1) ALM delegated (Assets and Liabilities Management delegated to TFM) and CLM excluded.
(2) Sensitivities to 1% shift.
(3) As at 31 December 2008, the interest-rate sensitivity limit for BSM amounted to EUR 486 million/%.
(4) Equity risks are more detailed below.
(5) Sensitivities to 1bp shift.
(6) N.a. – not available.

		2009											
		Interest rate (2) (3)				Equity (4)				Credit spread (5)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies BSM (1)	Sensitivity	(158)	(201)	(97)	(104)					(16)	(15)	(16)	(16)
	VaR 99% 10d	169	170	195	173	53	45	37	16				
Insurance	Sensitivity	(48)	(53)	(77)	(99)					(13)	(12)	(13)	(13)
	Mitigated VaR 99% 10d					53	80	142	119				

(1) CLM excluded.
(2) Sensitivities to 1% shift.
(3) As at 31 December 2009, the interest-rate sensitivity limit for BSM amounted to EUR 400 million/%.
(4) Equity risks are more detailed below.
(5) Sensitivities to 1bp shift.

Focus on BSM 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 materialises.

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.

A. Banking companies (1) (BSM portfolio)	Market value	VaR	% VaR	EaR	Acquisition Value
31/12/08	396	66	16.7%	(69)	493
31/03/09	318	53	17.0%	(64)	472
30/06/09	281	45	16.0%	(29)	323
30/09/09 (2)	516	37	17.0%	(13)	377
31/12/09 (2) (3)	503	16	9.0%	0	316

(1)The management of the equities on the banking companies in run-off is delegated to TFM.
(2) The market value includes EUR 292 million and EUR 336 million for Assured Guaranty stake respectively as at 30 September 2009 and 31 December 2009 (not included in the VaR).
(3) The VaR limit for BSM Banking portfolio amounted to EUR 70 million as at 31 December 2009 (the limit excludes Assured Guaranty stake). This equity VaR limit for the banking unit was down from EUR 120 million at year end 2008.

B. Insurance companies portfolio (1) (2)	Market value	VaR	Mitigated VaR (3)	% VaR	EaR	Acquisition Value
31/12/08	1,601	225	137	14.1%	(307)	2,408
31/03/09	1,101	85	53	5.0%	(286)	1,689
30/06/09	947	97	80	8.0%	(213)	1,303
30/09/09	1,167	151	142	12.0%	(144)	1,353
31/12/09	1,435	149	119	8.0%	(52)	1,541

(1) The VaR limit for BSM Insurance portfolio amounted to EUR 160 million as at 31 December 2009. The limit is applied to the mitigated VaR as the gross VaR captures additionally the risk which is not borne by Dexia (the risk which is supported by the policy holders).
The equity VaR limit for the insurance unit remained unchanged versus end-of-year 2008.
(2) The VaR limit of EUR 160 million is composed of EUR 130 million for the insurance company (DIS) itself and EUR 30 million on pension funds, that are considered to be at full risk (defined benefit plans for Dexia employees).
(3) Mitigated VaR takes into consideration the repartition of risks between the insurance policy holder and the insurer.

b. Dexia FP's interest-rate & credit-spread sensitivity

Dexia's FP Segment Investment Portfolio consists primarily of US dollar-denominated asset-backed securities, US agency and government securities and mortgage-backed securities.
They are part of the run-off portfolio.

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.
The Dexia FP portfolio amounted to EUR 10.9 billion as at 31 December 2009.
The interest-rate risk amounted to EUR -6.2 million/% (against a limit of EUR 42 million/%), while the spread sensitivity stood at EUR -4.4 million/bp.

12.6. Liquidity risk

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 3.3.4. in Accounting policies.
Since 2009, Dexia has to report about liquidity to the Belgian regulator (CBFA).
The liquidity ratio is at point B of this section and the measures to improve liquidity are in section C.

Current accounts and savings deposits are included in the column "At sight and on demand" even though they have no fixed repayment date.

A. BREAKDOWN RESIDUAL MATURITY

Assets	31/12/08									
	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
Financial assets available for sale	130	3,065	8,034	35,178	74,062	3,686	1,849	(1,281)	(1,661)	123,062
Investments held to maturity	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				2,193
Tax assets						4,139				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**	**25,830**	**14,627**	**61,029**	**(5,642)**	**651,006**

Figures as at 31 December 2008 have been restated.

Liabilities	31/12/08								
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	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	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**

	31/12/08					
	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	13,708

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.

The liquidity position of a bank results from the difference between contractual maturities of assets and of liabilities. Therefore Dexia reports its assets analysis even if not required by IFRS 7. This allows the presentation of the net liquidity gap.

A bank uses derivatives to hedge its risks. The cash flows are therefore dependent from the evolution of the underlying index (interest rate, exchange rate, credit spreads, etc.) for which expected cash flows can significantly change. As Dexia uses derivatives for banking and trading activities, including such expected cash flows, the figures in the table will be less relevant for readers. Dexia therefore reports the market value of derivatives in the fair value, in the same way it is reported for fair value adjustments on other financial assets and liabilities.

Assets	31/12/09									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjustment	Impair-ment	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				
Cash and balances with central banks	2,295	373	0	0	0	0	5	0	0	2,673
Loans and advances due from banks	13,360	19,719	1,903	7,304	4,441	0	128	643	(71)	47,427
Loans and advances to customers	13,700	13,338	17,689	69,862	229,548	1,236	2,855	9,831	(4,072)	353,987
Financial assets held for trading	4	79	761	1,106	4,579	177	24	(368)	0	6,362
Financial assets designated at fair value	0	2	172	277	147	3,143	4	(30)	0	3,715
Financial assets available for sale	321	3,337	7,959	27,613	58,695	3,008	1,559	2,046	(853)	103,685
Investments held to maturity	0	101	78	504	833	0	50	0	0	1,566
Derivatives							8,129	32,599	0	40,728
Fair value revaluation of portfolio hedge								3,579	0	3,579
Investments in associates						171				171
Tangible fixed assets						2,396				2,396
Intangible assets and goodwill						2,177				2,177
Tax assets						2,919				2,919
Other assets	311	649	233	29	139	817	0	19	(302)	1,895
Non-current assets held for sale						4,395	0	35	(80)	4,350
TOTAL	**29,991**	**37,598**	**28,795**	**106,695**	**298,382**	**20,439**	**12,754**	**48,354**	**(5,378)**	**577,630**

Liabilities	31/12/09								
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	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	18,766	49,588	42,207	5,134	7,605	2	267	155	123,724
Customer borrowings and deposits	73,570	30,373	4,647	8,427	3,052	41	791	49	120,950
Financial liabilities held for trading	0	102	5	54	101	12	1	0	275
Financial liabilities designated at fair value	0	760	1,082	7,472	6,166	3,121	250	219	19,070
Derivatives							10,081	48,283	58,364
Fair value revaluation of portfolio hedge							0	1,939	1,939
Debt securities	474	32,720	24,153	79,651	70,995	0	2,969	2,103	213,065
Subordinated debts	1	334	35	717	1,942	895	98	89	4,111
Technical provision of insurance companies	9	149	408	4,872	7,912	58			13,408
Provisions and other obligations						1,581			1,581
Tax liabilities						238			238
Other liabilities	1,891	1,481	112	38	101	958	4	0	4,585
Liabilities included in disposal groups held for sale						4,332	0	0	4,332
TOTAL	**94,711**	**115,507**	**72,649**	**106,365**	**97,874**	**11,238**	**14,461**	**52,837**	**565,642**

	31/12/09					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 to 5 years	Over 5 years	Undetermined maturity
Net liquidity gap	(64,720)	(77,909)	(43,854)	330	200,508	9,201

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.

The liquidity position of a bank results from the difference between contractual maturities of assets and of liabilities. Therefore Dexia reports its assets analysis even if not required by IFRS 7. This allows the presentation of the liquidity gap.

A bank uses derivatives to hedge its risks. The cash flows are therefore dependent from the evolution of the underlying index (interest rate, exchange rate, credit spreads, etc.) for which expected cash flows can significantly change. As Dexia uses derivatives for banking and trading activities, including such expected cash flows, the figures in the table will be less relevant for readers. Dexia therefore reports the market value of derivatives in the fair value, in the same way it is reported for fair value adjustments on other financial assets and liabilities.

B. BELGIAN SUPERVISING AUTHORITY (CBFA) OBSERVATION RATIO

	31/12/09			
	Required Liquidity	Available Liquidity	Liquidity Excess	Stress Test Ratio
1 week	(33,100)	71,600	38,500	46%
1 month	(64,800)	71,600	6,800	91%

The CBFA (Belgian Banking, Finance and Insurance Commission) observation ratio stress test applicable on a monthly basis since 30 June 2009, enables the liquidity position of a bank to be measured in exceptional circumstances by comparing the potentially required liquidity with the liquidity available on and off that establishment's balance sheet.
The scenario combines the impact of an idiosyncratic shock associated with the establishment and the consequences of general liquidity crisis.
The principal stress hypotheses are as follows:
- It is impossible to obtain unsecured refinancing;
- Securitisation or sale of illiquid assets are impossible;
- There is possible recourse to central banks in the Eurosystem on the basis of using eligible assets as guarantees with them (haircuts between 5% and 30%);
- There is no recourse possible to lines of credit or guarantees obtained from third parties;
- 100% of withdrawals by "wholesale" clients from the deposits are immediately payable but also on maturity of their term deposits.

