Annual report 2011

DEXIA

Annual report 2011

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Management report

Group Profile

Dexia is a European banking group which, in 2011, carried out its activities principally in Belgium, Luxembourg, France and Turkey in the fields of retail and commercial banking, public and wholesale banking, asset management and investor services.

The Group's parent company is Dexia SA, a limited company under Belgian law with its shares listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange.
Since December 2008, the Group has considerably reduced its risk profile and refocused its commercial franchises on its historical business lines and markets, in line with the restructuring plan validated by the European Commission. Dexia has thus principally organised its activity portfolio around retail banking, grasping opportunities for growth in Turkey. In the field of public banking, the Group chose to remain a selective, profitable and recognised specialist, offering a diversified range of products. This plan was implemented in line with the objectives fixed until mid-2011.

As a consequence of the aggravation of the sovereign crisis in the euro zone and more generally the hardening of the macroeconomic environment, Dexia was confronted by renewed pressure on its liquidity during the summer of 2011. Against that background, the Group undertook, in October 2011, to make in-depth changes to its structure, including:

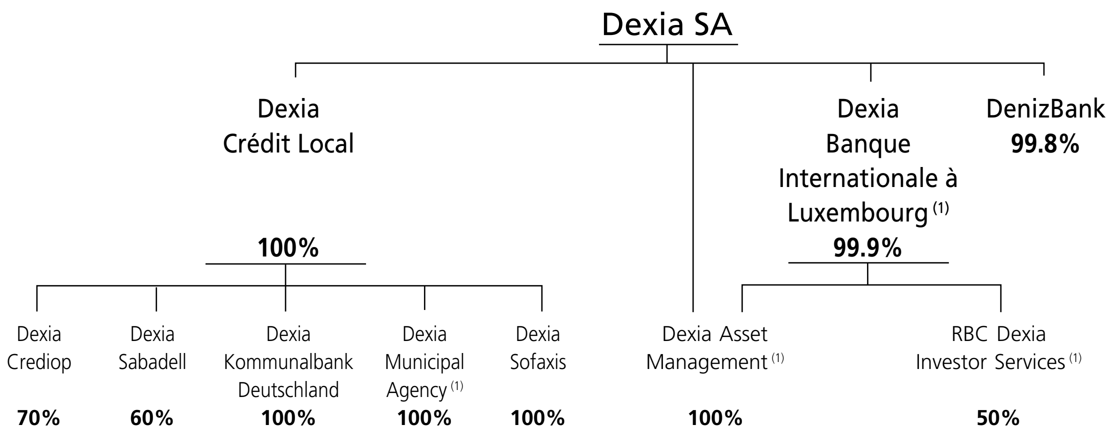
- the implementation of a temporary funding guarantee scheme involving the Belgian, French and Luxembourg states;
- the sale of Dexia Bank Belgium to the Belgian state, finalised on 20 October 2011;
- a protocol of intention with Caisse des Dépôts, La Banque Postale and the French state with regard to local public sector finance;
- the planned disposal of certain of the Group's operational subsidiaries, particularly Dexia Banque Internationale à Luxembourg, DenizBank, Dexia Asset Management and RBC Dexia Investor Services.

These measures, comprising a definitive liquidity guarantee scheme, will be part of a new plan that the states undertook to submit to the European Commission by the end of March 2012.
More detailed information on the structural measures undertaken by Dexia in October 2011 is to be found in the chapter "Highlights" in this Annual Report (pages XXX).

Implementation of these new structural measures will have a significant impact on the Group profile in the future. Accordingly, since the sale of Dexia Bank Belgium, the Group has very few outstanding commercial activities in Belgium.

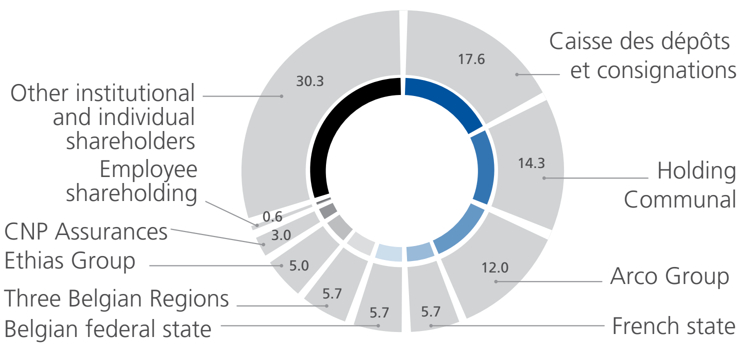
2012 will be marked by the completion of pending divestment processes, subject to approval by the European Commission of the Group's new plan.
After completion of those disposals, the Dexia Group's scope will be composed of the international subsidiaries in charge of public sector services and of a portfolio of assets managed in run-off.

SIMPLIFIED GROUP STRUCTURE

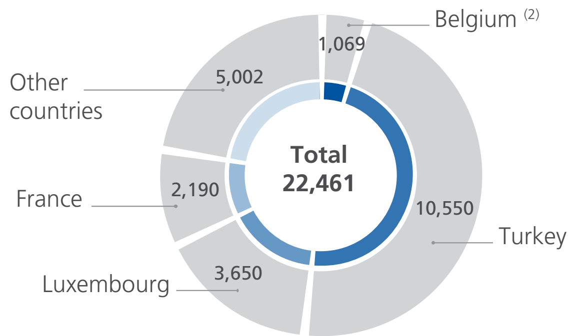


(1) Entity held for sale in 2012 according to IFRS 5.

DEXIA SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2011 (IN %)



MEMBERS OF STAFF AS AT 31 DECEMBER 2011 (1)



(1) Including RBC Dexia Investor Services.
(2) After the sale of Dexia Bank Belgium to the Belgian state in October 2011.

RESULTS (in millions of EUR)	2005	2006	2007	2008	2009	2010 (1)	2011
Income	5,976	7,005	6,896	3,556	6,184 (2)	5,310	(4,383)
Costs	(3,229)	(3,474)	(3,834)	(4,119)	(3,607)	(3,703)	(1,114)
Gross operating income	2,747	3,531	3,062	(563)	2,577	1,607	(5,497)
Net income Group share	2,038	2,750	2,533	(3,326)	1,010	723	(11,639)
Of which net income Group share from continuing operations	-	-	-	-	-	(231)	(6,398)

(1) In accordance to IFRS 5, the comparative information concerning the discontinued operations is disclosed separately.
(2) The provisions for legal litigation were previously included in income (other net income).

BALANCE SHEET (in billions of EUR)	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09	31/12/10	31/12/11
Balance-sheet total	**508.8**	**566.7**	**604.6**	**651.0**	**577.6**	**566.7**	**412.8**
Loans and advances to customers	192.4	226.5	242.6	368.8	354.0	352.3	173.6
Financial assets at fair value through profit and loss and financial investments	198.9	223.2	257.9	141.1	115.3	96.7	43.4
Non-current assets and disposal groups held for sale	-	-	-	-	-	-	110.4
Customers borrowings and deposits	97.7	116.2	126.7	114.7	121.0	127.1	19.4
Debt securities	175.7	184.7	204.0	188.1	213.1	210.5	105.3
Liabilities included in disposal groups held for sale	-	-	-	-	-	-	116.4
Core shareholders' equity	11.5	14.4	16.1	17.5	18.5	19.2	7.6

RATIOS	2005	2006	2007	2008	2009	2010	2011
Cost-income ratio (1)	54.0%	49.6%	55.6%	115.8%	58.3% (2)	69.7%	n.a.
Retun on equity (3)	20.0%	23.1%	17.8%	-22.6%	5.6%	3.8%	-86.9%
Tier 1 ratio	10.3%	9.8%	9.1%	10.6%	12.3%	13.1%	7.6%
Capital adequacy ratio	10.9%	10.3%	9.6%	11.8%	14.1%	14.7%	10.3%

(1) The ratio between the costs and the income.
(2) The provisions for legal litigation were previously included in income (other net income).
(3) The ratio between the net income Group share and the weighted average core shareholders' equity (estimated dividend for the period deducted).

QUALITY OF RISKS	2005	2006	2007	2008	2009	2010	2011
Impaired loans to customers (in millions of EUR)	1,473	1,359	1,218	3,535	4,808	5,554	2,534
Asset quality ratio (1)	0.8%	0.6%	0.5%	1.0%	1.4%	1.6%	1.1%
Coverage ratio (2)	69.1%	69.3%	67.2%	58.9%	55.3%	57.9%	62.9%

(1) The ratio between the impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(2) The ratio between the specific impairments on loans and advances to customers and the impaired loans and advances to customers.

DATA PER SHARE (in EUR)	2005	2006	2007	2008	2009	2010	2011
Earnings per share (1)	1.87	2.38	2.08	(2.42)	0.55	0.37	(5.97)
Gross dividend	0.71	0.81	0.91	- (2)	- (3)	- (4)	- (5)
Net assets (6)	9.86	11.08	12.28	9.47	10.02	9.86	3.89
Pay-out ratio (in %) (7)	37.9	34.3	42.0	- (2)	- (3)	- (4)	- (5)

(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). For the years 2006-2010 earnings per share have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(2) No dividend was paid for the 2008 financial year.
(3) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata to their shareholding.
(4) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 11 May 2011 approved a capital increase of EUR 243,110,168.10 by incorporation of reserves and the issue of 102,578,130 bonus shares granted to shareholders on 14 June 2011 prorata to their shareholding.
(5) The Board of Directors will propose to the Shareholders' Meeting to be held on 9 May 2012 that no dividend be paid to shareholders for the financial year 2011.
(6) The ratio between the core shareholders' equity and the number of shares (after deduction of treasury shares) at the end of the period. For the years 2006-2010 net assets have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(7) The ratio between the total dividend and the net income Group share.

RATINGS AS AT 29 FEBRUARY 2012	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	A+	Negative outlook	F1+
Moody's	Baa1	Under review for possible downgrade	P-2
Standard & Poor's	BBB+	On credit watch negative	A-2
Dexia Banque Internationale à Luxembourg			
Fitch	A+	Rating watch negative	F1+
Moody's	Baa1	Under review for possible downgrade	P-2
Standard & Poor's	A-	On credit watch developing	A-2
DenizBank			
Fitch (foreign currency)	BBB-	Stable outlook	F3
Fitch (local currency)	BBB	Rating watch negative	F3
Moody's (foreign currency)	Ba3	Positive outlook	-
Moody's (local currency)	Baa2	Stable outlook	P-2
Dexia Municipal Agency (obligations foncières)			
Fitch	AAA	-	-
Moody's	Aa1	Under review for possible downgrade	-
Standard & Poor's	AAA	On credit watch negative	-
Dexia Kommunalbank Deutschland (Pfandbriefe)			
Standard & Poor's	AAA	On credit watch negative	-
Dexia LDG Banque (lettres de gage)			
Standard & Poor's	AAA	On credit watch negative	-

Message from the Chairmen

The year 2011 was marked by an aggravation of the European sovereign debt crisis. That unprecedented deterioration of the economic and financial environment in the euro zone had a particularly severe effect on the Dexia Group, still fragile despite the efforts made since 2008 to improve its financial structure. In October 2011, Dexia lost its access to liquidity, as a consequence of rating agencies putting it on negative watch, and this led us to ask the Belgian, French and Luxembourg states for support, and to introduce structural measures comprehensively altering the Group scope, in order to avoid the materialisation of a systemic risk.

Imbalances handed down from the past

The origins of this liquidity crisis are to be found in the strategy followed by the Group until 2008, resulting in severe imbalances, particularly in terms of refinancing and risk profile. In fact, the Group had undertaken strong international expansion, outside its historical franchises, although it did not have stable and long-term local funding sources. At the same time, Dexia built up a bond portfolio principally financed over the short term, the size of which was considerable having regard to the Group's shareholder equity, indeed twenty-five times greater. Finally, its subsidiary Financial Security Assurance had been diversified beyond its initial credit enhancement activity, resulting in severe exposure to the US subprime market and a significant US dollar funding requirement.

Despite an excellent rating, associated with the Group's historical activities renowned as without risk, Dexia suffered serious weaknesses and drew a large proportion of its profitability from the transformation of liquidities. The Group was therefore seriously harmed by the crisis in 2008 and had to rely on state support. So when we came to lead the Group, in October 2008, 43% of its balance-sheet total, no less than EUR 260 billion, was funded over the short term.

Between 2008 and mid-2011, major progress made in implementing the transformation plan

On the basis of this observation, the shareholders entrusted us with two tasks: on the one hand to reduce the sources of risk which had led the Group to a situation close to insolvency and on the other hand to consolidate its core businesses.

From the very first weeks of our mandate, we adopted emergency measures aimed at ensuring Dexia's survival, through the introduction of a state funding guarantee mechanism to resolve the liquidity crisis affecting the Group. We were also required to remove the most critical risk sources, in particular disposing of Kommunalkredit Austria which held a portfolio of EUR 19 billion in CDS on countries in Eastern and Southern Europe, and the credit enhancement activity of Financial Security Assurance, sold in November 2008 to Assured Guaranty.

We defined a transformation plan aimed at ensuring the Group's return to viability by 2014. This plan was ratified by the European Commission in February 2010, at the close of negotiations with the states.

Its implementation enabled the short-term funding requirement to be sharply reduced, from EUR 260 billion to EUR 96 billion between October 2008 and June 2011. This 63% fall in dependency on short-term wholesale funding relied on three levers: the alignment of local public sector finance with the Group's refinancing capacities and a refocusing on its historical markets, a rebalancing towards stable funding sources, particularly with a focus on deposit gathering and the disposal of non-strategic assets which consumed liquidities.

Between 2008 and June 2011, dedicated teams disposed of EUR 70.3 billion in assets, in a difficult market context, whilst keeping the level of losses on disposals extremely low. Including liquidity lines in the United States, the Group reduced non-strategic assets by EUR 121 billion over the period.

Against a background of great uncertainty and volatility in the global economy, in May 2011 the Group also announced the acceleration of its non-strategic asset disposals, including the guaranteed assets of the Financial Products portfolio.

We also decided to strengthen and develop Dexia's commercial activities. In Belgium, the deployment of a new distribution model, accompanied by a plan to invest EUR 350 million, enabled deposits to be increased by 20% between October 2008 and October 2011. In Turkey, an ambitious development plan was implemented for DenizBank, with a resulting 18% growth in the number of clients and a doubling of the amount of deposits gathered over the same period. Finally, Dexia reaffirmed its presence in the field of local public sector finance, broadening its range of products and services. Furthermore, the reduction of finance granted by the banking sector as a whole resulted in a twofold increase in margin levels on this activity.

In short, we reduced the Group's cost base by EUR 600 million, without any forced redundancies. This 15% reduction from the 2008 level resulted both from efficiency improvement measures and from intra-Group synergies.