The potentially required liquidity is obtained by differences between the entry and exit of liquidity flows associated with existing contractual liabilities reduced by exits associated with the withdrawal or non-renewal of deposits.
The potentially required liquidity is obtained by converting the amount of available liquidity into cash.
A ratio lower than 100% means that the establishment is able to cope with the extreme circumstances of the scenario concerned, as it is the case with Dexia Group.

C. ACTIONS TO IMPROVE DEXIA'S LIQUIDITY

In 2009, the Group's efforts to reduce the liquidity gap were very important, particularly with regard to deleveraging (asset sales) for an amount of EUR 16.5 billion, with an average maturity of 4.5 years, and with regard to long-term issues with and without the government guarantee (50%/50%) for an amount of EUR 46 billion, with an average maturity of 5 years.

12.7. Currency risk

	31/12/08				
	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**

	31/12/09				
	EUR	Other EU currencies	USD	Other	Total
Total assets	430,282	29,848	67,994	49,506	577,630
Total liabilities and equity	443,102	19,212	74,304	41,012	577,630
NET BALANCE POSITION	**(12,820)**	**10,636**	**(6,310)**	**8,494**	**0**

The on-balance position is hedged by derivatives, so that nearly all foreign exchange positions are closed.

12.8. Insurance risks

Insurances activities are performed in Dexia Group by DIS-group (see Accounting principles, point 1.11.).
DIS-group is active in life (80% 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-group 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.

Dexia SA
Statutory Auditor's report on the consolidated financial statements for the year ended 31 December 2009 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 consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

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 31 December 2009, the consolidated statement of income, the consolidated statement of changes in equity, the consolidated statement of comprehensive income 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 577,630 million EUR and the consolidated statement of income shows a consolidated profit (Group share) for the year then ended of 1,010 million EUR.

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 Réviseurs d'Entreprises/Instituut van de 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 31 December 2009, 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.

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, 1 April 2010

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 AT 31 DECEMBER 2009

Balance sheet

(before income appropriation)

ASSETS (in EUR)		**31/12/2008**	**31/12/2009**
FIXED ASSETS		**28,368,527,711**	**28,311,697,399**
I.	Formation expenses	8,760,308	6,320,373
II.	Intangible assets	3,214,898	4,460,437
III.	Tangible assets	2,442,275	2,055,224
	B. Plant, machinery and equipment	117,010	94,656
	C. Furniture and vehicles	2,028,424	1,751,069
	E. Other tangible fixed assets	296,841	209,499
IV.	Financial assets	28,354,110,230	28,298,861,365
	A. Affiliated enterprises	28,353,319,650	28,298,051,207
	1. Participating interests	24,882,425,655	24,880,923,728
	2. Amounts receivable	3,470,893,995	3,417,127,479
	C. Other financial assets	790,580	810,158
	2. Amounts receivable and cash guarantees	790,580	810,158
CURRENT ASSETS		**144,272,403**	**436,214,840**
V.	Amounts receivable after more than one year	44,235,576	40,505,613
	B. Other amounts receivable	44,235,576	40,505,613
VII.	Amounts receivable within one year	27,530,313	52,210,512
	A. Trade debtors	3,385,163	2,455,752
	B. Other amounts receivable	24,145,150	49,754,760
VIII.	Current Investments	182,529	315,469,173
	B. Other investments and deposits	182,529	315,469,173
IX.	Cash at bank and in hand	24,359,941	18,116,499
X.	Deferred charges and accrued income	47,964,044	9,913,043
TOTAL ASSETS		**28,512,800,114**	**28,747,912,239**

SHAREHOLDERS' EQUITY AND LIABILITIES (in EUR)		**31/12/2008**	**31/12/2009**
EQUITY		**24,464,780,922**	**24,370,965,752**
I.	Capital	8,089,020,254	8,089,020,254
	A. Issued capital	8,089,020,254	8,089,020,254
II.	Share premium account	13,617,667,343	13,617,667,343
IV.	Reserves	1,500,746,683	1,542,980,946
	A. Legal reserve	530,700,511	572,934,774
	D. Available reserves	970,046,172	970,046,172
V.	Profit carried forward	412,661,386	1,215,112,379
V. bis.	Net income/loss (-) for the year (1)	844,685,256	(93,815,170)
PROVISIONS AND DEFERRED TAXES		**21,212,877**	**55,534,467**
VII.	A. Provisions for liabilities and charges	21,212,877	55,534,467
	2. Taxation	1,782,450	-
	4. Other liabilities and charges	19,430,427	55,534,467
AMOUNTS PAYABLE		**4,026,806,315**	**4,321,412,020**
VIII.	Amounts payable after more than one year	200,000,000	-
	A. Financial liabilities	200,000,000	-
	5. Other loans	200,000,000	-
IX.	Amounts payable within one year	3,794,906,864	4,308,170,603
	A. Current portion of amounts payable after more than one year falling due within one year	-	200,000,000
	B. Financial liabilities	3,593,022,030	3,862,857,740
	1. Credit institutions	3,593,022,030	3,862,857,740
	C. Trade debts	61,382,635	62,791,488
	1. Suppliers	61,382,635	62,791,488
	E. Taxes, remuneration and social security	25,285,479	18,522,886
	1. Taxes	567,925	313,743
	2. Remuneration and social security	24,717,554	18,209,143
	F. Other amounts payable	115,216,720	163,998,489
X.	Accrued charges and deferred income	31,899,451	13,241,417
TOTAL LIABILITIES		**28,512,800,114**	**28,747,912,239**

(1) See note 1 to the financial statements.

Off-balance-sheet items

(in EUR)	**31/12/2008**	**31/12/2009**
Miscellaneous rights and commitments:		
Temporary guarantee given by the French, Belgian and Luxembourg States	PM	PM
Guarantee given by the French and Belgian States for the Financial Products portfolio	-	PM
Personal guarantees given on behalf of third parties	39,300	45,600
Personal guarantees given on behalf of Dexia Funding Lux SA	500,000,000	500,000,000
Real guarantees given on own assets	16,093	13,972
Foreign currency transactions receivable (USD)	-	97,758,197
Foreign currency transactions receivable (EUR) – Currency interest-rate swap	141,168,500	141,168,500
Foreign currency transactions to be delivered (USD) – Currency interest-rate swap	96,078,863	93,226,225
Commitment to issue shares linked to stock options	1,142,895,058	1,141,694,336
Commitment to issue shares to the Belgian and French States	-	PM
Commitment towards Financial Security Assurance Holdings LTD ("FSA")	214,730,513	-
Commitment towards Dexia Bank Nederland NV	PM	PM

Statement of income

(in EUR)		31/12/2008	31/12/2009
I.	Operating income	2,678,323	7,926,197
	D. Other operating income	2,678,323	7,926,197
II.	Operating charges	(205,760,229)	(167,797,864)
	B. Services and other goods	(150,908,175)	(133,671,022)
	C. Remuneration, social security costs and pensions	(48,728,103)	(40,580,189)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(5,818,831)	(5,879,606)
	F. Increase (-); decrease (+) in provisions for liabilities and charges	180,866	13,226,809
	G. Other operating charges	(485,986)	(893,856)
III.	Operating loss	(203,081,906)	(159,871,667)
IV.	Financial income	1,435,928,155	111,000,792
	A. Income from financial fixed assets	1,361,054,516	62,594,834
	B. Income from current assets	61,376,214	3,950,759
	C. Other financial income	13,497,425	44,455,199
V.	Financial charges	(168,915,282)	(86,443,868)
	A. Debt charges	(164,734,184)	(72,452,681)
	C. Other financial charges	(4,181,098)	(13,991,187)
VI.	Current profit/loss (-) before taxes	1,063,930,967	(135,314,743)
VII.	Exceptional income	20,000	24,610,006
	D. Gains on disposal of fixed assets	20,000	6
	E. Other exceptional income	0	24,610,000
VIII.	Exceptional charges	(284,146,133)	(50,037,098)
	B. Amounts written off on financial fixed assets	(284,146,133)	0
	C. Provisions for exceptional liabilities and charges	0	(49,330,849)
	D. Loss on disposal of fixed assets	0	(706,249)
IX.	Profit/loss (-) for the period before taxes	779,804,834	(160,741,835)
X.	Income taxes	64,880,422	66,926,665
	A. Income taxes	(1,785,058)	0
	B. Adjustment of income taxes and write-back of tax provisions	66,665,480	66,926,665
XI.	Profit/loss (-) for the period	844,685,256	(93,815,170)
XIII.	Profit/loss (-) to be appropriated	844,685,256	(93,815,170)
	Profit brought forward of the previous period	412,661,386	1,215,112,379
	Profit/loss (-) for the period to be appropriated	844,685,256	(93,815,170)
PROFIT TO BE APPROPRIATED		**1,257,346,642**	**1,121,297,209**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia SA presents its financial statements before appropriation.
The loss for the 2009 financial year amounts to EUR 93.8 million.
The profit carried forward from the previous year stands at EUR 1,215.1 million, making a total profit for appropriation of EUR 1,121.3 million.

2. Financial statements and chart of accounts

Dexia SA, a financial firm, is a company governed by Belgian law whose financial instruments are authorised 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 30 January 2001.
The accounting plan is presented in accordance with the accounting plan prescribed in the Royal Decree of 12 September 1983.
The items provided for in the accounting plan that do not apply to Dexia have been excluded.
The financial statements are presented in EUR.