At the same time, we had to rationalise the Group's organisation and to reduce its risk profile. We have given the Group standard and uniform tools, centralised with the holding company, particularly for the finance and risk support lines. The concentration of market activities in two centres, as opposed to fourteen in 2008, resulted in a better control of market risk. The Group's risk profile was reduced by the disposal of risk entities. The Group endeavoured to reduce its exposure to government bonds from peripheral European countries and, moreover, the guaranteed assets of the Financial Products portfolio, which held the more risky assets retained after the sale of Financial Security Assurance, were sold in the summer of 2011 in line with the target announced in May 2011. The sale of these assets thus enabled the risk to be removed of any call on the guarantee weighing on the Belgian and French states which had guaranteed this part of the portfolio.

At the end of June 2011, the Group had met the conditions imposed by the European Commission and it was even ahead of schedule on several aspects of the plan, such as the volume of assets sold.

October 2011: the deterioration of the environment made it necessary to alter the strategy followed since 2008

The aggravation of the European sovereign debt crisis from the second half of 2011 impacted the Dexia Group severely. The succession of rating actions which began in February 2011 resulted in a loss of EUR 38 billion of unsecured funding, whilst the requirement remained high, despite the efforts made to reduce it since 2008.

Confronted by a new liquidity crisis as a result of our rating being put on negative watch by Moody's on 3 October 2011, we announced on 9 October 2011 structural measures for an in-depth change to the Group scope, eager to protect its commercial activities. Moreover, considering the size of the Group and the level of its off-balance-sheet exposure, it was a priority to avoid the materialisation of any systemic risk, which might have unbalanced the entire European banking sector. The measures include on the one hand the undertaking by the states to grant the Group a liquidity guarantee of EUR 90 billion enabling it to obtain refinancing and on the other hand the sale of operating entities.

In an emergency situation and with the aim of protecting the franchise of Dexia Bank Belgium, we accepted the offer made by the Belgian state to purchase it for EUR 4 billion. In order to respond to the financing requirements of local authorities in France, we concluded a partnership agreement with the French state, the Caisse des Dépôts and La Banque Postale which provided for the creation of a new credit establishment to which Dexia Municipal Agency would be transferred. We will continue our negotiations with Precision Capital and the Grand Duchy of Luxembourg and have already signed a binding memorandum of understanding providing the terms of the sale of Dexia Banque Internationale à Luxembourg. Finally, we have begun the process to sell other operating entities – RBC Dexia Investor Services, Dexia Asset Management and DenizBank – so that they will leave the Dexia Group scope. In introducing these measures, the protection of jobs remains our priority objective.
The disposals made, and those yet to be made, remain subject to the approval by the European Commission. Awaiting examination of the definitive plan submitted by the states on 21 March 2011, the European Commission has already authorised a temporary guarantee mechanism relating to EUR 45 billion.

Results 2011

The net loss of EUR 11.6 billion recorded for the 2011 financial year is explained by various non-recurrent events during the year and is essentially associated with the sovereign debt crisis on the one hand and disposals on the other. In particular, the loss on the sale of Dexia Bank Belgium amounted to EUR 4.2 billion and the loss expected on the sale of Dexia Municipal Agency is EUR 1 billion. The impairments on Greek government bonds and assimilated exposure represented EUR 3.4 billion, whilst the losses on asset disposals, including the sale of the guaranteed assets of the Financial Products portfolio, were EUR 2.6 billion.
Shareholders continue to bear the consequences of the imbalances handed down from the past: risks associated with the bond portfolio which materialised through the impairments on Greek government bonds and the losses on asset disposals, as well as too strong a dependency on short-term funding.
Considering the losses recorded in 2011, we will propose to the Shareholders' Meeting that no dividend be paid for 2011. We have likewise announced that no variable compensation will be paid for 2011 to members of the management teams of Dexia SA and its subsidiaries. On a proposal from the Appointment and Compensation Committee, the Board of Directors accepted the proposal from the Management Board and decided to make use of the opportunity to *a posteriori* reduce the deferred parts of the variable compensation. Accordingly, it has been decided not to pay any deferred compensation for 2009 and 2010 in 2012.

The net loss recorded for the 2011 financial year was absorbed by virtue of the Group's robust solvency until June 2011; the Group's Tier 1 ratio rose from 10.6% at the end of December 2008 to 13.4% at the end of March 2011. At the end of December 2011, the Group's solvency ratios were 7.6% for Tier 1 and 6.4% for Core Tier 1.

An in-depth alteration to the Group scope

2012 will be a year of transition for the Dexia Group, during which planned disposals should be finalised and a French local public sector refinancing scheme put in place. All of these structural measures will be included in the plan which is submitted by the states to the European Commission for approval.

The residual Group will be responsible for managing and restructuring existing assets, managing the international entities of Dexia Crédit Local and ensuring the continuity of management of the assets of the Legacy Division.

In presenting the 2011 annual results of the Dexia Group, we draw attention to the fact that full implementation of the Group restructuring relies on a certain number of conditions being met. In particular, it assumes ratification by the European Commission of the plan submitted to it by the states, including obtaining a guarantee from the states of up to EUR 90 billion, covering the Group's funding requirement over the long term. The compensation for the guarantee to be paid by Dexia is intended to be sufficiently low to enable the Group's restructuring to be completed. In any event, it is highly likely that any possible improvement of the financial situation of Dexia SA will primarily and principally benefit the guarantor states, in order to take account of the risk they are taking.

We are aware that this restructuring is a source of concern for members of staff. We would like to thank them for their commitment to serving the Group and repeat our undertaking to find solutions which protect their jobs. The progress made by the Group in implementing the transformation plan over the last three years would not have been possible without their outstanding involvement.

We would also like to express our gratitude to our shareholders for the support they have provided. They have enabled us to proceed with this restructuring and to avoid the materialisation of any major systemic risk to the European banking system.

Finally, we also wish to thank all of the Group's customers for their confidence in us during the difficult phase Dexia has had to endure.

Since our appointment on 7 October 2008, our priorities have remained the same: to reduce the Group's systemic risk, to defend and to develop the commercial franchises in order to guarantee even better customer service and to give members of staff the maximum of protection.

Jean-Luc Dehaene
Chairman of the Board of Directors

Pierre Mariani
Chief Executive Officer

Highlights

Transformation plan 2008-2011

Until 2008, Dexia followed an expansion strategy characterised by:
- a rapid geographic development of its Public and Wholesale Banking business outside its core markets;
- the constitution of a huge investment bond portfolio, mostly funded over the short term;
- a credit enhancement activity in the United States, through its subsidiary Financial Security Assurance, which exposed the Group to the risks of the American market.

The 2008 financial crisis highlighted the imbalances of this strategy and harmed the Group very severely. Arriving in October 2008, the new Group management was set two main objectives by the states: to reduce the risk which had led the Group to such a critical situation and to consolidate its historic business lines, in particular retail banking in Belgium and in Luxembourg and local public sector finance in Belgium and in France. These two objectives were at the heart of the transformation plan implemented between October 2008 and October 2011, a plan validated by the European Commission in its decision of 26 February 2010.

Reduction in the risk profile

First of all, management set to removing the more critical risks, through the disposal of activities in the United States and in Eastern Europe. A systematic reduction in the Group's risk profile was then applied as part of the transformation plan, following three lines: balance sheet deleverage, reduction in the short-term funding requirement and the resizing of trading activities.

Balance sheet reduction

Between 2008 and mid-2011, the Group's balance sheet fell 20% from EUR 651 billion to EUR 518 billion under the combined effect of selling entities and non-strategic financial assets and by adopting a more selective lending policy to the local public sector.

Entity disposals

The sale of the insurance activities of Financial Security Assurance and KommunalKredit Austria took place at the end of 2008.
In 2009 and 2010, Dexia also sold its holdings in Crédit du Nord, Dexia Epargne Pension, AdInfo and SPE as well as the shares in Assured Guaranty, which the Group held following the sale of Financial Security Assurance.
Disposals continued in the first half of 2011, ahead of the schedule set with the European Commission.
On 31 March 2011, Dexia finalised the sale of its 88.71% holding in Dexia banka Slovensko. This transaction falls within the framework of undertakings made to the European Commission which provide for the disposal of this entity before 31 October 2012.
In October 2011, the Group finalised the sale of DenizEmeklilik, the life insurance and pension subsidiary of DenizBank in Turkey, to MetLife, after obtaining all the regulatory approvals. A 15-year exclusivity agreement for the distribution of the life, pension, private accident and unemployment insurance products of MetLife via the DenizBank branch network also entered into effect.
The conclusion of this transaction follows on from the agreement reached with MetLife and announced on 27 June 2011. It falls within the agreement with the European Commission which provided for the disposal of DenizEmeklilik at the latest by 31 October 2012.
A 15-year exclusivity agreement was also concluded with AXA for the distribution of non-life insurance products via the DenizBank branch network. It entered into effect on 26 September 2011 following on from the agreement announced on 7 July 2011.
The disposal of DenizEmeklilik generated a pre-tax capital gain of EUR 135 million. The profits expected from the exclusivity agreements with MetLife and AXA for the distribution of their insurance products via the DenizBank network will be spread over 15 years.

Reduction in the portfolio of non-strategic assets

From the end of 2008, Dexia placed its bond portfolio in run-off (EUR 158 billion at year-end 2008) and proceeded to reduce it via a voluntary disposal programme. The Financial Products portfolio (EUR 13 billion at year-end 2008), which was not included within the scope of the sale of Financial Security Assurance, was also placed in run-off as well as certain non-strategic loans to the local public sector (EUR 28 billion at year-end 2008) and off-balance-sheet liquidity lines in the United States.
Between year-end 2008 and June 2011, non-strategic financial assets were thus reduced by 47%, or EUR 121 billion (including off-balance-sheet liquidity lines). Over the same period, EUR 70.3 billion of assets were sold, at an average loss rate of 1% of the nominal value, and the Group proactively reduced the stock of US liquidity lines to USD 4.4 billion as at 2 February 2012.
Within the context of accelerating the disposal of the Group's non-strategic assets, as announced in May 2011, Dexia also sold the guaranteed assets of the Financial Products portfolio (see Section entitled "Acceleration of the disposal of non-strategic assets in May 2011" hereafter).

Reduction in the short-term funding requirement

At the same time as the implementation of a state funding guarantee mechanism established on 9 October 2008, recourse to short-term funding was rapidly reduced using three levers:

- the drastic reduction in lending to local authorities, which had been aligned to the Group's ability to issue covered bonds;
- the accelerated sale of non-strategic assets, mostly funded over the short term;
- the strengthening of the Group's commercial franchises in order to increase stable funding sources such as client deposits.

Between the end of October 2008 and the end of June 2011, short-term funding was reduced from EUR 260 billion to EUR 96 billion, or 63% of the liquidity gap. The imbalance of the Group's financial structure was also reduced, 19% of the balance sheet total then being funded over the short term, against 43% at the end of October 2008.

Resizing trading activities

From year-end 2008, proprietary trading activities were stopped and the VaR limits for other trading activities were halved. On the other hand, trading activities which had been spread within the Group were centralised on two market platforms in Brussels (trading, central treasury) and Dublin (management of run-off portfolios).

Consolidation and redeployment of commercial franchises

As part of the transformation plan, the Group refocused its activities on its core business lines, Public and Wholesale Banking and Retail and Commercial Banking, and on its principal markets, in France, Belgium, Luxembourg, Turkey, Italy and Spain.
This refocusing was accompanied by a plan to develop and consolidate the main commercial franchises.
Within retail banking in Belgium, a EUR 350 million investment plan accompanied the implementation of a new distribution model, which enabled branches to be renovated, internet services to be developed and the level of staff qualification to be improved. At the end of June 2011, this new distribution model was deployed in 370 branches. Between the end of December 2008 and the end of June 2011, with the improvement of client relationship, deposits rose by 19%, or EUR 12 billion.
Retail banking activity in Turkey, a reservoir of Group growth, was developed significantly with an ambitious investment plan. Between year-end 2008 and the end of 2011, 188 new domestic branches were opened, testifying to a higher growth rate than the sector average. More than 1.9 million of clients were acquired and deposits increased by about TRY 15 billion.
The Public and Wholesale Banking business line was refocused on its historic markets (principally in Belgium and France), where margins increased significantly and the range of added value products was enlarged. Against a background of scarcity of short-term liquidity, production was more selective and down approximately 80% between 2008 and 2009.

Cost reduction

A programme to reduce the cost base by 15%, or EUR 600 million, was initiated in 2008, based on productivity gains, the simplification of operational functions and the industrialisation of certain processes. This programme, which involved no forced redundancies, enabled the competitiveness of commercial activities to be restored, whilst releasing the financial room for manoeuvre vital to implementation of the transformation plan.

Acceleration of the disposal of non-strategic assets in May 2011

Against a macroeconomic background which remains extremely difficult, particularly in the euro-zone, on 27 May 2011 the Board of Directors of Dexia decided to accelerate the pace of disposal of non-strategic assets in order to ease the burden of the Legacy Division, to improve liquidity and to increase the Group's recurrent profitability whilst giving greater visibility to the commercial franchises.
This decision is reflected by a negative financial impact of EUR 3,673 million on the statement of income for the Group's second quarter, broken down as follows:

- a loss of EUR 1,928 million on the disposal of EUR 6.4 billion of guaranteed assets of the Financial Products portfolio. These assets were essentially sold directly to final investors in order to guarantee the best possible execution;
- a fair value adjustment on other non-strategic loans and bonds of the Legacy Division held for sale, in a nominal value of EUR 17.6 billion (EUR 14.8 billion excluding Dexia Bank Belgium), representing a negative impact of EUR 1,745 million (EUR 1,487 million excluding Dexia Bank Belgium).

Other than the guaranteed assets of the Financial Products portfolio mentioned above, the Group sold a total of EUR 18.2 billion in assets in 2011. These sales took place principally during the first half of the year.

The implementation of the sales of entities recorded by the Group in October (see below) should enable it to exceed the targeted balance-sheet deleveraging and consequently to slow the pace of non-strategic asset disposals in the future. The Group therefore decided, in accordance with accounting rules, to reclassify assets not sold in their original accounting category, and this led to a cancellation of the fair-value adjustment recorded in June [1]. Over the entire year, this led to a net value adjustment of EUR -252 million after taking back EUR 1,235 million.
More detailed information on asset disposals is provided in the section entitled "Legacy Portfolio Management Division" (pages 95-96) in this Annual Report.

(1) With the exception of the residual value of the "frozen AFS reserve" on securities reclassified as loans.

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Aggravation of the sovereign debt crisis, pressures on liquidity and the adoption of new structural measures in October 2011

The aggravation of the sovereign debt crisis from the beginning of the summer 2011 marked a turning point for the Dexia Group. In fact, despite the progress made with regard to its transformation plan, Dexia was subject to increasing tensions on its liquidity, which led it to decide on the rapid and resolute implementation of a new series of structural measures.

Aggravation of the sovereign debt crisis and impairment on exposure to Greece

Within the euro-zone, the sovereign debt crisis, which worsened during the summer, severely impacted the Group. In fact, Dexia is the premier local public sector financier in the euro-zone, and its sovereign exposures, previously considered to be of no risk, are significant, particularly in Italy, Greece and Portugal.

The first Greek rescue plan proved to be insufficient to allow a return to greater market calm. It was consequently followed by the announcement of a second support plan, involving a large haircut on Greek sovereign securities held by private creditors. This second plan, to which Dexia subscribed for all the securities it then held, was successfully implemented during the first two weeks of March 2012.

Against that background, in 2011 Dexia booked a total impairment of EUR 2.4 billion on its Greek government bonds and assimilated exposure, which represents a haircut of 75% on the Group's EUR 3.2 billion nominal exposure as at 31 December 2011.

Dexia also made a EUR 1 billion impairment on the revaluation of derivative interest rate hedge accounted for as fair value and cash-flow hedge because of the uncertainties weighing on expected bond cash flows, leading to an inefficiency of the accounting hedge and an impairment of 100% of the value of those hedge instruments. The total impairment associated with Dexia's exposure to Greece therefore amounted to EUR 3.4 billion for the entire year 2011.

More detailed information on Dexia's sovereign exposure is provided in the chapter entitled "Risk management" (page 74) in this Annual Report.

Increasing tensions on the Group's liquidity

The improvement of the Dexia Group's financial structure and the reduction in its liquidity needs were the priority goals set in the transformation plan launched in 2008. From mid-2011 onwards the deepening of the sovereign crisis in the euro-zone and the increased distrust towards financial institutions severely impacted the Group's liquidity situation through several successive shocks.

- In the first place, the ratings of the main Group operating companies being put on negative watch in March (Moody's) and May 2011 (S&P) led to a decrease of more than EUR 22 billion in Group unsecured funding between the end of April and the end of June 2011. USD financing was impacted first but Dexia managed the resulting tensions by way of the swift execution of currency swaps.
- The confirmation of the short-term rating by S&P in early July 2011 failed to reopen access to unsecured funding given the concomitant worsening of the European sovereign debt crisis. The indecisiveness surrounding the Greece assistance programme and resulting tensions on the debt of other European sovereigns have led to the significant rise in risk aversion, especially from the US investors. Confidence in the signature of Dexia, formerly the number one lender to the public sector, was deeply affected given the sovereign exposure of the Group which led to the further loss of EUR 6 billion in unsecured funding between the end of June and the end of September 2011.
- This rise in short-term liquidity requirement was made worse by the significant fall in interest rates that simultaneously pushed up the need to post collateral by more than EUR 15 billion to the benefit of Group derivative counterparties between June and December, in a context of increased scarcity of liquidity.
- Finally, on 3 October 2011, the announcement by Moody's that it was putting both the long and short-term ratings on negative watch accelerated the loss of the Group's interbank unsecured funding (a further loss of EUR 9 billion) and eroded the trust of retail customers in Belgium and Luxembourg, leading to a flight of deposits to the tune of EUR 7 billion between the end of September and the end of October 2011.

All these items resulted in severe tensions on the Group's liquidity situation which, from October 2011, lost its access to unsecured funding.

More detailed information on Dexia's liquidity position is provided in the chapter entitled "Risk management" (pages 77-78) in this Annual Report.

Adoption of new structural measures

In order to avoid an ongoing deterioration of its liquidity situation and to protect its commercial franchises, the Group very rapidly announced a series of measures seriously impacting its structure. These are detailed below.

Sale of Dexia Bank Belgium to the Belgian state

Considering the risks raised by the situation of the Dexia Group regarding the commercial franchise of Dexia Bank Belgium and the systemic nature of that establishment for the Belgian financial system, the Belgian state offered to purchase the Dexia holding in Dexia Bank Belgium on 9 October 2011. The Board of Directors of Dexia SA approved that offer and the sale of 100% of the shares in Dexia Bank Belgium to the Société Fédérale de Participations et d'Investissement, acting on behalf of the Belgian state, was finalised on 20 October 2011 for an amount of EUR 4 billion, reflecting a loss of EUR 4.2 billion recorded in the financial statements of the Dexia Group. The proceeds of the sale were principally allocated by Dexia SA to the early repayment of loans granted by Dexia Bank Belgium to Dexia SA and to Dexia Credit Local in accordance with the undertakings made by the Group.

Since 20 October 2011, the Société Fédérale de Participations et d'Investissement (SFPI), acting on behalf of the Belgian state, has held 100% of the shares of Dexia Bank Belgium.

The sale agreement related to all the assets and liabilities and all subsidiaries and holdings of Dexia Bank Belgium, except its 49% holding in Dexia Asset Management, which was transferred to Dexia SA on 20 October 2011. Commercial and operational relations between Dexia Bank Belgium and Dexia Asset Management nonetheless continued.

This sale had the effect, for the Dexia Group and on the basis of the figures estimated as at 30 September 2011, of:
- reducing the size of the balance sheet by EUR 150 billion;
- improving other comprehensive income by EUR 3.1 billion, of which EUR 2 billion for the AFS reserve;
- reducing weighted risks by EUR 45 billion;
- reducing the short-term liquidity gap by EUR 16 billion;
- reducing maximum credit risk exposure (MCRE) on the government bonds of certain European countries and the bond portfolio in run-off by EUR 8.8 billion and EUR 19.8 billion respectively.

The intra-Group funding granted by Dexia Bank Belgium to other Group entities was maintained and is being reduced gradually in line with the principles established in the sale agreement. Funding constitutes one of the key elements supervised by a transition committee in order to ensure a smooth unwinding of the tight operational links existing between Dexia Bank Belgium and the rest of the Group.
Since October 2011, funding granted by Dexia Bank Belgium to other Group entities has been gradually reduced. Unsecured funding has been fully repaid as at the end of February 2012.

Protocol of intention between Dexia, Caisse des Dépôts, La Banque Postale and the French state

In line with the negotiation protocol finalised on 20 October 2011 and with the agreement in principle concluded on 10 February 2012 between Dexia, the Caisse des Dépôts, La Banque Postale and the French state, aimed at securing the financing of the local public sector in France, a protocol of intention has been approved by the Group's Board of Directors on 15 March 2012 and signed by all parties.
The scheme agreed on revolves around two lines:
- The setting up of a joint venture, held 65% and 35% respectively by La Banque Postale and the Caisse des Dépôts, which will market new finance in favour of French local authorities.
- The creation of a new credit establishment held by the French state (31.7%), Caisse des Dépôts (31.7%), Dexia Crédit Local (31.7%) and La Banque Postale (4.9%). This new credit establishment will be the parent company of Dexia Municipal Agency, a *société de crédit foncier* and as of today subsidiary of Dexia Crédit Local, dedicated to local public sector finance, which it will hold 100% and for which it will provide the management. It will also manage the industrial platform used by Dexia Municipal Agency and certain activities of the joint venture and the Dexia Group. Eligible loans granted by the joint venture will be refinanced by Dexia Municipal Agency.

Transferring to the new credit establishment the means and staff necessary for the management of Dexia Municipal Agency, the scheme envisaged will enable the unity of the Dexia Crédit Local historical industrial tool to be preserved and thus competences and know-how to be transmitted.
Dexia Crédit Local will retain an activity with the local public sector, notably through its subsidiaries dedicated to financial services. Dexia will also manage the residual portfolios (legacy) as well as the international commercial subsidiaries.
It is planned that Dexia will provide Dexia Municipal Agency, on the one hand, with guarantees relating to a EUR 10 billion portfolio of structured loans concluded with French local authorities and, on the other hand, with an indemnity against losses in excess of 10 basis points on all outstanding loans, which is 10 times higher than the losses faced by Dexia Municipal Agency on an historical basis. Furthermore, subject to prior approval of the European Commission, Dexia will benefit from a counter-guarantee from the French state on that same portfolio of structured loans of up to 70% of the losses exceeding EUR 500 million.
The sale price for 100% of Dexia Municipal Agency is EUR 380 million (subject to adjustments prior to the closing), resulting in a loss of around EUR 1 billion for the Dexia Group. A clause is also provided for price revision, after three years either up or down, and tied to a limit. No prior sale of assets on the Dexia Municipal Agency balance sheet is required prior to the sale of the entity.
The protocol of intention provides that La Banque Postale will benefit from purchase options relating to the entirety of the Dexia Crédit Local holding in the new credit establishment, which may be exercised along with the development of the joint venture business.
This project will permit the continued reduction in the size of the Dexia Group's balance sheet and its liquidity requirement and preserve its industrial tool. In fact, the sale of Dexia Municipal Agency should be reflected by a EUR 65 billion reduction in the size of the Dexia Group's balance sheet and by a fall in its short-term funding requirement, with Caisse des Dépôts providing EUR 12.5 billion in liquidity in order to cover the liquidity needs of Dexia Municipal Agency.
This project will be submitted for the approval of the European Commission and of the relevant regulatory authorities. It will also be presented to the staff representatives concerned for their opinion.

Sale of Dexia Banque Internationale à Luxembourg

In October, Dexia SA started negotiations with a view to disposing of Dexia Banque Internationale à Luxembourg. A binding memorandum of understanding was concluded at the end of December 2011 under the terms of which the Dexia Group will sell to Precision Capital and to the Grand Duchy of Luxembourg its 99.906% holding in Dexia Banque Internationale à Luxembourg.
Precision Capital, a Qatari investment group, will acquire 90% of the holding, and the remaining 10% will be acquired by the Grand Duchy of Luxembourg. The transaction price is composed of a fixed part of EUR 730 million and would be adjusted at closing with an amount of EUR 100 million (estimation based on the assumption of a closing at 31 December 2011).
The holdings of Dexia Banque Internationale à Luxembourg in Dexia Asset Management Luxembourg and RBC Dexia Investor Services Limited will not be within the scope of this transaction. The Dexia Banque Internationale à Luxembourg portfolio of Legacy securities as well as its holdings in Dexia LDG Banque and Parfipar will be transferred to Dexia prior to the closing of the transaction.
The parties are negotiating on the final legal documentation for the transaction, which is scheduled for conclusion mid-2012.
The transaction will remain subject inter alia to all required regulatory approvals, including approval by the European Commission.

Other disposals

On 19 October 2011, the Board of Directors of Dexia SA empowered the Chief Executive Officer, under an open and competitive procedure, to launch the sale process of Dexia Asset Management and the Group's 99.84% holding in DenizBank.

The Board also empowered the Chief Executive Officer to determine the conditions under which Dexia's 50% holding in RBC Dexia Investor Services, held as a joint venture with Royal Bank of Canada, could be disposed of and to start the disposal process.
All these disposals will be subject to prior approval from the banking supervisory authorities and the European Commission.
Unlike other entities where the sale process is already more advanced, the sale of DenizBank could take longer.

State guarantee on funding issued by Dexia SA and its subsidiary Dexia Crédit Local

In a context of increasing funding pressure, and to support the Dexia Group in the implementation of the next steps of its restructuring plan, the states of Belgium, France and Luxembourg have undertaken, subject to approval by the European Commission, to guarantee up to EUR 90 billion in new funding issued by Dexia SA and its subsidiary Dexia Crédit Local on a several but not joint basis and in the following proportions: 60.5% by Belgium, 36.5% by France and 3% by Luxembourg.
The principle of this direct and autonomous guarantee payable on first demand was validated in Luxembourg by a Grand Ducal Regulation dated 14 October 2011, in Belgium by a Royal Decree on 18 October 2011 and in France by a "corrected" Finance Act (*loi de finance rectificative*) on 2 November 2011.
On 21 December 2011 a temporary agreement was reached with the European Commission on this temporary guarantee mechanism subject to an in-depth survey. The mechanism will enable Dexia SA and Dexia Crédit Local to obtain funding up to a maximum ceiling of EUR 45 billion, via funding with maturities up to three years. Expiry of the temporary agreement is set for 31 May 2012 and the entities are obliged to provide collateral to the guarantor states for a proportion of the issues benefiting from the guarantee.
Obtaining a definitive guarantee is subject to a final decision by the European Commission on the basis of a new plan which the guarantor states have undertaken to submit for approval by the European Commission on 21 March 2012.
The temporary guarantee is subject to compensation respecting new European Commission guidelines[1]. Dexia will pay the three states, in proportion to the allocation key for the guarantee, a monthly fee calculated on the basis of the guaranteed outstanding amounts as follows:

- for issues whose initial maturity is strictly under 3 months, a fee of 120 basis points (on an annual basis) will be charged plus additional compensation based on the rating of the guaranteed entity [2];
- for issues whose initial maturity is strictly between 3 months and 12 months (exclusively), a fee of 50 basis points (on an annual basis) will be charged plus additional compensation based on the rating of the guaranteed entity [2];
- for issues whose initial maturity is equal to or higher than 12 months, the fee will be conform to the formula applied by the European Commission in its communication dated 1 December 2011, i.e. 103 basis points for December 2011 (102 basis points for March 2012).

The monthly fee can be reduced in case of collateralization of the guaranteed issues, in accordance with the nature and market value of the sureties granted to the guarantor states, as provided for by the terms of the guarantee agreement.
Dexia will also pay the three states, in proportion to their participation to the guarantee, a commitment fee of EUR 225 million.
As at 31 December 2011, the outstanding of the guaranteed debt issued via this new mechanism was EUR 22 billion. As at 15 March 2012, that outstanding amounted to EUR 41 billion. Considering market conditions, the Group focused on the issue of short-term debt via a dedicated programme of certificates of deposit from Dexia Crédit Local.
More detailed information on this new guarantee agreement is provided in Appendix 9.3.D. to the consolidated financial statements in this Annual Report (page 163).

Process for validation by the European Commission

All the measures announced by the Group will profoundly alter its structure. The European Commission considers that all these new structural measures must be submitted to it for approval.
Under the new Dexia funding guarantee, given temporary approval by the European Commission on 21 December 2011, the states undertook to submit a new plan to the European Commission for approval on 21 March 2012.
As long as the European Commission will not have approved this new plan definitively, the decision taken in February 2010 will remain applicable for the states and for Dexia.
Finally, the sale of Dexia Bank Belgium was given temporary approval by the Commission "as a matter of urgency" in order to protect the Bank's commercial franchise and to stop deposit withdrawals by individual customers.