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

Accounting policies are in conformity with the Royal Decree of 30 January 2001, in application of the Belgian Company Code.
If legislation allows options or authorises 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 EUR

Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into EUR at the last day average year-end exchange rate.
Non-monetary items are translated into EUR at the exchange rate ruling in effect on the transaction date.
Foreign currency income and expense are translated into EUR at the exchange rate ruling in effect on the date on which the income or expense is recognised in the statement of income.

3.2. Assets

3.2.1. FORMATION EXPENSES (ITEM I.)

Formation expenses are recorded as an asset and amortised 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 utilisation 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 realisation value is lower than their book value.
Additional impairments are recorded on these assets in order to reflect either a change in their realisation 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 realisation 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 28,748 million as at 31 December 2009, against EUR 28,513 million as at 31 December 2008, or an increase of 1%.

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 amortised over a period of five years.
The net book value of formation expenses amounts to EUR 6.3 million.
Formation expenses include the fees directly associated with capital increases and expenditure associated with the 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 totalled EUR 4.5 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 2.1 million have a gross acquisition value of EUR 9 million.
Property, plant and equipment contribute a gross acquisition value of EUR 3.8 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 4.7 million, depreciated on a straight-line basis at a rate of 25%.
Other tangible fixed assets reach a net book value of EUR 0.2 million and include the improvement 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 24,882.4 million as at 31 December 2008 was EUR 24,880.9 million as at 31 December 2009.
It includes the following equity interests:

EUR 10,114.0 million:	100% of Dexia Crédit Local SA, Paris, France.
EUR 8,997.0 million:	100% of Dexia Bank Belgium SA, Brussels, Belgium.
EUR 2,644.4 million:	95.39% of Dexia Participation Belgique SA, Brussels, Belgium, which owns 99,84% of DenizBank AS.
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:	99.40% of Associated Dexia Technology Services SA (ADTS), Luxembourg.
PM:	10% of Dexia Holdings Inc. in New York, USA, a holding company which owns 100% of Dexia FP Holdings Inc.

It was decided in 2008 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.

As at 31 December 2008, Dexia SA held EUR 1.5 million in Dexia Employee Benefits SA, Brussels, 100% subsidiary of Dexia SA. On 15 July 2009, Dexia Employee Benefits reduced its capital by EUR 0.8 million with a reimbursement in cash and was then placed in liquidation. The liquidation closed on 28 December 2009 and generated a loss of EUR 0.7 million for Dexia SA (cf. note 4.5.3.).

Receivables on affiliated companies

This item includes subordinated loans granted to Group entities for a total of EUR 3,417.1 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 amounts receivables

Since 2002, Dexia SA's permanent establishment in Paris has headed the tax consolidation group in France, which as at 31 December 2009 included the following companies:
- CBX Gestion
- CBXIA1
- CBXIA2
- CLF Marne-la-Vallée Participation
- Compagnie pour le Foncier et l'Habitat
- Dexia Assuréco
- Dexia Bail
- Dexia CLF Avenir
- Dexia CLF Développement
- Dexia CLF Immo
- Dexia CLF Organisation
- Dexia Crédit Local
- Dexia Éditions
- Dexia Établissement Stable Paris
- Dexia Habitat
- Dexia Finance
- Dexia Flobail
- Dexia Investissements
- Dexia Municipal Agency
- Dexia Projets
- Dexiarail
- Dexia Sofaxis
- Dexint Développement
- Eoliennes Galerne (formerly Dexia CLF Energy)
- 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 realise these tax savings through advances called "tax deferred advances".
Tax deferred advances granted by the permanent establishment with contractual maturity after 31 December 2010 amounted to EUR 40.5 million as at 31 December 2009.

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 2.1 million), non Group receivables (EUR 0.3 million) and advances paid to suppliers (EUR 0.1 million).

Other amounts receivables

In 2000, the acquisition of the US group Financial Security Assurance by head office was partially hedged by a currency and interest-rate swap contract concluded with Dexia Crédit Local for an amount of USD 134.2 million (EUR 93.2 millions as at 31 December 2009) against EUR 141.2 million maturing on 12 July 2010.
Following the value reduction on the holding in Dexia Holdings Inc., shareholder of the Dexia FP Holdings group and in order to hedge the risk arising from that swap, the head office of Dexia SA concluded a transaction to purchase USD 134.2 million forward for EUR 97.8 million, also maturing on 12 July 2010.
The result from this specific hedge is definitively fixed and gives rise to a receivable claim of EUR 43.4 million.

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 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. As at 31 December 2009, 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 0.7 million.

Furthermore, as from 1 January 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 also 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 at 31 December 2009, the permanent Luxembourg establishment had a claim of EUR 3.4 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 0.3 million professional withholding tax.
The work rules state that salary is to be paid in advance. These represent a claim of EUR 0.9 million as at 31 December 2009.

Moreover, the permanent establishment in Paris has a claim resulting from the attribution of dividends on the shares in Assured Guaranty Ltd which it holds in its investment portfolio (EUR 0.7 million). This is combined with claims on Group subsidiaries in an amount of EUR 0.3 million.

4.2.7. CURRENT INVESTMENTS

Other investments and deposits

The permanent establishment in Paris has in its portfolio shares in Assured Guaranty Ltd, representing 11.87% of its capital, for a value of EUR 256.6 million. These shares originate from the disposal of Financial Security Assurance Holdings Ltd by Dexia Holdings Inc. to Assured Guaranty Ltd and were sold by Dexia Holdings Inc. to the permanent establishment of Dexia SA in Paris.

This heading also includes a term deposit from the head office representing EUR 58.7 million and VVPR Dexia strips worth EUR 0.2 million.

4.2.8. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 18.1 million.

4.2.9. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 0.5 million and accrued income was EUR 9.4 million.
Among accrued income are the interest pro ratas relating to subordinated loans granted to Group entities (EUR 8.9 million), to a currency and interest-rate swap with Dexia Crédit Local (EUR 0.2 million), to tax deferred advances (EUR 0.1 million) and services rendered to other entities of the Group (EUR 0.2 million).

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2009, the holding company's shareholder equity including 2009 net result before profit appropriation totalled EUR 24,371 million and is composed of the following items.

4.3.1. CAPITAL

Subscribed capital totalled EUR 8,089 million as at 31 December 2009, unchanged from 31 December 2008.
As at 31 December 2009, the capital is thus represented by 1,762,478,783 shares of which 16,018,872 bearer shares, 1,278,959,732 dematerialised shares and 467,500,179 registered shares. The total number of Dexia VVPR strips was 684,333,504.

4.3.2. SHARE PREMIUM ACCOUNT

Each capital increase is accompanied by additional paid-in capital, which totalled EUR 13,617.7 million as at 31 December 2009.

4.3.3. RESERVES AND RETAINED EARNINGS

The heading "Reserves" includes the legal reserve (EUR 572.9 million) and an available reserve amounting to EUR 970 million.
Retained earnings from 2008 amounted EUR 1,215.1 million.

4.3.4. NET RESULT OF THE YEAR

As at 31 December 2009, the loss totalled EUR -93.8 million. This loss is composed of the dividends received from Dexia's operating entities (which have been reduced to EUR +0.3 million), financial results (EUR +24.3 million), exceptional results (EUR-25.4 million) and net tax income (EUR +66.9 million) after deduction of the holding company's operating expenses (EUR -159.9 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISION FOR TAX CHARGES

A provision for tax charges of EUR 1.8 million in 2008 to take account of a potential regularisation was made the object of a reversal (cf. 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 2009 financial year, these operations resulted in tax savings of EUR 0.2 million (immediate cash savings) included in the amount of EUR 62.7 million mentioned in the note 4.5.4. "Corporate income tax", and in an allowance in the same amount.

In addition, during the 2009 financial year, a reversal of provisions for liabilities and charges in the order of EUR 13.4 million was recorded following the write-off of a claim in favour of a consolidated subsidiary in accordance with the undertaking initially made by Dexia Crédit Local in its regard (cf. note 4.5.2. "Financial result"). This write-off fell within the context of a fiscal leverage transaction approved by the French authorities and corresponds to tax savings made previously.

On 1 February 2010, Dexia SA and Dexia Crédit Local SA confirmed their intention in a letter of comfort to ensure that Dexia Holdings Inc. is in a position to fulfil its financial obligations to third parties. That letter of comfort was drawn in favour of Dexia Holdings Inc. as a direct subsidiary of Dexia SA and Dexia Crédit Local, and Dexia Holdings Inc. is its sole beneficiary. Dexia SA and Dexia Crédit Local make this undertaking individually and not jointly, in proportion to their direct holding in Dexia Holdings Inc. (namely 10% and 90% respectively to date). The economic losses expected at Dexia Holdings Inc. are greater than the total equity funding.
Considering this undertaking and the risks of losses or charges which might arise therefrom, on 31 December 2009 Dexia SA made a provision for other risks and exceptional charges amounting to EUR 49.3 million.

In view of the above, the balance of provisions for other liabilities and charges as at 31 December 2009 amounts to EUR 55.5 million against EUR 19.4 million as at 31 December 2008.

LIABILITIES

4.3.7. AMOUNTS PAYABLE WITHIN ONE YEAR

Amounts of more than one year maturing in the year

This relates to a loan of EUR 200 million due to a Group company maturing at the beginning of 2010.

Financial liabilities

These liabilities relate to short-term financing concluded with Group companies for an amount of EUR 3,862.8 million and overdrafts on sight accounts up to EUR 0.1 million.

Trade liabilities

Suppliers' invoices not yet paid amount to EUR 11.2 million and invoices to be received EUR 51.6 million. Among trade liabilities are intra-group transactions in an amount of EUR 23.6 million.