Going concern and business plan

The consolidated and annual financial statements of Dexia SA as at 31 December 2011 were drawn up in accordance with accounting rules applicable in a going concern situation. This going concern hypothesis was supported by a business plan validated by the Group's Board of Directors and relying on a certain number of structural hypotheses and uncertainties, the major lines of which are described below.
Technically, the plan results from the consolidation of plans established for each Group entity in line with scenarios common to all of those entities. These consolidated plans were made consistent and subjected to various stress scenarios which impacted both the balance sheet and the profitability of entities. Indeed the sensitivity of the entities was tested with regard to the following principal risk factors: interest rates, exchange rates and credit spreads in particular. Finally, all the impacts of planned entity disposals were taken into account (capital gains or losses, effects on the balance sheet, liquidity, capital ratios).

(1) http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1488&format=HTML&aged=0&language=EN&guiLanguage=Official Journal No C 006 dated 11/01/2011 p. 0005 - 0015
(2) This additional compensation amounts to 20 basis points if the rating of the entity concerned is equal to or higher than A (S&P or Fitch) or A2 (Moody's), 30 basis points if it is equal to A- (S&P or Fitch) or A3 (Moody's) and 40 basis points if it is lower than A- (S&P or Fitch) or A3 (Moody's). Dexia SA is rated A+ (Fitch only) and Dexia Crédit Local is rated A+ (Fitch), BBB+ (S&P) and Baa1 (Moody's). If the three agencies give different ratings, the additional compensation shall be determined on the basis of the highest rating.

As announced by Dexia in October 2011, the plan consists of the disposal of the viable commercial franchises, and then the long-term run-off management of the Group to its new scope resting on taking portfolios to their maturity.

The macroeconomic scenario retained is that of a minor recession over the next two years and then a gradual recovery from 2014. No major negative event has been retained for that period.

Validation by the European Commission of the plan which will be submitted to it by the states is one of the central assumptions of the business plan, which includes a definitive funding guarantee of EUR 90 billion, granted by the states without collateral contribution. The cost of the funding will be a key element of Group profitability. In this regard, the hypothesis retained relies on maintenance over time of the favourable conditions for access to central bank refinancing which are currently offered to European banks, knowing that this is likely to be revised in time, particularly in the event of an improvement of market conditions. Furthermore, the compensation to the states for the guarantee to be paid by Dexia is intended to be sufficiently low to enable the Group's restructuring to be completed. In any event, it is highly likely that any possible improvement of the financial situation of Dexia SA will primarily and principally benefit the guarantor states, in order to take account of the risk they are taking.

The scenario assumes maintenance of banking licences by the entities and, as the case may be, despite the non-observance of certain regulatory liquidity ratios. It is also based on the assumption of the rating of Dexia SA and Dexia Crédit Local being maintained.

The business plan thus concludes that the Dexia Group is viable, on the basis of the scenarios and hypotheses retained.

Although Dexia management consider this scenario as the most plausible, significant risks nonetheless remain, associated with the non-materialisation of the working hypotheses.

So, by way of example, a more severe recession than forecast could generate major credit losses (via an impact on the sovereign securities held by the Group in particular) and keep the Group's negative AFS reserves at high levels.

Similarly, the non-realisation of market expectations on interest rates and their maintenance at a very low level in the future could result in a higher level than expected in the plan of the collateral posted on hedge derivatives, and this could considerably increase the Group's funding requirement and therefore its recourse to the state guarantee.

Deterioration of the rating of Dexia SA or Dexia Crédit Local or the downgrading of the guarantor states could also, from a certain threshold, adversely affect the Group's liquidity situation and impact its funding cost.

Moreover, implementation of the definitive guarantee is subject to a certain number of conditions having to be met first, such as obtaining the agreement of the European Commission. A delay in implementing the guarantee could have very significant consequences on Group results, as Dexia has to deal with major funding renewals from the beginning of 2013.

More generally, the plan needs the support of key operators outside Dexia: guarantor states and central banks in particular play a major role in the realisation of the business plan defined by the Group, in close liaison with the regulators.

Finally, Dexia's situation exposes it to considerable operational risks, necessitating the implementation of measures to retain the human skills which are essential to its operation.

Declaration of Corporate Governance

Introduction

Reference Code

The Belgian Code of Corporate Governance, designated by the Belgian legislator as the Reference Code, is the reference for Dexia within the meaning of Article 96, § 2 1° of the Company Code. It is available on the Belgian Gazette internet site as well as on the internet site *www.corporategovernancecommittee.be*.
The Belgian Code of Corporate Governance contains nine mandatory principles for listed companies. Dexia respects those nine principles.
Considering its governance structure, Dexia wished to depart from provision 5.2.4. of the Code, which recommends that the Audit Committee be composed of a majority of independent directors. The Dexia Audit Committee, consisting of the Accounts Committee and the Internal Control, Risks and Compliance Committee, consists of seven non-executive directors, of which three are independent. Dexia considers that the most pertinent criterion in the choice of members of that committee is one of competence. Furthermore, the Dexia practice goes beyond the legal prescriptions applicable to listed companies, those provisions stating that the committee must contain at least one independent director, and the Accounts Committee consists of a majority of independent directors (three directors out of a total of five members). Finally, the two committees constituting the Audit Committee are chaired by an independent director;
Concerning the number of independent directors in the Board of Directors, the Dexia practice goes beyond the Code. In fact, the Board of Directors of Dexia SA includes seven independent directors, whilst the Belgian Code of Corporate Governance (provision 2.3.) recommends a minimum of three independent directors.

Corporate Governance Charter

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.
In 2010, the internal rules were updated in order to implement the provisions of the Law of 6 April 2010 aimed in particular at strengthening corporate governance in listed companies and autonomous public enterprises: the main change related to the Appointment and Compensation Committee which now consists of a majority of independent directors.
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 contains a short history of the Group since its creation in 1996. The second section describes the structure of Dexia's governance. It contains all the necessary information on the composition, attributions and modes of operation of the decision-making bodies which are 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. The third section discusses the shareholders and the Dexia share. It describes Dexia's relations with its 2 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.
In accordance with the Belgian Code of Corporate Governance, the Charter has been published since 31 December 2005 on the company's site *(www.dexia.com)* and regularly updated.

Relations with shareholders

Shareholder base

The following table shows the principal shareholders of Dexia SA as at 31 December 2011:

NAME OF SHAREHOLDER	Percentage of Dexia SA's existing shares held as at 31 December 2011
Caisse des dépôts et consignations	17.61%
Holding Communal	14.26%
Arco Group	11.97%
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 2011, Dexia SA directly or indirectly held 0.02% of its own shares. Dexia Group members of staff held 0.63% of the capital of the company.
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.
As at 31 December 2011, the directors of Dexia SA held 10,949 shares in the company.

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.
This agreement was the subject of a communication to Dexia SA, in accordance with Article 74, § 7 of the Law of 1 April 2007 relating to tender offers (see "Legislation regarding public takeover offers" section in this chapter on page 58).
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 the relations it has with its shareholders, both individual and institutional, as they are so important to the Group, and remains eager to strengthen dialogue and transparency in their regard.

Relations with individual shareholders

Dexia maintains regular relations with its individual shareholders, with the highlight 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 *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 meeting.
As from 1 January 2012, in accordance with the Law of 20 December 2010 relating to the exercise of certain rights of shareholders in listed companies, the level of shareholding required for a shareholder to submit a proposal to the Shareholders' Meeting is 3%.
The Ordinary Shareholders' Meeting was held on 11 May 2011 in Brussels, directly followed by an Extraordinary Shareholders' Meeting.

The European Club for Individual Shareholders

The European Club for Individual Shareholders today has nearly 12,000 members, primarily Belgian and French shareholders. The club is a centre for the distribution of financial information to shareholders who wish to follow developments 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 internet site *www.dexia.com*.

The European Advisory Board of Individual Shareholders

Established in June 2001, the European Advisory Board of Dexia took over from the Dexia France Advisory Board, created in 1997. Its composition reflects the Group's European identity. As at 31 December 2011, the Board was composed of four Belgian shareholders, five French shareholders and two Luxembourg shareholders. As from November 2010, the Advisory Board has been enhanced by the presence of an additional member, representing the Dexia Group Employee Shareholders Association.
The Board's role is to advise the Group on its policy of communication to individual shareholders.
In 2011, the Board met twice, once in March to consider the Group's annual results, and on a second occasion in September for an update on the half-yearly results.
The Board was broken up after its meeting on 6 March 2012.

Telephone information service of 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. This year, that service was particularly well used as from October, when the Group undertook a series of new structural measures.

Relations with institutional shareholders

Relations with institutional shareholders (investors and analysts) are ensured by a dedicated team based partly in Brussels and partly in Paris.
Road shows are organised with the main institutional investors, who can thus ask members of the Dexia Management Board direct questions.

Information channels

Regular information channels

Throughout the year, Dexia 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 internet site *www.dexia.com* in the "Shareholders/Investors" section. It can also be obtained by e-mail.

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

With an average of 83,591 visitors a month, the site *www.dexia.com* confirms its important role as a source of information for the Dexia Group among individual shareholders, journalists and 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 2011, *www.dexia.com* received almost 138,022 visitors to its section "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* is sent to members of the Club and to shareholders who request it, and is also available on the internet site.
In 2011, two letters were published.
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 only available in English on the internet site.

Observance of applicable legislation

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.

Circular FSMA/2012-01 from the Financial Services and Markets Authority (FSMA)

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 January 2012 the Financial Services and Markets Authority (FSMA) published a Circular explaining this Royal Decree(1). In accordance with this regulation, Dexia SA has decided since 2003 to use its internet site to fulfil its obligations to publish the information stipulated by the Royal Decree and the Circular, and in particular created a separate part of its internet site dedicated to the mandatory financial information indicted in the Circular.
Maximum use of the internet site is one component of Dexia's policy to ensure transparency for its shareholders and institutional investors, also reflected in the Corporate Governance Charter of Dexia SA.

(1) This Circular replaces Circular FMI/2007-02 from the Banking, Finance and Insurance Commission.

Management of the Dexia Group

The Board of Directors of Dexia SA

Members of the Board of Directors (as at 31 December 2011) (1)

The articles of association of Dexia SA stipulate that the Board is composed of between sixteen and twenty directors.
As at 31 December 2011, the Board of Directors had eighteen members.
Its composition also respects the French and Belgian statutory nature of Dexia SA. Indeed, the Board has as many Belgian members as it has French members and each nationality represents at least one third of the Board.

JEAN-LUC DEHAENE

Independent director
7 August 1940 • Belgian • Director since 2008
Holds 773 Dexia shares

Specialist committees: Chairman of the Appointment and Compensation Committee • Chairman of the Strategy Committee

Beginning and end of current mandate: 2009-2013

Primary function: Chairman of the Board of Directors of Dexia SA

Other mandates and functions: Member of the European Parliament • Director: Thrombogenics, Novovil • Other functions in the Dexia Group: Chairman of the Board of Directors of Dexia Crédit Local

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 in 1965 became a 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.

PIERRE MARIANI

6 April 1956 • French • Director since 2008
Holds no Dexia shares

Specialist committees: Member of the Strategy Committee

Beginning and end of current mandate: 2009-2013

Primary function: Chief Executive Officer and Chairman of the Management Board of Dexia SA

Other mandates and functions: Director of EDF • Other functions in the Dexia Group Director: Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, DenizBank

Biography: Graduate of the Hautes études commerciales and the Ecole nationale d'administration (ENA), graduate in law. 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 in charge of communication. In 1995 he was appointed Managing Director of the Société française d'investissements immobiliers et de gestion, a real estate company in the Fimalac Group. In 1996, he was appointed Managing Director and member of the Management Board of the Banque pour l'expansion industrielle (Banexi), the business bank of BNP of which he became Chairman of the Management Board in 1997. He joined Groupe BNP Paribas in 1999, appointed Director of International Retail Banking before being appointed Director of Financial Services and International Retail Banking in 2003. In 2008, he was appointed Deputy Managing Director, co-responsible for retail banking activities, in charge of International Retail Services at BNP Paribas.

GILLES BENOIST

Independent director
12 December 1946 • French • Director since 1999
Holds 331 Dexia shares

Specialist committees: Chairman of the Accounts Committee • Chairman of the Internal Control, Risks and Compliance Commitee

Beginning and end of current mandate: 2010-2014

Primary function: Managing Director of CNP Assurances

Other mandates and functions: Member of the Management Board of the Caisse des Dépôts group • Chairman of the Fédération française des sociétés anonymes d´assurance • Director and member of the Strategy Committee of Suez Environnement Company SA

Biography: Law degree. Graduate of the Institut d'études politiques de Paris (IEP) and of the Ecole 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 and was appointed Managing Director when the company's corporate governance was changed on 10 July 2007.

(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.

ISABELLE BOUILLOT

Independent director
5 May 1949 • French • Director since 2010
Holds no Dexia shares

Beginning and end of current mandate: 2010-2014

Primary function: Chairman of China Equity Links

Other mandates and functions: Director: Umicore, Saint-Gobain

Biography: Graduate of the French Ecole 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 in the Group CDC IXIS. She is now Chairwoman of China Equity Links. She is also director at Umicore and Saint-Gobain.

OLIVIER BOURGES

24 December 1966 • French • Director since 2009
Holds no Dexia shares

Specialist committees: Member of the Internal control, Risks and Compliance Committee • Member of the Strategy Committee

Beginning and end of current mandate: 2010-2014

Primary function: Deputy Managing Director of the Agence des participations de l'Etat (APE)

Other mandates and functions: Director, member of the Accounts Committee, member of the Investment Committee, member of the Audit Committee and member of the Compensation Committee of GDF Suez • Director, member of the Accounts Committee, member of the Strategy Committee and member of the Compensation Committee of THALES • Director and member of the Supervisory Board of Grand Port maritime de Marseille • Director of La Poste

Biography: Graduate of the French Ecole nationale d'administration (ENA) and of the Institut d'études politiques de Paris (IEP). He also 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 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.

BRIGITTE CHANOINE

Independent director
12 July 1965 • Belgian • Director since 2010
Holds no Dexia shares

Specialist committees: Member of the Accounts Committee

Beginning and end of current mandate: 2010-2014

Primary function: Professor of Finance and Rector of the ICHEC Brussels Management School

Biography: Holds a Diploma in Commercial Engineering (ICHEC), and is a Master of Finance and Doctor of Management Sciences (IAG – Université catholique de Louvain). She began her professional career 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 courses, training and consulting services for companies.

ROBERT DE METZ

Independent director
3 January 1952 • French • Director since 2009
Holds no Dexia shares

Specialist committees: Member of the Accounts Committee • Member of the Appointment and Compensation Committee

Beginning and end of current mandate: 2010-2014

Primary function: Executive Director of La Fayette Management Ltd

Other mandates and functions: Member of the Supervisory Board of Canal+ France • Director: Média-Participations (Paris – Brussels) • Chief Executive Officer of Bee2Bees SA (Brussels) • Member of the Executive Committee of the Fondation Demeure historique pour l'avenir du patrimoine

Biography: Graduate of the Institut d'études politiques de Paris (IEP) and of the Ecole nationale d'administration (ENA), he began his career in the General Finance Inspectorate. He joined Banque Indosuez in 1983 occupying posts in Hong Kong and France before joining Demachy Worms & Cie. Active with Paribas from 1991, he performed numerous tasks, particularly mergers-acquisitions, before his appointment as a member of the Management Board, responsible from London for interest rate, exchange and derivatives markets. He was a director at Cobepa from 1993 to 1999. Between 2002 and 2007, he was Deputy Managing Director of the Vivendi Group in charge of mergers-acquisitions and strategy.

CHRISTIAN GIACOMOTTO

Independent director
21 July 1940 • French • Director since 2009
Holds no Dexia shares

Specialist committees: Member of the Appointment and Compensation Committee

Beginning and end of current mandate: 2010-2014

Primary function: Chairman of the Management Board of Gimar Finance

Other mandates and functions: Member of the Board of Directors of RMN-Grand Palais (Réunion des musées nationaux)

Biography: Graduate in law, 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 Managing Director 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 ARMMA (Association pour le rayonnement du musée national du Moyen Age), member of the Board of Directors of RMN-Grand Palais and member of the Conseil artistique des musées nationaux.

ANTOINE GOSSET-GRAINVILLE

17 March 1966 • French • Director since 2010
Holds no Dexia shares

Specialist committees: Member of the Strategy Committee • Member of the Appointment and Compensation Committee

Beginning and end of current mandate: 2011-2015

Primary function: Deputy Managing Director of the Caisse des dépôts et consignations

Other mandates and functions: Director: CNP Assurances SA, Compagnie des Alpes SA, Veolia, Transdev, Icade • Permanent representative of the Caisse des dépôts et consignations and Director of the Fonds Stratégique d'Investissement SA

Biography: Graduate of the Ecole nationale d'administration (ENA), the University of Paris IX and the Institut d'études politiques de Paris (IEP). He began his career with the Inspection Générale des Finances. Then he became Deputy Secretary General of the Economic and Finance Committee of the European Union, and then advisor in economic and industrial affairs to the office of the Trade Commissioner of the European Commission. From 2002 to 2007 he was a partner with Cabinet Gide Loyrette Nouel in Brussels. Until 2010, he was Deputy Director of the Office of the French Prime Minister. At present he is Deputy Managing Director of the Caisse des dépôts et consignations.

CATHERINE KOPP

Independent director
13 April 1949 • French • Director since 2008
Holds 275 Dexia shares

Specialist committees: Member of the Appointment and Compensation Committee

Beginning and end of current mandate: 2008-2012

Other mandates and functions: Director of 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.

SERGE KUBLA

3 July 1947 • Belgian • Director since 2005
Holds no Dexia shares

Beginning and end of current mandate: 2010-2014

Primary function: Mayor of Waterloo

Biography: Graduate of 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.

OLIVIER MAREUSE

24 October 1963 • French • Director since 2011

Specialist committees: Member of the Accounts Committee

Beginning and end of current mandate: 2011-2015

Primary function: Chief Financial Officer of the Caisse des dépôts et consignations

Other mandates and functions: Director: AEW Europe, CDC Infrastructure, Icade, Société Forestière de la Caisse des dépôts et consignations, Qualium Investissement • Permanent representative of the Caisse des dépôts et consignations

Biography: Olivier Mareuse is Chief Financial Officer of the Caisse des Dépôts Group. A graduate from the Institut d'études politiques and former student of the ENA, he began his career in the Collective Insurance Department of CNP Assurances in 1988. In 1989, he was appointed Technical, Administrative and Accounting Director of the Collective Insurance Department of CNP Assurances. In 1991 he was given the task with the Managing Director of reforming the status of the company. He was Director of Strategy, Management Control and Shareholder Relations and Secretary of the Supervisory Board of CNP from 1993 until 1998. In 1999 he became Investment Director at CNP. On 15 October 2010, he was appointed Deputy Financial Officer of the Caisse des Dépôts Group, where he became Chief Financial Officer on 15 December 2010.

CLAUDE PIRET

23 October 1951 • Belgian • Co-opted on 16 December 2011

Primary function: Chief Risk Officer of Dexia SA

Other mandates and functions: Director: Clinique Saint-Pierre

Biography: Civil engineer (UCL) and post-graduate in corporate management (Solvay and IAG). Claude Piret began his career at Socol in 1975. He then worked at the Service d'incendie de La Louvière and, from 1978 at Assubel. In 1982, he became a Director of Crédit Général. From 1995 until 2001, he was a Director and a member of the Management Board of BACOB/Artesia Banking Corporation. From 2001 until 2003, he was a member of the Management Board of Dexia Bank Belgium. In 2004, he became Director of Operations and IT Systems and a member of the Management Board of the Dexia Group. Since 2006, he has been Chief Risk Officer and a member of the Management Board of the Dexia Group.

FRANCINE SWIGGERS

17 March 1952 • Belgian • Director since 2007
Holds no Dexia shares

Specialist committees: Member of the Appointment and Compensation Committee • Member of the Strategy Committee

Beginning and end of current mandate: 2008-2012

Primary function: Company Director

Other mandates and functions: Liquidator: Arcoplus, Arcopar, Arcofin, Arcosyn • Chairman of the Board of Directors: Auxipar, Interfinance • Director: De Warande vzw, Hogeschool Universiteit Brussel, L'Économie Populaire, Sociaal en familiaal toerisme vzw • Director and member of the Audit Committee: Aquafin, VDK Spaarbank • Member of the College of Principals of the National Bank of Belgium • Other functions in the Dexia Group: Director of Dexia Crédit Local

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 Strategy Planning from 1995.

BERNARD THIRY

26 December 1955 • Belgian • Director since 2009
Holds 2,211 Dexia shares

Specialist committees: Member of the Strategy Committee

Beginning and end of current mandate: 2010-2014

Primary function: Chairman of the Management Board of Ethias SA and Ethias Droit Commun AAM • Chief Executive Officer of Ethias Finance

Other mandates and functions: Professor at the HEC, the Management College of the University of Liège • Member of the Executive Board of the Groupement des entreprises mutuelles d´assurances (GEMA) • Director: AMICE, AME Holding, AME LIFE LUX, AME LUX, AZUR-GMF, Mutuelles d´Assurances Associées • Chairman: MNEMA ASBL, UAAM, NRB • Vice-Chairman: FEBECOOP • Manager: GIEI, GI • Director General of CIRIEC ASBL

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.

MARC TINANT

16 August 1954 • Belgian • Director since 2001
Holds 109 Dexia shares

Specialist committees: Member of the Accounts Committee • Member of the Internal Control, Risks and Compliance Committee

Beginning and end of current mandate: 2010-2014

Primary function: Company Director

Other mandates and functions: Vice-Chairman of the Board of Directors of Auxipar • Chief Executive Officer and Vice-Chairman of the Board of Directors of EPC • Director and member of the Compensation Committee of Retail Estates (Sicafi listed in Brussels) • Director and co-Chairman of the Audit Committee of the Société régionale d'investissement de Wallonie (SRIW) • Chairman of SYNECO ASBL • Director: Interfinance, Mediabel SA, SOFATO ASBL, Barthel Pauls Söhne AG, CETS ASBL • Member of the Financial Committee of the Université catholique de Louvain (UCL)

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).

KOEN VAN LOO

26 August 1972 • Belgian • Director since 2008
Holds 1,186 Dexia shares

Specialist committees: Member of the Internal Control, Risks and Compliance Committee • Member of the Strategy Committee

Beginning and end of current mandate: 2009-2013

Primary function: Chief executive Officer and member of the Strategy Committee of the Société Fédérale de Participations et d'Investissement

Other mandates and functions: Chairman of the Board of Directors of Fedimmo • Director: SN Airholding, Zephyr FIN, Certi-Fed, Bel to mundial ASBL, Zilver Avenue • Participatiemaatschappij NV, Société Belge d'Investissement International, Fonds de réduction du coût global de l'énergie, Capricorn Health Tech Fund, Ginkgo Fund SICAR

Biography: Graduate in applied economics. After gaining a degree in taxation, he began his career as Deputy Advisor to the Conseil central de l'économie. In September 1999, he joined the Office of the Belgian Minister of Finance as an expert. 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 Chief Executive Officer and Member of the Strategy Committee of the Société Fédérale de Participations et d'Investissement.

FRANCIS VERMEIREN

11 October 1936 • Belgian • Director since 2004
Holds 6,064 Dexia shares

Specialist committees: Member of the Appointment and Compensation Committee • Member of the Strategy Committee

Beginning and end of current mandate: 2009-2013

Primary function: Mayor of Zaventem since 1983

Other mandates and functions: Chairman of the Board of Directors of the Holding Communal • Director: Elia, Asco Industries, Publi-T, Vivaqua Intercommunale

Biography: Former insurance inspector. Former manager of a tax office.

Eligibility criteria

The internal rules of the Board of Directors stipulate that directors are elected by the Shareholders' Meeting on the basis of their expertise and the contribution they can make to the administration of the company.

Directors respond to the skills profile established by the Board of Directors on proposals from the Appointment and Compensation Committee which are 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 fulfil his obligations as a director. Non-executive directors may not consider accepting more than five director's mandates in other listed companies.

These eligibility criteria are regularly reviewed in order to take account of the evolution of the Dexia Group and its activities.

Procedure for appointing and assessing members of the Board of Directors

Appointment

The Appointment and Compensation Committee is responsible for making proposals on the appointment of any new director to the Board of Directors, which decides alone whether the candidature will be submitted to the Shareholders' Meeting or not. Within that context, it examines the skills, knowledge and experience of the candidate with regard to those eligibility criteria. The committee ensures that before considering approval of the candidature, the Board has received sufficient information on the candidate to enable it to assess whether they correspond to the general profile of directors. 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 the proposal.

Resignation

When a director wishes to end a mandate early, he sends a resignation letter to the Chairman of the Board of Directors who informs the Board at its next meeting. If necessary, the Board of Directors will provide a provisional replacement for the resigning director and the following Shareholders' Meeting will make a definitive appointment.

If there is a major change in the functions of a director likely to affect their ability to meet the eligibility criteria as defined in the Board's internal rules, they are invited to resubmit their mandate to the company and to provide the Chairman of the Appointment and Compensation Committee with any useful information.

Assessment

The Board of Directors is organised to achieve the best exercise of its expertise and responsibilities. Each year it makes a self-assessment of its operation, and of its specialist committees, led by the Chairman of the Board of Directors, in order to make useful changes and improvements to its internal rules. The latest such self-assessment took place in October 2010. The summary report and related proposals were presented to the directors at the Board meeting on 17 December 2010.
The criteria adopted in making the assessment are in particular the efficiency and frequency of meetings of the Board and the specialist committees, the quality of the information provided to the Board and its specialist committees, the compensation of members of the Board and its committees or even the role of the Chairman.
When a director's mandate is renewed, the Appointment and Compensation Committee makes an assessment of their participation in the operation of the Board of Directors and reports on that with a recommendation.

Changes in the composition of the Board of Directors of Dexia SA in 2011

During the 2011 financial year, the changes occurring in the composition of the Board of Directors of Dexia SA were as follows.
1. The following decisions were taken by the Ordinary Shareholders' Meeting on 11 May 2011:
• the definitive appointment as a director, for a new mandate of four years which will end at the close of the Ordinary Shareholders' Meeting of Dexia SA in 2015, of Antoine Gosset-Grainville, provisionally appointed by the Board of Directors to replace Hubert Reynier, resigning;
• the definitive appointment as a director, for a new mandate of four years which will end at the close of the Ordinary Shareholders' Meeting of Dexia SA in 2015, of Olivier Mareuse, provisionally appointed by the Board of Directors to replace Augustin de Romanet de Beaune, resigning.

2. At its meeting on 6 September 2011, the Board of Directors unanimously co-opted Jos Clijsters as a director, with immediate effect, as a replacement for Stefaan Decraene, resigning. Jos Clijsters, Chairman of the Management Board of Dexia Bank Belgium, resigned from his mandate as director and member of the Management Board of Dexia SA on 20 October 2011 following the sale of Dexia Bank Belgium to the Société Fédérale de Participations et d'Investissement (Belgian state).
3. At its meeting on 16 December 2011, the Board of Directors unanimously co-opted Claude Piret as an executive director, with immediate effect, as a replacement for Jos Clijsters, resigning. His definitive appointment will be submitted to the Shareholders' Meeting of Dexia SA in 2012.

New directors

As indicated above, during the 2011 financial year one new director was appointed, namely Claude Piret.
• Claude Piret is civil engineer (UCL) and has a post-graduate in corporate management (Solvay and IAG). Claude Piret began his career at Socol in 1975. He then worked at the Service d'incendie de La Louvière and, from 1978 at Assubel. In 1982, he became a Director of Crédit Général. From 1995 until 2001, he was a Director and a member of the Management Board of BACOB/Artesia Banking Corporation. From 2001 until 2003, he was a member of the Management Board of Dexia Bank Belgium. In 2004, he became Director of Operations and IT Systems and a member of the Management Board of the Dexia Group. Since 2006, he has been Chief Risk Officer and a member of the Management Board of the Dexia Group.

Independent members of the Board of Directors

The independence criteria applied to the directors of Dexia SA are aligned to the legal criteria set out in Article 526ter of the Company Code. These criteria, which form an integral part of the internal rules of the Board of Directors, are as follows.
1. For a period of five years preceding his appointment, the independent director 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 nonexecutive 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 staff.
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 have been over the last three years 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 of 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.

The independent director of Dexia who no longer meets one of 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 these criteria, the Board of Directors of Dexia SA has seven independent directors as at 31 December 2011. They are:
- Jean-Luc Dehaene
- Gilles Benoist
- Christian Giacomotto
- Catherine Kopp
- Robert de Metz
- Brigitte Chanoine
- Isabelle Bouillot

Non-executive members

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 Board of Directors of Dexia SA provide that at least one half of the Board of Directors must be non-executive directors and at least three of the non-executive directors must be independent. It is to be noted that with the exception of Pierre Mariani and Claude Piret, respectively Chairman and member of the Management Board, all the members of the Board of Directors of Dexia SA are non-executive directors.

The non-executive members of the Board of Directors are entitled to obtain any information necessary for them to perform their mandate properly and may ask management for that information.

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

There is a clear separation of responsibilities at the head of the Group between on the one hand the responsibility to lead the Board of Directors and on the other hand the executive responsibility to lead activities. The articles of association of Dexia SA as well as the internal rules of the Board of Directors of Dexia SA expressly indicate that the Chief Executive Officer cannot perform the tasks of the Chairman of the Board. Moreover, the Chairman of the Board, or the person replacing him in his absence, must be of a different nationality to the Chief Executive Officer.