Taxes, remuneration and social security

This item includes:
- VAT to be paid (EUR 0.3 million);
- liabilities corresponding to compensation and social contributions (EUR 18.2 million).

Other amounts payable

As previously indicated, 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 and the lump-sum annual taxation due from the Group in relation to its fiscal integration.
For subsidiaries, belonging to the tax consolidation group has a neutral effect in relation to the tax situation they might have in the absence of integration. In fact, subsidiary companies must

pay the permanent establishment their contribution to the tax consolidation group's payment of corporation tax. For the year 2009, payments made in advance by subsidiaries exceed the estimated tax due from them to the head of the Group, so on 31 December 2009 the permanent establishment had a debt of EUR 3.9 million to subsidiary companies involved In French tax consolidation.

The debt due to the French and Belgian governments as commission on the guarantee granted to Dexia SA (cf. note 4.4.6.) for the period from 30 June to 30 December 2009 is EUR 58 million.

The balance of dividends remaining to be paid for previous financial years is EUR 101.3 million.

The remaining balance of EUR 0.8 million is related to other various liabilities, including EUR 0.7 million due to other Group companies.

4.3.8. ACCRUED CHARGES AND DEFERRED INCOME

This item is composed exclusively of expenses to be accrued as follows:
- financial charges on a currency and interest swap (EUR 3.1 million);
- financial charges linked to loans due with Group companies (EUR 8.7 million);
- pro rata operating expenditures attributable to the 2009 fiscal year (EUR 1.4 million).

4.4. Off-balance-sheet items – commitments

Dexia SA has significant commitments that are recorded off-balance sheet:

4.4.1. On 2 November 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 favour 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 and interest rate swap contract signed with Dexia Crédit Local in the amount of USD 134.2 million (EUR 93.2 million as at 31 December 2009) against EUR 141.2 million. The risk associated with that swap was hedged by a reverse contract providing for the purchase of USD 134.2 million forward for an amount of EUR 97.8 million.

4.4.3. As at 31 December 2009, the number of stock options granted and not yet exercised stood at 71,242,718. On the basis of the strike prices, this operation results in an off-balance-sheet commitment of EUR 1,142 million.

4.4.4. On 18 May 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 favour of DBnl.

4.4.5. On 5 December 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 fulfil 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 finalised on 15 November 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.

4.4.6. TRANSACTIONS WITH THE BELGIAN AND FRENCH STATES

3 October 2008 capital increase and resulting shareholdings

On 3 October 2008, the Belgian federal State, the Flemish and Walloon Regions, the Brussels-Capital Region and the French State, together with the historical reference shareholders (Holding Communal, Arcofin, Ethias, the Caisse des Dépôts et Consignations and CNP Assurances), subscribed for a capital increase of Dexia in an amount of EUR 6 billion.
The capital increase was subscribed for in the following proportion:
- the Belgian federal State, through the Federal Holding and Investment Company, invested EUR 1 billion;
- the three Belgian Regions invested a total amount of EUR 1 billion (EUR 500 million by the Flemish Region, EUR 350 million by the Walloon Region, and EUR 150 million by the Brussels-Capital Region);
- the French State, through the Société de Prise de Participation de l'Etat, invested EUR 1 billion;
- the Caisse des Dépôts et Consignations and CNP Assurances invested EUR 2 billion; and

• the other reference shareholders invested a total amount of EUR 1 billion (EUR 500 million by the Holding Communal, EUR 350 million by Arcofin, and EUR 150 million by Ethias).

This capital increase resulted in a shareholding of 5.73% for the Belgian federal State, 5.73% for the French State, 2.87% for the Flemish Region, 2.01% for the Walloon Region and 0.86% for the Brussels-Capital Region. (the total participation of the three regions amounts to 5.73%).

Guarantee mechanism in favour of Dexia's financing

On 9 December 2008, the French, Belgian and Luxembourg States and Dexia entered into a First Demand Guarantee Agreement implementing the principles set forth in the Protocol of 9 October 2008 between the three States and Dexia. Pursuant to this guarantee agreement, the three States guarantee severally, but not jointly, the performance by Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Crédit Local (including certain of their branches and issuance vehicles) of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these financings were contracted or issued between 9 October 2008 and 31 October 2009 and maturing at the latest on 31 October 2011.
The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.
To supplement the Guarantee Agreement on operational and procedural aspects, the three States and Dexia have entered into an Operational Memorandum. This memorandum provides, among other things, for a monitoring process of the guaranteed financings on a daily basis, including a daily publication of the aggregate guaranteed amount and, with respect to guaranteed bond issues of Dexia, a system of eligibility certificates whereby the States issue, on Dexia's request, certificates confirming for each bond issue that it is covered by the Guarantee Agreement.
On 19 November 2008, the European Commission authorised this guarantee mechanism for a period of 6 months as from 3 October 2008, with an automatic extension until the Commission's definitive decision, on condition that a restructuring plan be filed with the Commission. In March 2009, the three States confirmed the extension of the guarantee in accordance with the decision of the European Commission of 13 March 2009.
By an Addendum to the above-mentioned Guarantee Agreement of 9 December 2008, dated 14 October 2009, the Belgian, French and Luxembourg States and Dexia agreed to renew the guarantee scheme for a period of one year, covering financings contracted or issued at the latest on 31 October 2010. The parties also wished to effect certain changes to the guarantee in order to limit the States' intervention to a strict minimum and to allow an orderly exit out of the guarantee within a credible time-horizon. The changes include:
(i) the decrease of the maximum of the total amount of guaranteed financings from EUR 150 billion to EUR 100 billion, with a commitment by Dexia to undertake its best efforts to limit this amount to EUR 80 billion;
(ii) the extension to 4 years of the maximum duration of the new financings contracted or issued; and
(iii) the waiver by Dexia of the benefit of the guarantee, as from 16 October 2009, for all new contracts with a maturity of less than one month and all contracts with an indefinite term.

The Guarantee Agreements provided for the following remuneration to be paid by Dexia to the States:
(i) for financings with a maturity of less than 12 months: 50 bps on an annual basis calculated on the average amount guaranteed financings outstanding; and
(ii) for financings with a maturity of 12 months or more: 50 bps on an annual basis, increased by the lowest of (i) the median of the Dexia CDS 5 years spread calculated between 1 January 2007 and 31 August 2008 or (ii) the median of the 5 years CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated on the average amount guaranteed financings outstanding.

The renewal and modifications as provided for in the Addendum of 14 October 2009 have been duly authorised by an interim decision of the European Commission for a period of 4 months as from 30 October 2009 (i.e., until 28 February 2010) or until the final decision – if such decision is adopted prior to 28 February 2010 – of the European Commission in the context of the State aid procedure opened on 13 March 2009.
By separate agreement dated 17 March 2010, the Belgian, French and Luxembourg States and Dexia amended and supplemented the above-mentioned Addendum to the Guarantee Agreement of 14 October 2009 to reflect the terms of the final decision of the European Commission in the context of the State aid procedure of 26 February 2009.

The changes include:
(i) advancing the latest issue date for guaranteed financings to 31 May 2010 (for financings with a maturity of less than 12 months) resp. 30 June 2010 (for financings with a maturity of than 12 months);
(ii) advancing the expiry date of the guarantee on deposits (and equivalents) to 1 March 2010;
(iii) a gradual increase of the remuneration payable by Dexia, *pro rata temporis*, if the outstanding amount of repayment obligations guaranteed by the States exceeds certain thresholds (by 50bps if and to the extent the amount exceeds EUR 60 billion but not higher than 70 billion, 65bps if and to the extent the amount exceeds EUR 70 billion but not higher than 80 billion, and 80 bps above 80 billion).

As at 31 December 2009, the total outstanding amount of repayment obligations guaranteed by the States was EUR 50 billion and Dexia had paid a total remuneration of EUR 432 million to the States for this guarantee.

All the above mentioned agreements, as well as the total outstanding amount of guaranteed repayment obligations and the list of securities for which the States have issued eligibility certificates are available on the website *www.dexia.com*.

Guarantee for the Financial Products portfolio

Dexia entered into an agreement for the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured) on 14 November 2008; the sale was completed on 1 July 2009. The Financial Products activity of FSA, managed by FSA Asset Management (FSAM), was carved out of the transaction and remains under Dexia's ownership.

In that context, the Belgian and French States have agreed to provide a guarantee on the Financial Products assets portfolio.

The terms of this guarantee are set out in two agreements (the First Demand Guarantee Agreement relating to the "financial products" portfolio of FSA Asset Management LLC and the Guarantee Reimbursement Agreement) entered into by the Belgian and French States and Dexia. The main relevant terms are the following:

- Dexia SA and Dexia Crédit Local S.A. ("DCL") entered into a put agreement whereby FSAM is entitled to sell to Dexia and/or DCL certain assets included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events (asset default, liquidity default, collateral default and insolvency of Dexia).
- The Belgian and French States have each undertaken to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to the put agreement up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.
- The portfolio to which this put relates is the FSAM portfolio after deduction of certain "excluded assets" for an amount of USD 4.3 billion, such that the par value of the assets included in the portfolio to which the put relates is equal to USD 11.2 billion as at 31 December 2009. Dexia will therefore cover a first loss tranche of USD 4.5 billion, of which an amount of approximately USD 2 billion has already been reserved as at 31 December 2009 (USD 1.804 billion on the Financial Products portfolio and a USD 344 million collective impairment on US RMBS).
- The States are entitled to recover from Dexia the amounts that they will have paid pursuant to their guarantee. This recourse of the States can be exercised either in cash or in the form of instruments representing Tier 1 capital of Dexia (ordinary shares or profit shares).
- Dexia therefore issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be reimbursed through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The cancellation and re-issuance of the existing warrants for a new period of 5 years will be submitted to the approval of the general meeting of shareholders every year. In case of failure to re-issue the warrants, a penalty will be applied (500bps per annum for a period of two years, compounded on the guarantee commission).
- Dexia may also issue profit shares at the request of the States instead of the shares. The profit shares would be issued for a price equal to the exercise price of the warrants, would not have voting rights, would be entitled to a special dividend and be convertible at the option of the States into ordinary Dexia shares, one for one. The terms of the profit shares have been approved by the extraordinary shareholders' meeting of Dexia on 24 June 2009 and are set out in Article 4bis of the Articles of Association of Dexia.
- Dexia must semi-annually pay to the States a guarantee fee at a rate of 1.13% per annum, calculated on the average outstanding nominal amount of the FSAM portfolio (excluding the excluded assets) over a 6 month-period, plus a fee of 0.32% per annum calculated on the lower of (i) the total amount of the liabilities pursuant to the Guaranteed Investment Contracts and (ii) the average outstanding nominal amount of the FSAM portfolio (excluding the excluded assets) over a 6 month-period.
- The guarantee of the States pursuant to an asset default or the insolvency of Dexia expires in 2035, unless the parties decide to extend the guarantee. The guarantee pursuant to a liquidity or collateral default expires on 31 October 2011.

This guarantee was approved by the European Commission on 13 March 2009.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009 available on the website of Dexia (*www.dexia.com*).

4.4.7. LITIGATIONS

4.4.7.1. Dexia Bank Nederland NV

4.4.7.1.1. Background

The difficulties linked to the share-leasing activities of the former Bank Labouchere (now Dexia Bank Nederland NVs; 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 2008 (particularly on pages 91 to 92, including the consequences of the decision of the Netherlands Supreme Court of 28 March 2008, in respect of the so-called spouse consent matter) and in the Financial Reports published during the year 2009, which are available on *www.dexia.com*.

4.4.7.1.2. Specific litigations

On 5 June 2009, the Netherlands Supreme Court made an important ruling in respect of the share-leasing contracts of DBnl. Many allegations have been rejected, including error, misleading advertising, abuse of circumstances, and the applicability of the Netherlands Consumer Credit Act.

However, this decision also states that, generally speaking, DBnl had a special duty of care to inform and to warn its clients "... in clear and in unmistakable terms..." about the risks involved in share-leasing contracts, including the possibility of a so-called residual debt. Additionally, this ruling states that DBnl failed in respect of its obligation to check, prior to entering into the contract, on the income and wealth of the client. Therefore, for clients with sufficient financial capacity at the date they entered the share-leasing contract, DBnl has to grant a discount basically of 60% of the total

residual debt. Other clients, who have been faced with an unreasonable heavy financial burden, are also, in addition to a discount of the residual debt, awarded a repayment in most cases of 60% of the instalments they have made. The distinction between those two categories of clients needed further interpretation by judges, based on the de facto position, and on a case-by-case basis.
Subsequently, on 1 December 2009, the Amsterdam Court of Appeal made four detailed rulings, in respect of the precise way the distinction of the Netherlands Supreme Court between those two categories of clients should have been made. Clients stating that they have been faced with an unreasonable heavy financial burden, have the obligation to furnish the facts. The Court of Appeal also ruled on some other issues, including the fact that profits from earlier share-leasing products should be taken into account, and the commencing date of the legal interest.

4.4.7.1.3. Number of court cases

As at 31 December 2009, DBnl is still involved in over 3,400 civil cases. However, the vast majority of these cases have been suspended. The number of clients in proceedings will decrease in 2010 because of settlements expected after the judgements of the Supreme Court and the Amsterdam Court of Appeal.

4.4.7.1.4. Litigations in general

A number of disputes have arisen between DBnl and its clients with respect to share-leasing products. Particularly in view of the nature of these disputes, Dexia refers to its earlier reports and financial reports. Generally speaking, only the approximately 19,000 clients that filed a so-called opt-out statement before 1 August 2007, and did not enter into any settlement since then, are still entitled to start or to continue proceedings against DBnl.

4.4.7.1.5. Dutch Securities Institute (DSI)

At the end of 2009, no cases were still under consideration by the Grievance Committee of DSI, or under consideration by the Appeals Committee of DSI.

4.4.7.1.6. 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 2009, settlements had been reached with nearly all Depot Lease clients. DBnl faces fewer than ten remaining court cases with Depot Lease clients, but expects to be able to settle most of them.

4.4.7.1.7. Provisions as at 31 December 2009

In 2009, DBnl increased its provisions to cover the estimated consequences that the above-mentioned rulings on its duty of care might have under specific circumstances in certain cases. An additional provision was taken in relation to the spouse-consent matter, should DBnl's appeal on the three-year statute of limitation be denied. However, DBnl maintains its position that in many of those cases the three-year statute of limitation period has expired and, as a result, these cases have become void.

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

4.4.7.2. Lernout & Hauspie

Dexia Bank SA is concerned in various ways with the bankruptcy of Lernout & Hauspie Speech Products SA (LHSP) and the consequences thereof. This was described in detail in the 2007 and 2008 annual reports. Since the 2008 Annual Report, the following relevant events have occurred.

4.4.7.2.1. Claim on Lernout & Hauspie Speech Products (LHSP)

At 31 December 2009, Dexia Bank has a claim in USD chargeable to the bankruptcy of LHSP for a principal sum of EUR 27,926,275.50 (exchange rate USD/EUR 1.43985), of which EUR 176,941.28 reserved interest, for which an impairment has been recorded for EUR 23,377,584.70. This claim originates in the share taken by the former Artesia Banking corporation (ABC hereafter) in the syndicated loan of USD 430,000,000 to LHSP on 5 May 2000. ABC'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.
In 2008, Dexia Bank has waived its claim on the insolvency of LHSP in the United States, in exchange for a waiver by the American Litigation Trustee of LHSP of all its claims entered against Dexia Bank.

4.4.7.2.2. Claim on Lernout & Hauspie Investment Company

The entire outstanding balance of EUR 40,500,000 and the impairments were finally written off in June 2009.

4.4.7.2.3. Prosecution of Dexia Bank in Belgium

On 4 May 2007, Dexia Bank was summoned, together with 20 other parties, to appear before the Court of Criminal Appeal in Ghent. According to the writ of summons, Dexia Bank is prosecuted by virtue of the former ABC being accused as an alleged accessory to the falsification of the financial statements of LHSP (*valsheid in de jaarrekening/faux dans les comptes annuels*) and other related offences among which forgery (*valsheid in geschrifte/faux en écriture*), securities fraud (*emissiebedrog/délit d'émission*) and market manipulation (*koersmanipulatie/manipulation de cours*).
The Public Prosecutor alleges in substance that Artesia 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. The Public Prosecutor has asked the court to impose a "substantial fine" on Dexia Bank, without however specifying an amount. Furthermore, the Public Prosecutor

demands the seizure of property in an amount of approximately EUR 29,000,000 to be borne by Dexia Bank.
Dexia Bank considers it has serious grounds for contesting the charges.
The oral pleadings regarding the criminal aspect of the case were closed on 19 December 2008. The Court of Appeal deliberated on the criminal case on 30 January 2009. No date was fixed for the delivery of its judgement. The processing of the claims by the civil parties to the case was postponed indefinitely.
Parties alleging that they have suffered losses in relation to the prosecuted offences have until the last day of the trial to enter a civil claim in the criminal proceedings or make a claim for damages, and for as long as the right to institute criminal proceedings lasts. This means that new civil actions can in principle be introduced if the Court of Appeal were to sentence Dexia Bank.
On 31 December 2009, 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 318,000,000.
- The Belgian receivers of LHSP SA 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 SA.
- Mercator & Noordstar which is claiming EUR 17,662,724.
- The receivers of The Learning Kernel SA who are claiming EUR 7,259,107.06.
- The receivers of L&H Holding who are claiming a provisional EUR 1 for their participation in LHSP (of more than 12 million shares). The accounting value of this holding as at 31 December 2000 was EUR 51,702,739.05, as shown by the annual accounts of L&H Holding.

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 rate of interest to be applied is the statutory rate of interest which between 2000 and 2009 has varied between 7% and 5.5%.
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. 9 November 2000 – the date on which the LHSP share was suspended–, 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 ABC is a very complicated matter.

Dexia Bank, in its turn, has made a claim as a civil party against Messrs Lernout, Hauspie, Willaert and Bastiaens and against LHSP SA in October 2007, claiming damages for a provisional amount of EUR 2. Dexia Bank's claim is in relation to the losses suffered on its LHSP portfolio (Dexia Bank is still holding 437,000 LHSP shares) and to an amount of EUR 27,926,275.50 owed to it by LHSP under a USD 430 million syndicated credit facility dated 5 May 2000 (see paragraph 4.4.7.2.1. above). The solvency of these parties however is uncertain.

4.4.7.2.4. Civil proceedings against Dexia Bank in Belgium

4.4.7.2.4.1. LHSP receivers' claim

In July 2005, the Belgian receivers of LHSP filed an action against twenty-one parties before the Commercial Court of Ypres, including Dexia Bank. They claim compensation for 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 by the receivers 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*.