Term of office

The mandates of members of the Board of Directors are for a maximum term of four years. Board members can be re-elected.

The number of renewals of mandate of a non-executive director of the company is limited to two. The age limit for directors is 72. The directors concerned resign with effect from the date of the Ordinary Shareholders' Meeting following their birthday. The Board of Directors is entitled to deviate from the above rules when it deems it to be in the interests of the company.

The Law of 28 July 2011 concerning the representation of women on boards of directors provides that the boards of listed companies must ensure that, from 2017, at least one third of their members are of a different gender to the other members.

In 2010, the Ordinary Shareholders' Meeting of Dexia SA appointed Brigitte Chanoine and Isabelle Bouillot as non-executive directors for terms of four years, both having previously been appointed as permanent observers by the Board of Directors.

As at 31 December 2011, the Board of Directors of Dexia SA has four women out of a total of 18 members, i.e. a representation of 22%.

Competences 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

Regarding principles, the Board of Directors of Dexia defines the Group's strategy and standards and sees to the implementation of that strategy at level of the Group and its main operating entities. 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 the principles of good governance are observed, including recognition of the corporate interest of its main operating entities. Against that background, Dexia's internal rules 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;
- examines strategic proposals made by the Management Board and presented to it by the Chief Executive Officer;
- 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. Any acquisition or disposal of a holding in a commercial company departing from the normal management of a portfolio by the Dexia Group (Dexia SA or a company directly or indirectly controlled by Dexia SA) for an amount equal to or more than

EUR 100 million and guarantees given to a third party associated with the Dexia Group must be subject to prior authorisation from the Board of Directors.

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:

- assesses the implementation, by the Group and its main operating entities, of strong and independent control functions, which in particular include risk management, internal audit and compliance procedures on a centralised basis;
- takes 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;
- 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.

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 towards all 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 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 equity 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 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.
In accordance with Article 11 of the company's articles of association, any proposal to amend the articles of association to be submitted to the Shareholders' Meeting requires a decision by the Board of Directors taken by a two-thirds majority of the votes of all the members present or represented, and provided at least two thirds of the members are present or represented.

Internal rules of the Board of Directors of Dexia SA

The internal rules of the Board of Directors of Dexia SA, which have existed since 1999, codify all the rules aimed at enabling the Board fully to exercise its competences and at increasing the effectiveness of each director's contribution.

General organisational principles

The Board of Directors is organised to ensure the best exercise of its expertise and responsibilities.
The meetings of the Board are frequent enough to allow the Board to perform its tasks. 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 transactions, on one's own behalf or on behalf of third parties, 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 of the Internal Control, Risks and Compliance 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. He may not participate in the deliberations of the Board of Directors in relation to the transactions or decisions concerned, or vote on them.

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.

Transactions between a company of the Dexia Group and Board members

The internal rules of the Board of Directors provide that transactions between a company of the Dexia Group and the directors must be concluded under normal market conditions.

Transactions on Dexia financial instruments

In order to promote the transparency of transactions in 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 who 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 deciding 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 deciding any transaction on Dexia financial instruments during a negative intervention period beginning on D-15 of the accounting 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, decide 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 FSMA of transactions on Dexia financial instruments carried out on their own account. Transactions notified are automatically published by the FSMA 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.

Operation and activities of the Board of Directors of Dexia SA during the 2011 financial year

Attendance by Board members

The Board of Directors met twenty times in 2011. The directors' attendance rate at Board meetings was 92%.

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

Jean-Luc Dehaene	20 of 20
Pierre Mariani	20 of 20
Gilles Benoist	18 of 20
Isabelle Bouillot	10 of 20
Olivier Bourges	20 of 20
Brigitte Chanoine	18 of 20
Jos Clijsters	6 of 6
Stefaan Decraene	8 of 9
Robert de Metz	19 of 20
Augustin de Romanet de Beaune	0 of 1
Christian Giacomotto	18 of 20
Antoine Gosset-Grainville	20 of 20
Catherine Kopp	19 of 20
Serge Kubla	17 of 20
Olivier Mareuse	19 of 20
Francine Swiggers	20 of 20
Bernard Thiry	16 of 20
Marc Tinant	20 of 20
Koen Van Loo	20 of 20
Francis Vermeiren	19 of 20

Activities of the Board of Directors

In addition to matters falling within the normal competence of the Board of Directors (result monitoring, budget approval, appointment and compensation of members of the Management Board, convocation to Ordinary and Extraordinary Shareholders' Meetings, minutes of meetings of specialist committees), the Board also dealt with the following files:

On 31 January 2011 the Board of Directors dealt with the following matters:

Management report

Consolidated financial statements

Annual financial statements

Additional information

• report from the Appointment and Compensation Committee;
• composition of the Board and specialist committees and, in particular, the appointment of an additional independent director within the Appointment and Compensation Committee in accordance with the Belgian Law of 6 April 2010, in particular strengthening the governance of listed companies, which provides that the compensation committees of listed companies must consist of a majority of independent directors;
• report of the meeting of the Internal Control, Risks and Compliance Committee on 27 January 2011;
• approval of the report to the CREFS (Comité des Risques et Etablissements Financiers Systémiques), relating to developments concerning their activities, risk positions and financial situation;
• progress report on the discussions with La Banque Postale concerning a possible funding agreement;
• any other business: the Board was informed of the decision by the Bratislava Court in favour of Dexia in the case between Dexia banka Slovensko and one of its former customers.

On 23 February 2011 the Board of Directors dealt with the following matters:
• report of the meetings of the Appointment and Compensation Committee on 11, 17 and 22 February 2011 and approval of the compensation policy for the Dexia Group proposed by the Appointment and Compensation Committee;
• report of the meeting of the Strategy Committee on 22 February 2011;
• activities and results 2010: (1) presentation of the accounts and results; (2) and report of the meeting on the Accounts Committee on 21 February 2011;
• discharge of members of the specialist committees;
• discharge of members of the Management Board;
• examination of the pre-drafts of proposals for resolutions at the Ordinary and Extraordinary Shareholders' Meetings on 11 May 2011;
• correspondence between Dexia and the Group's regulators, relating in particular to the management of the Financial Products portfolio, methods of calculating liquidity ratios and loans granted to certain shareholders.

On 18 March 2011 the Board of Directors dealt with the following matters:
• report of the meetings of the Appointment and Compensation Committee on 10 March 2011 and decisions related to; (i) the adaptation of the Dexia Group compensation policy, (ii) the fixed and variable compensation of members of the Management Board and the Executive Committee, (iii) the revision of the balance between fixed and variable compensation, (iv) the information to be published in the annual management report concerning compensation policy;
• report of the meeting of the Accounts Committee on 16 March 2011;
• approval of the Annual Report 2010 (including the management report);
• approval of the proposals for resolutions at the Ordinary and Extraordinary Shareholders' Meetings on 11 May 2011 and the special reports relating to them.

On 10 May 2011 the Board of Directors dealt with the following matters:
• activities and results as at 31 March 2011: (1) presentation of the results and activities, (2) presentation of the report of the meetings of the Audit Committee on 9 May 2011;
• progress report on the sale of Dexia Israel;
• monitoring of the implementation of the transformation plan approved by the European Commission and report of contacts with the European Commission;
• impact for Dexia of the stress tests performed by the European Banking Authority (EBA) and correspondence with the CREFS (*Comité des Risques et Etablissements Financiers Systémiques*) concerning the measures taken by Dexia to ensure the continuity of activities in the event of a negative reaction following publication of the stress tests by the EBA;
• report of the meeting of the Strategy Committee on 9 May 2011;
• organisation of the Ordinary and Extraordinary Shareholders' Meetings on 11 May 2011, and written questions and letters sent by certain shareholders, as well as draft replies;
• any other business: (1) Plan to transfer holdings of RBC Dexia Investor Services, Dexia Asset Management and Dexia Securities France at the level of Dexia SA; (2) correspondence between Dexia and the National Bank of Belgium in relation to the Dexia Group compensation policy, (3) the new architecture for banking supervision in Belgium (Twin Peaks).

On 27 May 2011 the Board of Directors dealt with the following matters:
• report of the meeting of the Strategy Committee on 26 May 2011;
• decision to accelerate the programme for the disposal of non-strategic assets and constitution of an additional provision.

On 23 June 2011 the Board of Directors dealt with the following matters:
• implementation of the accelerated disposal plan: (1) progress report on the accelerated disposal plan, (2) report of the meeting of the Accounts Committee;
• report of contacts with rating agencies;
• report of contacts with the European Commission regarding implementation of the Dexia Group transformation plan;
• update on the stress tests performed by the European Banking Authority (EBA);
• progress report on the disposal of insurance activities in Turkey;
• directors' compensation: Board decision to maintain in 2011 the effort made in 2009 and 2010 under the section of the transformation plan dedicated to cost management, i.e. reduction by one half of the fixed part of the compensation for members of the Board of Directors.

On 8 July 2011 the Board of Directors dealt with the following matters:
• forecasts for 2011-2014: (1) position regarding rating agencies, (2) progress made on the accelerated disposal plan, (3) forecasts to 2014 regarding undertakings to the European Commission, (4) report of the meeting of the Accounts Committee on 7 July 2011;
• self-assessment of the Board of Directors: choice of an external consultancy firm;
• correspondence between Dexia and the National Bank of Belgium on approval of intra-Group funding transactions for losses resulting from the disposal of the guaranteed assets from the Financial Products portfolio.

On 4 August 2011 the Board of Directors dealt with the following matters:
• report of the meeting of the Strategy Committee on 3 August 2011;
• progress report on the accelerated disposal plan, contacts with the European Commission and the macroeconomic context;
• presentation of the accounts and activities as at 30 June 2011;
• report of the meeting on the Accounts Committee on 3 August 2011;
• any other business: (1) correspondence between Dexia, the National Bank of Belgium and the supervisory authorities in relation to approval of intra-Group funding transactions for losses resulting from the disposal of the guaranteed assets from the Financial Products portfolio, (2) follow-up on the meeting with the Group regulators on 4 May 2011, (3) update on current litigation, particularly in relation to structured credits granted to local authorities.

On 31 August 2011 the Board of Directors dealt with the following matters:
• the Group liquidity situation.

On 6 September 2011 the Board of Directors dealt with the following matters:
• resignation of Stefaan Decraene as director and member of the Management Board of Dexia SA;
• appointment of Jos Clijsters as a director and member of the Management Board of Dexia SA replacing Stefaan Decraene.

On 27 September 2011 the Board of Directors dealt with the following matters:
• Group liquidity situation;
• report of the meeting on the Audit Committee on 8 September 2011;
• report of the meeting of the Strategy Committee on 27 September 2011;
• discussions between Dexia, the Caisse des Dépôts et Consignations and La Banque Postale regarding Dexia Municipal Agency.

On 3 October 2011 the Board of Directors dealt with the following matters:
• Group liquidity situation and possible structural solutions;
• Dexia Banque Internationale à Luxembourg: indications of interest on the part of potentials acquirers.

On 9 October 2011 the Board of Directors dealt with the following matters:
• agreement between the states and the general framework of the Group restructuring;
• restructuration of the Dexia Group:
  - state guarantee,
  - Dexia Bank Belgium,
  - Dexia Municipal Agency,
  - Dexia Banque Internationale à Luxembourg,
  - RBC Dexia Investor Services,
  - fairness opinion on offers relating to the disposal of Dexia Bank Belgium and Dexia Municipal Agency,
  - decisions:
    (i) participation of Dexia SA in the state guarantee mechanism,
    (ii) acceptance of the offer from the Belgian state to acquire 100% of the Dexia SA holding in Dexia Bank Belgium, excluding the Dexia Bank Belgium holding in Dexia Asset Management (49%),
    (iii) agreement on local public sector finance in France in particular including the sale of 70% of the Dexia holding in Dexia Municipal Agency to the Caisse des Dépôts et Consignations (65%) and La Banque Postale (5%);
• exchange of letters between Dexia SA and the Group regulators [concerning [communication relating to] / [the] decisions relating to Group restructuring].

On 19 October 2011 the Board of Directors dealt with the following matters:
• progress report on implementation of the state guarantee;
• update on discussions with the European Commission;
• approval of the agreement to sell Dexia Bank Belgium;
• update on negotiations with the Caisse des Dépôts et des Consignations and La Banque Postale on the disposal of a controlling interest in Dexia Municipal Agency;
• update on negotiations relating to the sale of Dexia Banque Internationale à Luxembourg;
• progress report on discussions relating to RBC Dexia Investor Services, DenizBank and Dexia Asset Management;
• pro-forma Group balance sheet after the sale of Dexia Bank Belgium.

On 8 November 2011 the Board of Directors dealt with the following matters:
• update on the establishment of a Belgian parliamentary commission on the dismantling of the Dexia Group;
• resignation of Jos Clijsters as a director of Dexia SA;
• results as at 30 September 2011 – Interim Report;
• report of the meeting of the Audit Committee on 7 November 2011;
• capital increase for Dexia Crédit Local;
• update on implementation of the state guarantee;
• progress report on current disposals.

On 24 November 2011 the Board of Directors dealt with the following matters:
• progress report on implementation of the state guarantee and discussions with the European Commission in that regard;
• presentation of the various financial scenarios envisaged for the residual bank;
• progress report on current disposals: RBC Dexia Investor Services, DenizBank, Dexia Municipal Agency, Dexia Banque Internationale à Luxembourg;
• update on the work of the Belgian Parliamentary Commission on the dismantling of Dexia.

On 2 December 2011 the Board of Directors dealt with the following matters:
• progress report on implementation of the state guarantee.

On 4 December 2011 the Board of Directors dealt with the following matters:
• progress report on discussions with the European Commission and with the rating agencies on the state guarantee.

On 16 December 2011 the Board of Directors dealt with the following matters:
• progress report on discussions with the European Commission on the state guarantee;
• update on current disposals;
• support from Dexia SA to Dexia Crédit Local;
• report of the meeting on the Appointment and Compensation Committee on 16 December 2011.

Conflicts of interest in 2011

As indicated above, 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. In addition, 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.

At the meeting on 18 March 2011, the Board dealt with setting the compensation of members of the Management Board. As Pierre Mariani and Stefaan Decraene are respectively Chairman and Member of the Management Board, they abstained (in accordance with Article 523 of the Company Code) from participating in the deliberations and vote by the Board of Directors on their compensation. The extract from the minutes relating to the points concerning Pierre Mariani on the one hand and Stefaan Decraene on the other are reproduced below.

Extract from the minutes of the meeting of the Board of Directors of Dexia SA held on 18 March 2011 (conference call)

2.5. Decision on the fixed and variable compensation of the Management Board and of the Executive Committee

The Appointment and Compensation Committee noted the individual and joint results for the members of the Management Board of Dexia SA.