4.4.7.2.4.2. Claims by individuals

Certain civil claims have been filed before the Commercial Court of Ypres 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. Moreover, 151 investors affiliated to Spaarverlies also commenced civil actions. 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.*

4.4.7.2.5. Civil proceedings against Dexia Bank in the United States

All the cases brought against Dexia Bank in the United States have been finally terminated in full in 2008.

4.4.7.2.6. L&H Holding

On 27 April 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 selling price of USD 25 million was credited not to the account of L&H Holding but to three separate accounts opened 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.
This claim is not likely to have any development until after the end of the criminal proceedings because of the principle *le criminel tient le civil en état.*
Dexia Bank vigorously contests the grounds for these applications.

4.4.7.2.7. Banque Artesia Nederland

In October 2006, Dexia Bank sold its affiliated company BAN to General Electric (GE). In the context of this operation, it was agreed, in essence, that Dexia Bank would 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. They include the claim introduced by the receiver of L&H Holding before the civil court (see paragraph 4.4.7.2.6. above).

They also include the actions which BAN, as creditor, entered against Mr Bastiaens and against Messrs Lernout, Hauspie and Willaert, who had stood surety for Mr Bastiaens.

The action against Mr Bastiaens is still outstanding. The solvency of Mr Bastiaens is uncertain.

Messrs Lernout, Hauspie and Willaert were ordered to repay BAN USD 24,999,999. That decision is now final. The solvency of Messrs Lernout, Hauspie and Willaert is uncertain. The only genuine possibility of recovery is to be able to sell the Parvest shares on behalf of BAN.

Several parties have asserted rights over these Parvest shares, which were acquired by Messrs Lernout, Hauspie et Willaert with the proceeds of the sale of LHSP shares to Mr Bastiaens (cf. paragraph 4.4.7.2.6. above): the investigating magistrate on behalf of the Belgian state in the criminal case concerning LHSP with a view to confiscating them (on the grounds that those shares are the proceeds of a crime); the receiver in the insolvency of L&H Holding (because those shares were acquired by Messrs Lernout, Hauspie and Willaert through the sale of LHSP shares that belonged to L&H Holding) and KBC Bank (in its capacity as a creditor of L&H Holding). BAN has also taken possession of those shares and claims a right of distraint. Who finally ends up with these shares will depend among other things on the outcome of the criminal proceedings (see paragraph 4.4.7.2.3. above).

In addition, the Luxembourg Court of Appeal issued a decision on 12 July 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 30 June 2007 or to pay to CAIL the counter-value of these Parvest shares on 30 June 2007 if the latter were not delivered to CAIL prior to 1 July 2007. The Luxembourg Court of Appeal condemned BAN to indemnify and hold BNP Paribas Luxembourg harmless against any damage deriving from its condemnation.

As the lifting of the different seizures of Parvest shares has not been obtained, BAN paid the counter-value to BNP Paribas Luxembourg. Dexia Bank repaid that sum (USD 30,039,336.54) to BAN on 9 July 2007 in execution of the said guarantee in favour of GE (cf. line 1 of the present paragraph).

Both BNP Paribas Luxembourg and BAN appealed against the decision of the Luxembourg Court of Appeal to the Supreme Court of Appeal. In the meantime these appeals have been rejected.

On 20 November 2009 the Parvest shares were valued at USD 31,457,469.42.

4.4.7.2.8. Provisions and impairments

On 31 December 2009, the exposure of Dexia Bank to the outstanding claims relating to credit facilities granted in the Lernout & Hauspie file amounted to some EUR 42,284,075.60, of which EUR 8,746,160.54 reserved interests (see paragraphs 4.4.7.2.1., 4.4.7.2.2. and 4.4.7.2.7.). On the same date, value reductions within the context of the Lernout & Hauspie file amounted to some EUR 29,052,745.21. Dexia Bank expects to recover the difference in view of the available securities.

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 the likelihood of a court ruling ordering it to pay damages at less than 50%. The bank's lawyers are of the opinion that it has strong arguments to contest the charges brought against it.
- Dexia Bank observes that some of the civil actions (Deminor…), claim provisional amounts or do not justify the amount claimed.
- 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.

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

4.4.7.3. Financial Security Assurance

Financial Security Assurance Holdings Ltd and its subsidiary, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), former subsidiaries of the Dexia Group (collectively, "FSA"), along with numerous other banks, insurance companies and brokers, are subject to ongoing investigations in the United States by the Antitrust Division of the Department of Justice, the Internal Revenue Service and the Securities and Exchange Commission for alleged non-compliance with various US Federal antitrust, securities and other laws and regulations relating to their conduct, in the provision of Guaranteed Investment Contracts ("GICs") (1) to issuers of municipal bonds. A number of US States are also conducting parallel and similar investigations.

In connection with the foregoing, a number of private lawsuits, both putative class actions and otherwise, have been filed against a large number of banks, insurance companies and brokers, including FSA, Dexia and/or Assured Guaranty, alleging non-compliance with various US Federal and State antitrust, and securities regulations and seeking, among other things, damages in respect thereof. Such lawsuits, certain of which continue to name FSA, Dexia and/or Assured as defendants, have been transferred to US Federal District Court in New York City for case management purposes. FSA, Dexia and Assured are seeking the dismissal of all such lawsuits that continue to name them as defendants.

As part of its sale of FSA to Assured Guaranty, Dexia retained the Financial Products activity and, generally, agreed to indemnify FSA and Assured Guaranty for any losses they may suffer in relation to that activity and as a result of the foregoing investigations and lawsuits.

Dexia is not currently able to predict the timing or outcome, including potential financial consequences, of any of the foregoing investigations or lawsuits.

(1) Guaranteed investment contracts (GICs) were issued by subsidiaries of FSA Holdings in exchange for funds submitted by US local authorities or by securitisation issuers. With varying terms and repayment conditions, GICs give rights to their holders to receive interest at a guaranteed (fixed or variable) rate. The principal and interest of the contracts were guaranteed by FSA Inc., and remain so after the purchase of that company by Assured Guaranty.

4.4.7.4. Investigations about alleged shortcomings in financial communication

A shareholder, Mr Robert Casanovas, lodged a complaint with the Public Prosecutors in Brussels and Paris on 11 March 2009. These complaints gave rise to the opening of two preliminary investigations.
Mr Casanovas also served direct summonses on the company Dexia SA and several former and current executives of the Group to appear on 29 October 2009 before the Criminal Court in Paris. A summary of these complaints as well as Dexia's position is included in the Financial Report in respect of the third quarter of 2009.
At the hearing on 29 October 2009, Mr Robert Casanovas and his wife Mrs Marie Christine Guil, who did not attend, withdrew their action against the company Dexia SA which acknowledged it. This withdrawal occurred after the Public Prosecutor in Paris, by decision dated 14 October 2009, dismissed the complaint filed by Mr Robert Casanovas and his wife Mrs Marie Christine Guil.
As to the complaint lodged in Brussels, by decision dated 15 December 2009, the Public Prosecutor dismissed the charges against Dexia.

4.4.7.5. Dexia banka Slovensko

Dexia banka Slovensko made a provision of EUR 100 million in 2008 within the context of currency transactions carried out by clients who proved to be unable to meet the margin calls caused by those transactions. In June 2009, one of these clients commenced a court action against the bank claiming EUR 162 million for non-compliance with the legislation and with contracts. For its part, Dexia filed pleadings applying for compensation for the loss caused to it by that counterparty. The competent jurisdiction appointed an expert to assess the loss and the procedures of Dexia banka Slovensko, and the parties to the case instructed their own experts. According to the client's expert, the latter's loss would amount to EUR 110 million, which the bank contests, considering the action unsubstantiated, and for which it has made no complementary provision. At this stage in the proceedings, Dexia is not in a position to predict the outcome.

4.4.7.6. Dexia Crediop

Investigations are under way in Italy on the use by local authorities of derivative products, and Dexia Crediop, like other banking establishments, has been heard on its activities and practices by a parliamentary commission. The bank responded to requests for documentation within the context of the ongoing enquiries. An action has been commenced by two clients against the bank.
Under Italian law, a debt restructuring transaction is only possible if it leads to a reduction of the cost weighing on the local authority. In these disputes, the legal question posed consists of knowing whether the cost to be taken into consideration includes hedge transactions or not. The two cases, the financial stakes of which are modest, are in their initial phase, and their outcome cannot be reasonably foreseen at this stage.

4.4.7.7. Dexia Israël

In May 2002, a complaint was filed in relation to the purchase by Dexia of shares held by the state of Israel claiming non-compliance with company law. In April 2009, the Central District Court rejected the application for a class action formulated by the complainants. In June 2009, the latter appealed to the Supreme Court, and the parties have to submit their arguments by mid-2010 for judgement in November 2010.

4.5. Statement of income

4.5.1. OPERATING INCOME

Other operating income relates to the recovery of costs from Group companies (EUR 7.8 million) as well as structural reductions regarding professional withholding tax (EUR 0.1 million).

Miscellaneous services and other goods amounting to EUR 150.9 million as at 31 December 2008 fell 11% to EUR 133.7 million, which reflects the cost reduction target set by the Dexia Group.
This item includes fees paid to consultants, experts, auditors and Group subsidiaries for their services, which amounted to EUR 58.4 million against EUR 82.1 million in 2008, corresponding to a reduction of 29%.
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 million, down from EUR 1.7 million in 2008.
Other operating costs (leasing of premises, telecommunications, travel, trainings, memberships, supplies, etc.) were reduced to EUR 29.7 million compared with EUR 33.9 million in 2008.
Printing and advertising costs linked to corporate publications were EUR 1.3 million compared to EUR 2.9 million in 2008, whilst costs associated with the Group transformation plan are EUR 41.5 million.
Compensation paid to members of the Board of Directors amount to EUR 1.8 million.

The cost of remunerations and social charges were down 17%, from EUR 48.7 million to EUR 40.6 million, whilst the average number of people directly employed by Dexia is constant (260 FTE in 2009 compared to 261 FTE in 2008). This cost reduction comes from the reduction or loss of variable compensation for all members of staff of Dexia SA.

Amortization of formation expenses represented EUR 3.4 million, amortization of intangible fixed assets EUR 1.9 million and depreciation of tangible fixed assets EUR 0.6 million.

4.5.2. FINANCIAL RESULTS

Financial income from financial assets includes the dividends paid by a Group entity (EUR 0.3 million) as well as interest received and earned for subordinated loans (EUR 62.3 million).

Income from current assets include the interest generated by the currency swap contracted with Dexia Crédit Local (EUR 2.3 million), proceeds from tax deferred advances (EUR 0.3 million) and dividends from shares in Assured Guaranty Ltd held in the investment portfolio (EUR 1.4 million).

The other financial income results from the establishment of a specific hedge for the risk associated with the currency and interest-rate swap concluded with Dexia Crédit Local (cf. notes 4.2.6. and 4.4.2.), generating a forex gain of EUR 43.4 million due to the depreciation of the dollar against the euro during the term of the contract.
This is combined with positive exchange differences on the dollar up to EUR 0.7 million and a reimbursement of commissions paid as provision for the payment of dividends in 2007 and 2008 (EUR 0.4 million).

Interest paid and due in relation to the loans and advances granted by Group entities totalled EUR 65.4 million. Financial charges relating to the currency and interest rate swap with Dexia Crédit Local were EUR 6.9 million and other interest charges were EUR 0.2 million.

Other financial charges were mainly composed of commissions linked to the payment of dividends of previous years by payment organizations, which are Dexia Bank, Dexia BIL and Caceis (EUR 0.1 million), and the cost of fiduciary services (EUR 0.5 million).
To this is added the write-off of a claim agreed by the permanent establishment in Paris to a subsidiary involved in the tax consolidation in accordance with the undertaking initially made by Dexia Crédit Local as head of the tax consolidation group in France (EUR 13.4 million). That write-off, within the context of a fiscal leverage transaction approved by the French tax authorities, gave rise furthermore to a reversal of the provision for liabilities and charges of the same size (cf. note 4.3.6. “Provisions for other liabilities and charges”).

4.5.3. EXCEPTIONAL RESULTS

Following a communication from the European Commission dated 8 October 2009 (“State Aid: Commission recalls rules concerning Tier 1 and Tier 2 capital transactions for banks subject to a restructuring aid investigation”), Dexia Funding Lux made no interest payment in relation to its subordinated “hybrid Tier 1” issue for which Dexia SA issued a subordinated guarantee (cf. note 4.4.1.).
The issue conditions of the subordinated loan provide that interest paid to Dexia Funding Lux by entities of the Dexia Group, which were loaned funds received by DFL, must be paid to the issue guarantor, in this case Dexia SA. It results that exceptional income of EUR 24.6 million was accounted at Dexia SA in its capacity as guarantor within the context of that issue as provided in the issue prospectus for that subordinated loan.

The exceptional charges include the increase of provision for other liabilities and charges of EUR 49.3 million in connection with Dexia Holdings Inc., direct subsidiary of Dexia SA for 10% (cf. note 4.3.6.).
This is combined with a loss of EUR 0.7 million EUR on the realisation of fixed assets due to the liquidation of Dexia Employee Benefits SA, 100% subsidiary of Dexia SA (cf. note 4.2.4.).

4.5.4. CORPORATE INCOME TAX

In 2008, a provision for tax charges (EUR 1.8 million) was allocated taking account of the Belgian fiscal regulations regarding definitively taxed surplus revenue, under which this could not be carried forward to a later period. As this point was in the meantime 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, the said provision was subject to a reversal 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 realised by each tax consolidation group are recorded in these permanent establishments and considered as an immediate gain (EUR 2.4 million in Luxembourg and EUR 62.7 million in France).

4.5.5. NET LOSS FOR THE YEAR

The net loss for 2009 was EUR 93.8 million.

4.6. Statement of formation expenses

(in EUR)	Amounts
NET BOOK VALUE AS AT 31/12/08	**8,760,308**
Movements during the period:	
- New expenses incurred & expenses of capital increase	938,701
- Depreciation	(3,378,636)
NET BOOK VALUE AS AT 31/12/09	**6,320,373**
Detailing: - Expenses of formation or capital increase, loan issue expenses and other formation expenses	6,320,373

4.7. Statement of intangible assets (licences)

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/08	**9,565,061**
Movements during the period:	
- Acquisitions, including produced fixed assets	3,145,899
ACQUISITION VALUE AS AT 31/12/09	**12,710,960**
DEPRECIATION AS AT 31/12/08	**6,350,163**
Movements during the period:	
- Recorded	1,900,360
DEPRECIATION AS AT 31/12/09	**8,250,523**
NET BOOK VALUE AS AT 31/12/09	**4,460,437**

4.8. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets
ACQUISITION VALUE AS AT 31/12/08	**568,411**	**7,785,993**	**499,737**
Movements during the period:			
- Acquisitions		227,524	13,833
- Sales and disposals		(94,121)	
ACQUISITION VALUE AS AT 31/12/09	**568,411**	**7,919,396**	**513,570**
DEPRECIATION AS AT 31/12/08	**451,401**	**5,757,569**	**202,896**
Movements during the period:			
- Recorded	22,354	477,081	101,175
- Cancelled due to sales and disposals		(66,323)	
DEPRECIATION AS AT 31/12/09	**473,755**	**6,168,327**	**304,071**
NET BOOK VALUE AS AT 31/12/09	**94,656**	**1,751,069**	**209,499**

4.9. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/08	**25,166,571,788**
Movements during the period:	
- Acquisitions	(1,501,927)
ACQUISITION VALUE AS AT 31/12/09	**25,165,069,861**
AMOUNTS WRITTEN DOWN AS AT 31/12/08	**284,146,133**
Movements during the period:	
AMOUNTS WRITTEN DOWN AS AT 31/12/09	**284,146,133**
NET BOOK VALUE AS AT 31/12/09	**24,880,923,728**

2. AMOUNTS RECEIVABLE

(in EUR)	1. Affiliated	2. With participation link
NET BOOK VALUE AS AT 31/12/08	**3,470,893,995**	**790,580**
Movements during the period:		
- Additions		83,589
- Repayments		(64,011)
- Exchange differences	(53,766,516)	
NET BOOK VALUE AS AT 31/12/09	**3,417,127,479**	**810,158**

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)		Subsidia-ries	Primary financial statement	Mone-tary 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	1,491	99.40	0.60	31/12/2008	EUR	1,573,534	56,090
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
Dexia Banque Belgique SA Boulevard Pachéco 44 B-1000 Bruxelles BE 0403.201.185 Common shares	359,412,609	100.00	0.00	31/12/2008	EUR	5,624,371,446	147,072,836
Dexia Banque Internationale à Luxembourg SA – FC [1] 69, route d'Esch L-1470 Luxembourg Common shares	1,163,720	57.68	42.27	31/12/2008	EUR	1,920,091,474	82,613,897
Dexia Crédit Local SA – FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	87,045,743	100.00	0.00	31/12/2008	EUR	1,241,813,555	(4,936,685,153)
Dexia Funding Luxembourg SA – FC [1] 180, rue des Aubépines L-1145 Luxembourg Common shares	31	100.00	0.00	31/12/2008	EUR	4,607	45,581
Dexia Holdings Incorporated – FC [1] 31 West 52nd street New York, NY 10019, USA Common shares	1	10.00	90.00	31/12/2008	USD	3,484,323,636	35,313,869
Dexia Management Services Ltd – FC [1] 4 Battle Bridge Lane Shackleton House, 2nd floor UK-London SE1 2RB Common shares	10,000	100.00	0.00	31/12/2008	GBP	73,759	8,924
Dexia Nederland Holding NV – FC [1] Piet Heinkade 55 NL-1919 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
Shares	**0**	**256,599,975**
- Book value increased with the uncalled amount	0	256,599,975
Fixed term deposits with credit institutions falling due:	**0**	**58,686,669**
- Within one month	0	58,686,669
Other investments	**182,529**	**182,529**

4.12. Deferred charges and accrued income from the assets

(in EUR)	Period
Deferred charges	515,753
Accrued income: Interest	9,197,086
Accrued income: Reinvoicing of costs	200,204

4.13. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amounts (in EUR)
ISSUED CAPITAL AS AT 31/12/08	**8,089,020,254**
Changes during the period:	-
ISSUED CAPITAL AS AT 31/12/09	**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		467,500,179
- Bearer shares		1,294,978,604

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		71,242,718
- Amount of capital to be issued	327,004,076	
- Maximum number of shares to be issued		71,242,718

E. AMOUNT OF AUTHORISED CAPITAL, NOT ISSUED

	Amounts (in EUR)
	8,080,000,000

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: 14.51%
Group Arco: 14.25%
Société de Prise de Participation de l'Etat (SPPE): 5.73%
Société Fédérale de Participations et d'investissement (SFPI): 5.73%
Ethias Group: 5.04%
CNP Insurances: 2.96%

4.14. Provisions for other risks and charges

	Period
Commitment as head of a fiscal consolidation (France)	6,203,618
Coverage negative equity of group Dexia Holdings Inc. (DHI)	49,330,849