Considering the joint performance assessment document, the Committee stated that it future it wanted results figures certified by the Auditors.

The Committee also noted the 2011 targets for members of the Management Board.

(…)

Payment of a function premium and determination of the variable compensation of members of the Management Board and of the Executive Committee

Article 7.I. of the Royal Decree dated 22 February 2011 states that the balance between fixed and variable compensation must be such that the fixed component represents a sufficiently large proportion of the total compensation to permit total freedom concerning the grant of variable compensation. In view of this, several financial establishments have announced a revision of their compensation packages.

In line with the above, the Appointment and Compensation Committee has proposed to the Board of Directors that it reduce the variable compensation depending on the performance of members of the Management Board in order to reduce the potential incentive to take excessive risk.

The Committee proposes that the Board grant a function premium equivalent to 20% of the salary of members of the Management Board/Executive Committee not affected by performance and paid quarterly.

This premium will be paid for the first time on 1 April 2011, for the year 2010, given that the CBFA requires retroactive application of its new rules. For the years 2011 and following, the premium will be paid quarterly over the financial year giving the right to the variable compensation.

The variable compensation and the extent of the latter will be reduced accordingly.

The 2010 variable compensation for members of the Management Board/Executive Committee is proposed as follows, considering function premiums:

Name	Forename	Annual function premium	Variable compensation proposal for 2010
Mariani	Pierre	EUR 200,000	EUR 600,000
Decraene	Stefaan	EUR 100,000	EUR 200,000

(…)

The function premium will be added quarterly to the fixed compensation shown in the above table.

As a consequence, the extents of the variable compensation are revised as follows:

		Before function premium			After function premium		
Name	Forename	Min.	Target	Max.	Min.	Target	Max.
Mariani	Pierre	0 %	112.5%	225 %	0 %	75 %	150 %
Decraene	Stefaan	0 %	85 %	170 %	0 %	55 %	110 %

(…)

The reduction was made in order for the target compensation (increased by the function premium) to be closer before and after recourse to the function premium. The basis for calculation of the variable compensation consists of the fixed compensation and the function premium.

Example:

Pierre Mariani:

Target before function premium = EUR 1,000,000 x 112.5% = EUR 1,125,000

Target after function premium = [(EUR 1,000,000 + EUR 200,000) x 75%] + EUR 200,000 = EUR 1,100,000

Decision:

Unanimously, with the exception of P. Mariani and S. Decraene regarding the matters concerning them, the Board of Directors approves the proposals of the Appointment and Compensation Committee regarding the compensation of members of the Management Board and of the Executive Committee.

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 Compliance 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 2011):

• Jean-Luc Dehaene, Chairman of the Board of Directors, independent director, Chairman of the Committee;
• Pierre Mariani, Chief Executive Officer;
• Bernard Thiry, director;
• Francine Swiggers, director;
• Francis Vermeiren, director;
• Koen Van Loo, director;
• Olivier Bourges, director;
• Antoine Gosset-Grainville, director [(1)].

Responsibilities (as at 31 December 2011)

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;
• considered in particular to be of a strategic nature are projects responding to at least one of the following criteria:
 * a planned acquisition or disposal of assets for an amount equal to or greater than EUR 300 million,
 * a planned 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 planned alliance or partnership that implies a significant change in the shareholding structure of Dexia SA.

Operation and activities during the 2011 financial year

The Strategy Committee met eight times in 2011 and dealt with the following subjects.

The meeting of the Strategy Committee on 22 February 2011 dealt with the following items:

• different scenarios for the Dexia restructuring;
• proposal to change the Group's legal structure;
• asset disposal plan.

The meeting of the Strategy Committee on 9 May 2011 dealt with the following items:

• approval of the minutes of the meeting of the Strategy Committee on 22 February 2011;
• progress report on discussions with the European Commission;
• stress tests performed by the European Banking Authority (EBA);
• proposal to accelerate the disposal plan.

The meeting of the Strategy Committee on 26 and 27 May 2011 dealt with the following items:

• progress report on discussions with the rating agencies and a possible downgrade of the Dexia rating;
• European sovereign debt crisis;
• proposal to accelerate the disposal plan.

The meeting of the Strategy Committee on 3 August 2011 dealt with the following items:

• general context and recent developments;
• impact of the current crisis on implementation of the transformation plan having regard to the constraints imposed by the European Commission;
• alternative scenarios for the disposal of Dexia Crediop and Dexia Sabadell;
• additional asset disposals;
• discussions with the European Commission.

The meeting of the Strategy Committee on 27 September 2011 dealt with the following items:

• Dexia Group liquidity requirements.

The meeting of the Strategy Committee on 9 October 2011 dealt with the items considered by the Board that same day and decided to pass those items directly to the Board.

The meeting of the Strategy Committee on 19 October 2011 dealt with the following items:

• sale of Dexia Bank Belgium to the Belgian state via the Société Fédérale de Participations et d'Investissement;
• disposal of a controlling interest in Dexia Municipal Agency.

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 2011, except for Bernard Thiry who was excused from attending the meeting on 3 August 2011.

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 Compliance 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 at least once a year before the financial statements are approved. The Audit Committee consists exclusively of non-executive directors among which at least one independent director meeting the criteria set out in Article 526*ter* of the Company Code and a director competent in accounting and audit matters.

(1) Antoine Gosset-Grainville was appointed a member of the Strategy Committee on 31 January 2011, replacing Augustin de Romanet de Beaune.

Activities of the Audit Committee during the 2011 financial year

During the summer of 2011, as the fact that rating agencies had placed Dexia on negative watch had accentuated its difficulties in obtaining funding on the markets, the Dexia SA Audit Committee met more frequently.
The enlarged Audit Committee met five times in 2011 and dealt with the following subjects.

The meeting of the Audit Committee on 21 February 2011 dealt with the following items:
• approval of the accounts and results of Dexia SA as at 31 December 2010;
• renewal of the auditors' mandate;
• value of subsidiaries in the company accounts of Dexia SA;
• situation regarding the liquidity ratio;
• report on risks in the fourth quarter 2010;
• risks associated with the Financial Products portfolio;
• activity report 2010 from the Legal, Compliance and Tax support line;
• report on the main subjects tackled with the regulators and the relevant correspondence exchanged over the period (Dexia Financial Products portfolio, application for exemption from regulatory liquidity ratios and loans to shareholders).

The meeting of the Audit Committee on 9 May 2011 dealt with the following items:
• presentation of the Dexia accounts and results as at 31 March 2011 and validation of the press release;
• impact of taxation on Group results;
• stress tests performed by the European Banking Authority (EBA);
• report on risks in the first quarter 2011;
• update on the Financial Products portfolio;
• Madoff file;
• MiFID report;
• change of procedure relating to external mandates;
• follow-up of action plans associated with recommendations from internal audit (+ specific focus on monitoring the IT Security action plan);
• verbal update on the tasks performed by the regulators within the Dexia Group.

The meeting of the Audit Committee on 3 August 2011 dealt with the following items:
• presentation of the Dexia accounts and results for the first half-year 2011, in the presence of the auditors;
• accounting and regulatory treatment of non-strategic asset disposal transactions;
• presentation of the long-term plan with a view per entity;
• report on risks in the second quarter 2011;
• update on the Financial Products portfolio.

The exceptional meeting of the Audit Committee on 28 October 2011 dealt with the following items:
• model of the financial situation of the residual Group (after taking planned entity disposals into account);
• Dexia Group short-term liquidity management.

The meeting of the Audit Committee on 7 November 2011 dealt with the following items:
• validation of the Dexia accounts and results as at 30 September 2011, as well as communication to investors, in the presence of the auditors;
• update on the liquidity situation;
• presentation of the Wise securitisation mechanism;
• report on risks in the third quarter 2011;
• proposal to abandon publication of a quarterly financial report as from the third quarter 2011, to abandon publication of the certification of quarterly accounts (first and second quarters) but maintenance of a limited review intended for the Accounts Committee;
• publication of the consolidated financial statements of Dexia SA according to IFRS standards as from 1 January 2010;
• regulatory impacts on Group restructuring;
• MiFID reporting as at 30 June 2011;
• legal and tax reporting as at 30 June 2011;
• follow-up of action plans associated with the recommendations form internal audit as at 30 September 2011;
• presentation of the main observations and recommendations resulting from current tasks requested by the regulators (risk management, asset disposals and complete audit of Dexia Municipal Agency);
• focus on the main risks associated with the entities Dexia Crediop and Dexia Sabadell.

The exceptional meeting of the Audit Committee on 22 November 2011 dealt with the following items:
• simulations of the financial situation of the residual Group;
• projections for funding requirements;
• letter from the National Bank of Belgium concerning the Dexia SA funding plan and the Dexia Bank Belgium exposure.

Attendance of each individual director at meetings of the enlarged Audit Committee

The individual attendance rate of directors at meetings of this committee was 100% in 2011, except for Brigitte Chanoine who was excused from attending one meeting and Koen Van Loo who was excused from two meetings.

• 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.
The members of the Accounts Committee are (as at 31 December 2011):
• Gilles Benoist, independent director and Chairman of the Committee;
• Marc Tinant, director;
• Robert de Metz, independent director;
• Brigitte Chanoine, independent director;
• Olivier Mareuse, director [(1)].

Responsibilities (as at 31 December 2011)

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, approved and published by the Board of Directors.
It examines all questions in relation to the accounts and the financial statements and in particular, from the documents submitted to it, checks the conditions of their establishment, the choice of accounting guidelines, the provisions, the respect of

(1) Olivier Mareuse was appointed a member of the Accounts Committee on 31 January 2011 replacing Antoine Gosset-Grainville.

prudential standards, the pertinence and permanence of the accounting principles and methods applied and the appropriateness 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 financial statements.

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.

Operation of the Accounts Committee
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 approving 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 Finance 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.

Activities of the Accounts Committee during the 2011 financial year
In 2011, the Accounts Committee met five times and dealt with the following subjects.

The exceptional meeting of the Accounts Committee on 16 March 2011 dealt with the following items:
• validation of the 2010 Annual Report (management report, consolidated and company financial statements);
• notes to the consolidated financial statements – Financial Products portfolio;
• auditors' certification;
• renewal of the auditors' mandate and the audit budget.

The exceptional meeting of the Accounts Committee on 20 June 2011 dealt with the following items:
As a joint meeting with members of the Audit Committee of Dexia Bank Belgium:
• rating agencies;
• present the liquidity situation and in the event of a deterioration.

Solely in the presence of members of the Audit Committee of Dexia SA:
• schematic presentation of the transaction to dispose of the Financial Products portfolio;
• presentation of the initial results of the medium-term funding model;
• stress tests performed by the European Banking Authority (EBA);
• disposal of DenizEmeklilik (verbal item);
• negotiations with the European Commission (verbal item).

The exceptional meeting of the Accounts Committee on 7 July 2011 dealt with the following items:
• update on financial forecasts;
• stress tests performed by the European Banking Authority (EBA) – final version;
• letter from the National Bank of Belgium dated 30 June 2011.

The meeting of the Accounts Committee on 14 December 2011 dealt with the following items:
• Dexia SA guarantee on the portfolio of Greek sovereign debts of Dexia KommunalBank Deutschland;
• Restructuring transactions associated with the issue of hybrid Tier 1 – Dexia Funding Luxembourg;
• Cancellation of the subordinated loan between Dexia Crédit Local and Dexia Bank Belgium and assignment to Dexia Crédit Local of the subordinated loans of Dexia Bank Belgium in favour of DenizBank.

Attendance of each individual director at meetings of the Accounts Committee
The individual attendance rate of directors at meetings of this committee was 100% in 2010, except for Gilles Benoist who was excused for one meeting.

• Internal Control, Risks and Compliance 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 Compliance Committee. The Chief Executive Officer may attend but may not be a member of the Internal Control, Risks and Compliance Committee.
The members of the Internal Control, Risks and Compliance Committee are (as at 31 December 2011):
• Gilles Benoist, independent director and Chairman of the Committee;
• Marc Tinant, director;
• Koen Van Loo, director;
• Olivier Bourges, director.

Responsibilities (as at 31 December 2011)
Regarding internal control 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 the reports presented by the head of the Legal, Compliance and Tax support line on the Group's legal and tax risks.

Regarding internal audit
The Committee ensures the performance and the operational independence of the Internal Audit department, both for Dexia SA and the Group as a whole.

Regarding compliance
The Committee ensures the performance and the operational independence of the Compliance department.

Operation of the Internal Control, Risks and Compliance Committee

The Committee meets at least four times a year, each of these meetings taking place prior to the Board of Directors' meetings examining and approving 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 Compliance Committee are described in the internal rules of that Committee.
The member of the Management Board responsible for risk management, the General Auditor and the head of the Legal, Compliance and Tax support line attend the meetings of the Internal Control, Risks and Compliance Committee. The Chief Compliance Officer is present to deal with all items in relation to compliance.

Activities of the Internal Control, Risks and Compliance Committee during the 2011 financial year

In 2011, the Internal Control, Risks and Compliance Committee met twice and dealt with the following subjects.

The meeting of the Internal Control, Risks and Compliance Committee on 27 January 2011 dealt with the following items:
- 2010 activity report and 2011 planning of the Audit & Investigation support line;
- report on the assessment of internal audit by the effective management;
- MiFID reporting in the third quarter 2010;
- review of compliance risk mapping;
- overview of litigations concerning credit derivatives at Dexia Crediop level;
- update on developments concerning activities, the risk position and the financial situation of Dexia SA and Dexia Bank Belgium (Circular CREFS_2010_01-1 of 26 October 2010);
- letters from the CBFA on the Financial Products portfolio and on implementation of the transformation plan.

The meeting of the Internal Control, Risks and Compliance Committee on 8 September 2011 dealt with the following items:
- update on the liquidity of the Dexia Group (in limited committee);
- MiFID report as at 31 March 2011;
- compliance report as at 30 June 2011;
- follow-up of the Compliance action plan 2011;
- report of the activities of Internal Audit as at 30 June 2011;
- report on the activities of Investigation as at 30 June 2011;
- overview and status of the tasks of the regulators as at 30 June 2011.

Attendance of each individual director at meetings of the Internal Control, Risks and Compliance Committee

The individual attendance rate of directors at meetings of the committee was 100% in 2011.

Appointment and Compensation Committee

Composition

The Appointment and Compensation Committee is composed of three to seven non-executive directors, including the Chairman of the Board of Directors, and has a majority of independent directors. The committee has the necessary expertise in compensation policy. The Chief Executive Officer may attend but he may not be a member of the Appointment and Compensation Committee (as he is not a non-executive director).
The members of the Appointment and Compensation Committee are (as at 31 December 2011):
- Jean-Luc Dehaene, Chairman of the Board of Directors, independent director and chairman of the committee;
- Christian Giacomotto, independent director;
- Francine Swiggers, director;
- Antoine Gosset-Grainville, director(1);
- Francis Vermeiren, director;
- Catherine Kopp, independent director;
- Robert de Metz, independent director.