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	**200,000,000**	**0**	**0**
5. Other loans	200,000,000	0	0
TOTAL	**200,000,000**	**0**	**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	313,743
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	18,209,143

4.17. Accrued charges and deferred income in the liabilities

(in EUR)	Exercice
Accrued charges: interest	11,872,170
Accrued charges: general operating expense	1,369,247

4.18. Operating results

(in EUR)	Previous period	Period
OPERATING INCOME		
Other operating income		
Whereof: the total amount of subsidies and compensatory amounts obtained from public authorities	90,949	137,998
OPERATING CHARGES		
Employees recorded in the personnel register in Belgium		
a) Total number at the closing date	252	245
b) Average number of employees in full-time equivalents	234.2	234.7
c) Number of actual working hours	367,047	352,431
Personnel charges		
a) Remuneration and direct social benefits	34,101,047	27,219,704
b) Employers' contribution for social security	9,468,227	8,318,393
c) Employers' premium for extra statutory insurance	4,266,663	4,301,373
d) Other personnel charges	892,166	740,719
Provisions for liabilities and charges		
Increases	397,443	141,690
Decreases	578,309	13,368,499
Other operating charges		
Taxes related to operations	469,717	866,929
Other charges	16,269	26,927
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	1	0
b) Average number of employees in full-time equivalents	1.9	0
c) Number of actual working hours	3,352	0
d) Charges to the enterprise	132,665	0

4.19. Financial results

(in EUR)	Previous period	Period
Other financial income		
Exchange differences	11,384,428	662,289
Income related to a swap	2,112,997	43,410,303
Reimbursment of commission provisions concerning the payment of dividends	0	377,949
Other financial income	0	4,658
Other financial charges		
Charges linked to the payment of dividends	2,492,757	76,214
Loss on disposal of current assets	0	13,367,151
Exchange differences	11,001	8,315
Conversion differences	874,992	13,429
Other financial charges	687,371	144,581
Charges linked to the purchase of own shares	114,977	0
Service costs related to the management of actions	0	381,497

4.20. Exceptional results

(in EUR)	Period
Allocation of other exceptional income	
Compensation related to the guarantee of Dexia SA in the context of an issue of shares	24,610,000

4.21. Income taxes

(in EUR)	Period
Income taxes of the current period:	**0**
a) Taxes and withholding taxes due or paid	397
b) Excess of income tax prepayments and withholding taxes capitalized	397
Income taxes on previous periods:	**0**
a) Additional charges for income taxes due or paid	0
b) Additional charges for income taxes estimated or provided for	0
Impact of the exceptional results in the taxes on the profit of the year:	
The exceptional provision for liabilities and charges is not tax deductible in Belgium	
Status of deferred taxes:	
a) Deferred taxes representing assets	198,088,977
Accumulated tax losses deductible from future taxable profits	38,454,231
Other deferred taxes representing assets	
- Surplus of revenues definitively taxed	157,946,221
- Surplus on depreciations	1,688,525

4.22. Value added tax and taxes borne by third parties

(in EUR)	Previous period	Period
Total amount of value added tax charged during the period:		
1. To the enterprise (deductible)	30,808	928,784
2. By the enterprise	69,888	37,181
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	14,128,371	10,199,604
2. Withholding taxes on investment income	110,137,267	0

4.23. Rights and commitments not accrued in the balance sheet

(in EUR)	Period
Personal guarantees, provided or irrevocably promised by the enterprise, as security for debt and commitments of third parties	500,045,600
Whereof:	
- Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise	500,045,600
Forwarded transactions	
- Currencies purchased (to be received)	238,926,697
- Currencies sold (to be delivered)	93,226,225

Information concerning important litigations and other commitments
See notes annual reports: note 4.4.

If there is a supplementary retirement or survivor's pension plan in favour of the personnel or the executives of the enterprise, a brief description of such plan and of the measurs taken by the enterprise to cover the resulting charges.

Members of staff benefit from a supplementary retirement and survival pension scheme for wich both employees and staff premiums have been paid to a group insurance. Some members of the Management Board also benefit from a supplementary scheme of wich the contributions are paid to an external insurance company.

5. Financial relationships

5.1. Relationships with affiliated enterprises and enterprises linked by participating interests

	Affiliated enterprises	
(in EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**28,353,319,650**	**28,298,051,207**
Investments	24,882,425,655	24,880,923,728
Subordinated amounts receivable	3,470,893,995	3,417,127,479
AMOUNTS RECEIVABLE	**50,249,322**	**46,359,446**
After one year	44,235,576	40,505,613
Within one year	6,013,746	5,853,833
CURRENT INVESTMENTS	**0**	**58,686,669**
Amounts receivable	0	58,686,669
AMOUNTS PAYABLE	**3,820,949,561**	**4,091,069,598**
After one year	200,000,000	0
Within one year	3,620,949,561	4,091,069,598
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	**214,730,513**	**0**
FINANCIAL RESULTS		
Income from financial fixed assets	1,361,054,516	62,594,834
Income from current assets	61,374,836	2,576,806
Debt charges	164,731,595	72,451,555
Other financial charges	2,364,425	13,650,827
GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS		
Obtained capital gains	20,000	6
Obtained capital losses	0	706,249

5.2. Transactions with related parties outside of normal market conditions

Nil.

5.3. 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 direct and indirect 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	1,792,759

5.4. Relationships with affiliated auditor

Remuneration of the Statutory Auditor	**320,650**
Remuneration for exceptional tasks executed within the enterprise by the Statutory Auditor	
Other tasks	443,991

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consilidated financial statement.

7. Social report

7.1. Statement of the persons employed in 2009

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	204.0	44.0	234.7	(FTE)	234.2	(FTE)
Number of actual working hours	342,192	10,239	352,431	(T)	367,047	(T)
Personnel charges (in EUR)	33,750,907	1,009,874	34,760,781	(T)	42,183,759	(T)

2. As at the closing date of the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register	200	45	231.4
b. By nature of the employment contract			
Contract of indefinite period	199	45	230.4
Contract of definite period	1	-	1.0
c. According to gender and by level of education			
Male	120	27	139.0
secondary education	9	-	9.0
higher non-university education	12	3	14.1
university education	99	24	115.9
Female	80	18	92.4
secondary education	5	1	5.8
higher non-university education	25	6	28.5
university education	50	11	58.1
d. By professional category			
Management staff	24	14	34.3
Employees	176	31	197.1

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	0	0
Number of hours actually worked	0	0
Charges of the enterprise (in EUR)	0	0

7.2. 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	12	2	13.4
b. By nature of the employment contract			
Contract for an indefinite period	11	2	12.4
Contract for a definite period	1	-	1.0

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees with a in the staff register listed date of termination of the contract during the period	16	5	18.4
b. By nature of the employment contract			
Contract for an indefinite period	15	5	17.4
Contract for a definite period	1	-	1.0
d. According to the reason for termination of the employment contract			
Dismissal	3	1	3.6
Other reason	13	4	14.8
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	-	-	-

7.3. 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	119	87
Number of training hours	1,830	1,806
Costs for the enterprise (in EUR)	298,223	294,312
- whereof gross costs directly associated with the company (in EUR)	298,223	294,312
Total of less formal and informal continuing vocational training initiatives for workers paid by the employer		
Number of employees involved	56	56
Number of training hours	119	141
Costs for the enterprise (in EUR)	66,012	77,939

Dexia SA
Statutory Auditor's report for the year ended 31 December 2009 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.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Dexia SA for the year ended 31 December 2009, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 28,747,912 (000) EUR and a loss for the year of 93,815 (000) EUR.
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 Réviseurs d'Entreprises/Instituut van de 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 that we have obtained provides a reasonable basis for our opinion.
In our opinion, the financial statements as of 31 December 2009 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.

Additional comments

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 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 of association 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 of association.

Antwerp, 1 April 2010
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

Additional information

Certificate from the responsible person

I the undersigned, Pierre Mariani, Chief Executive Officer and Chairman of the Management Board of Dexia SA, certify that to the best of my knowledge:

a) the financial statements, established in accordance with applicable accounting standards, present a true and fair view of the assets, the financial situation and the earnings of the company and of all the companies included in the consolidation;

b) the management report contains a true and fair view of changes in the revenues, earnings and financial position of the company and of all the companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Brussels, 1 April 2010

For the Management Board

Pierre Mariani
Chief Executive Officer and Chairman of the Management Board
Dexia SA

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 15 July 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 realisation of its corporate object or likely to contribute to such realisation."

Places where the public may consult documents
The articles of association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company's registered office. The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company's registered office. Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appendix to the *Belgian Gazette*. Financial notices concerning the company are published on its website (*www.dexia.com*). The convocations to Shareholders' Meetings are published on the website and in the financial newspapers, the daily press and periodicals.

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Management report
Consolidated financial statements
Annual financial statements
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Dexia's annual report 2009 has been published by the Financial Communication department of Dexia SA.
This report is also available in Dutch and French. It just needs to be requested at the Dexia head office in Brussels or in Paris or via the company website at *www.dexia.com*.

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FINANCIAL CALENDAR

Ordinary Shareholders' Meeting for the 2009 financial year
12 May 2010

Results as at 31 March 2010
12 May 2010

Results as at 30 June 2010
6 August 2010

Results as at 30 September 2010
10 November 2010

Results as at 31 December 2010
24 February 2011

Ordinary Shareholders' Meeting for the 2010 financial year
11 May 2011

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