Responsibilities (as at 31 December 2011)

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.
Within the context of these tasks, the committee complies with recommendations, circulars and all other international, French and Belgian regulations on compensation and corporate governance.

Regarding appointments
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 co-opting directors;
- determination of independence criteria enabling a director to be qualified as "independent";
- qualification of an existing member or a 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;

(1) Antoine Gosset-Grainville was appointed a member of the Appointment and Compensation Committee on 31 January 2011 replacing Augustin de Romanet de Beaune.

• 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 2011 financial year

The Appointment and Compensation Committee met nine times in 2011 and dealt with the following subjects.

The meeting of the Appointment and Compensation Committee on 13 January 2011 dealt with the following items:
• discussions on the first draft compensation policy for the Dexia Group;
• analysis of the legal terms applicable to leaving indemnities and variable compensation within the context of application of the recommendations of the Directive CRD 3;
• analysis of compensation benchmarking.

The meeting of the Appointment and Compensation Committee on 25 January 2011 dealt with the following items:
• composition of the Board of Directors and the specialist committees.

The meeting of the Appointment and Compensation Committee on 11 February 2011 dealt with the following items:
• report on the meeting between representatives of Dexia and Banking, Finance and Insurance Commission on the Dexia Group compensation policy;
• presentation of information relating to progress in 2011;
• draft resolutions for submission to the Ordinary Shareholders' Meeting on 11 May 2011 relating to appointments;
• level of annual fixed compensation with effect as at 1 January 2011 and 1 January 2012.

The meeting of the Appointment and Compensation Committee on 17 February 2011 dealt with the following item:
• compensation policy for Dexia Group members of staff.

The meeting of the Appointment and Compensation Committee on 22 February 2011 dealt with the following items:
• analysis of pension schemes;
• analysis of mandates performed in the Group by executives and measures associated with any compensation received with regard to those mandates;
• analysis of the scheme for stock options granted to executives;
• analysis of function premiums.

The meetings of the Appointment and Compensation Committee on 7 and 10 March 2011 dealt with the following items:
• Banking, Finance and Insurance Commission regulation concerning compensation policy;
• Dexia Group compensation policy;
• supplementary pension scheme for members of the Management Board;
• proposal for fixed and variable compensation to members of the Management Board and the Executive Committee;
• review of the balance between variable and fixed compensation;
• chapter of the annual management report relating to compensation policy;
• waiver of the mechanism in article 39 (defined benefit pension plan) for executives of Dexia SA and Dexia Crédit Local.

The meeting of the Appointment and Compensation Committee on 25 November 2011 dealt with the following item:
• appointments within the Board of Directors and specialist committees.

The meeting of the Appointment and Compensation Committee on 16 December 2011 dealt with the following items:
• composition of the Board of Directors and specialist committees;
• salary policy.

Attendance 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 2010, except for Robert de Metz who was excused from one meeting.

Management Board of Dexia SA

Composition

As at 31 December 2011, the Management Board has nine 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.

COMPOSITION OF THE MANAGEMENT BOARD AS AT 31 DECEMBER 2011

Pierre MARIANI
Chief Executive Officer
Chairman of the Management Board

Hakan ATES
Chief Executive Officer of DenizBank

Alain CLOT
Head of Public and Wholesale Banking
Chief Executive Officer of Dexia Crédit Local

Marc CROONEN
Head of Human Resources

Alexandre JOLY
Head of Strategy, Portfolios and Market Activities

Claude PIRET
Chief Risk Officer

Philippe RUCHETON
Chief Financial Officer

André VANDEN CAMP
Head of Operations & IT

Olivier VAN HERSTRAETEN
Head of Legal, Compliance and Tax

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 had its own internal regulations (the "Regulations"), amended on several occasions, determining its responsibilities and its modes 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 responsibilities of the Management Board in its dealings with the Board of Directors

The Regulations first define the responsibilities 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-taking

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.

• Conflicts of interest

If a member of the Management Board directly or indirectly has a conflicting financial interest in a decision or operation to be decided by the Board, 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 Management Board meeting that must make the decision. In addition, the member of the Management Board must inform the company's auditors. He cannot participate in the deliberations of the Management Board in relation to the transactions or decisions concerned, or vote on them.

• Transactions between members of the Management Board and Group companies

Transactions between companies of the Dexia Group and members of the Management Board must be concluded under normal market conditions.

• Transactions on Dexia financial instruments

In 2009, the internal regulations 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.

Compensation report

Compensation of the directors of Dexia SA for 2011

Review of the principles applied

Dexia SA's 2006 Ordinary Shareholders' Meeting decided to pay an annual 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 of this compensation and its allocation which comprises a fixed amount and fees.
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 amount of EUR 5,000 per quarter), and directors' fees 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 the fixed fee based on the number of quarters during which they have effectively been in office.
Non-executive directors receive no performance-related compensation, such as bonus or long-term interest formulae, or any advantages in kind or advantages associated with pension plans.

Application in 2011

For that part of the Dexia transformation plan dedicated to cost control, the directors decided to reduce their fixed 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). This measure was also retained by the Board of Directors in 2010 and 2011.

Compensation paid to the Chairman of the Board of Directors

Review of the principles applied

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. In principle, the compensation of the Chairman of the Board of Directors will represent double the compensation of another director, both for fixed compensation and directors' fees. The Chairman do not receive fees for his mandates in other entities of the Dexia Group.

Application in 2011

With a decision on 12 October 2011, Mr Jean-Luc Dehaene waived any compensation as a member and Chairman of the Board of Directors of Dexia SA in 2011.

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 2011 and paid by Dexia totalled EUR 12,710.01.

COMPENSATION FOR SERVING AS A DIRECTOR OF DEXIA SA AND OTHER GROUP ENTITIES

(gross amounts in EUR)	BoD (fix. comp.)	BoD (var. comp.)	Strategy Committee	Audit Committee	Accounts Committee	Internal control, Risks and Compliance Committee	Appointment and Compensation Committee	Total 2011	Total 2010	Other Group entities 2011 [(5)]	Other Group entities 2010
J.-L. Dehaene [(6)]	0	0	0	0	0	0	0	0	88,000	0	0
P. Mariani	0	0	0	0	0	0	0	0	0	23,166 [(7)]	0
G. Benoist	10,000	26,000	0	8,000	10,000	6,000	0	60,000	52,000	0	0
I. Bouillot	10,000	18,000	0	0	0	0	0	28,000	26,000	0	0
O. Bourges	10,000	30,000	16,000	8,000	12,000	6,000	0	82,000 [(1)]	44,000	0	0
B. Chanoine	10,000	28,000	0	6,000	12,000	6,000	0	62,000	38,000	0	0
J. Clijsters	0	0	0	0	0	0	0	0	0	0	0
S. Decraene	0	0	0	0	0	0	0	0	0	0	0
R. de Metz	10,000	30,000	0	8,000	12,000	6,000	12,000	78,000	46,000	29,000 [(2)]	10,000 [(2)]
A. de Romanet de Beaune	0	0	0	0	0	0	0	0	32,000 [(3)]	0	0
C. Giacomotto	10,000	26,000	0	0	0	0	16,000	52,000	42,000	0	0
A. Gosset-Grainville	10,000	30,000	16,000	0	0	0	14,000	70,000 [(3)]	21,000 [(3)]	0	0
C. Kopp	10,000	28,000	0	0	0	0	16,000	54,000	40,000	0	0
S. Kubla	10,000	28,000	0	0	0	0	0	38,000	28,000	16,385 [(2)]	20,000 [(2)]
O. Mareuse	10,000	30,000	0	8,000	12,000	4,000	0	64,000 [(3)]	n.a.	0	0
C. Piret	0	0	0	0	0	0	0	0	0	0	0
F. Swiggers	10,000	30,000	16,000	0	0	0	16,000	72,000	46,000	36,808 [(4)]	41,000 [(4)]
B. Thiry	10,000	24,000	14,000	0	0	0	0	48,000	34,000	17,692 [(2)]	20,000 [(2)]
M. Tinant	10,000	30,000	0	8,000	12,000	6,000	0	66,000	54,000	0	0
K. Van Loo	10,000	30,000	16,000	4,000	12,000	6,000	0	78,000	50,000	0	0
F. Vermeiren	10,000	30,000	16,000	0	0	0	16,000	72,000	46,000	0	0

(1) In accordance with Article 139 of the French Law on the new economic regulations, directors' fees for mandates performed by representatives of the French government are to be paid to the French government account.
(2) Compensation received for the director's mandate in Dexia Bank Belgium; see also note (5).
(3) Waived percentages or directors' fees as a director of Dexia SA.
(4) Compensation received for the director's mandate in Dexia Bank Belgium (EUR 17,308 in 2011 and EUR 20,000 in 2010) and Dexia Crédit Local (EUR 19,500 in 2011 and EUR 21,000 in 2010).
(5) On 20 October 2010, Dexia Bank Belgium was sold to the Belgian state, represented by the Société Fédérale de Participations et d'Investissement (SFPI). Compensation to joint directors covers the period from 1 January to 20 October 2011. They resigned from the Board of Directors of Dexia Bank Belgium in the days following the sale.
(6) With a decision on 12 October 2011, Mr Jean-Luc Dehaene waived any compensation as a member and Chairman of the Board of Directors of Dexia SA in 2011.
(7) Compensation received as Chairman of the Board of Directors of DenizBank.

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).

Compensation of members of the Management Board (1)

Regulatory context

The compensation of executives of companies in the financial sector has been governed by numerous regulations for several years.
The Board of Directors immediately undertook to observe this regulatory framework as it evolved on the basis of national and international provisions aimed at strengthening corporate governance particularly in terms of compensation.
In that context, from 2009, Dexia even anticipated the obligations on the financial sector in particular regarding the deferment of variable compensation.

(1) Compensation received for the responsibilities within the Management Board.

Dexia implemented a global compensation policy for the Dexia Group in accordance with Belgian, French and European regulations as well as the principles applicable to healthy compensation practices.
Dexia compensation policy has been prepared by the Human Resources Department in collaboration with the Audit, Risk and Legal, Compliance & Tax Departments and submitted to the Appointment and Compensation Committee of Dexia SA. Proposals from the Appointment and Compensation Committee were submitted to the Board of Directors of Dexia SA which validated the Group compensation policy.
The compensation policy and its implementation are regularly assessed in order to identify provisions requiring an adaptation by virtue particularly of the entry into force of new legal or regulatory provisions.
The policy applicable to compensation paid as from the year 2011 on the one hand states the general principles applicable to all members of staff of the Dexia Group. On the other hand, observing the principle of proportionality, it contains specific provisions, exclusively applicable to a population identified as liable to impact the risk profile of the Dexia Group in view of the nature or level of their functions and/or compensation.
The specific provisions of the compensation policy, applicable to general management, market professionals whose professional activities have a significant impact on the risk profile

of the Dexia Group and other members of staff who in view of their income are similar to risk-takers, are referred to in a publication on the Dexia corporate internet site, in accordance with the Royal Decree dated 22 February 2011 approving the Regulation of 8 February 2011 of the Banking, Finance and Insurance Commission concerning the compensation policy of financial institutions.

Considering the guidelines, particularly those in the Royal Decree dated 22 February 2011[1], in March 2011 the Board of Directors reviewed the balance of compensation packages (between fixed compensation, i.e. not linked to performance, and variable compensation, i.e. linked to performance) of the Group's executives and senior management.

To that end, a quarterly function premium was introduced into the fixed salary. This decision was applied to compensation granted for the year 2011 observing the principles decided at the time of granting the function premiums for the year 2010 as described in the compensation report for that year.

In order not to encourage excessive risk-taking and to facilitate a sufficiently flexible variable compensation policy, maximum ratios to be observed between fixed and variable compensation were imposed by the Dexia Group compensation policy. This maximum ratio for all members of the Management Board was fixed at 1.5 by decision of the Board of Directors on 18 March 2011.

This revision aims to reduce excessive incentive to take risks which might result in too great variable compensation in relation to fixed compensation.

Without increasing costs, it also permits a considerable reduction of the amount of variable compensation whilst maintaining a competitive package for Group executives.

Compensation

Procedure

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 Appointment and Compensation Committee analyses the levels of compensation of members of the Management Board having regard to compensation granted in other companies in the sector.

In this respect, compensation consultants are used to obtain information on salary developments on the labour market for the financial sector.

In order to offer compensation in line with the market, every two years the Appointment and Compensation Committee asks for a benchmarking study. For the year 2011, this study was carried out in 2010 with the support of Towers Watson, a specialist external consultant.

The Appointment and Compensation Committee determines the reference group of companies to be included in the benchmark and the positioning of Dexia vis-à-vis that reference group.

On analysing this benchmark, as regards members of the Management Board of Dexia SA, the Appointment and Compensation Committee makes a proposal to the Board of Directors on any increases in fixed compensation and, if necessary, adjustment of the extent of variable compensation and any changes justified by market developments.

The year when the Appointment and Compensation Committee does not require a benchmark, it will be informed by its external advisor (compensation specialist) of the evolution of the executive compensation market.

Fixed and variable compensation

The compensation of the members of the Management Board is composed of a fixed non-performance related and a variable portion.

Variable compensation is linked to performance. It is limited to maximum 1.5 times the fixed compensation and spread over at least 3 years.

The performances of members of the Management Board are assessed having regard for quantitative and qualitative objectives, aligned to three fields. A management contract is concluded individually with each member of the Management Board with a view to observing the objectives set around these three fields, i.e.:

- business skills, linked to accomplishment of quantitative and qualitative objectives;
- the financial budgetary results of the Group and the business concerned;
- human resources skills, including managerial skills. The assessment of performances in this latter field may be based on several criteria, including: the role in implementation of the reorganisation envisaged and participation in the retention of key staff members.

The law and the Dexia compensation policy enable the deferred variable compensation not yet acquired to be adjusted.

Moreover, in the case of fraud observed after the grant of variable compensation and in the case where variable compensation might have been granted on the basis of intentionally false information, the Dexia Group compensation policy provides for possibility of not paying the deferred parts of the variable compensation not yet paid and to take the measures necessary to recover the variable compensation which might already have been paid.

The fixed and variable compensation of members of the Management Board constitutes a whole from which, unless the Board of Directors decides otherwise on a proposal from the Appointment and Compensation Committee, a deduction is made of any director's 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 performed in the name and on behalf of Dexia.

Compensation for the year 2011

Fixed compensation for the year 2011

Since 2010, fixed compensation has been composed of basic compensation and a function premium paid quarterly.

Basic compensation for 2011

Basic compensation[2] is determined considering the nature and importance of the responsibilities assumed by each (and taking account of market benchmarks for comparable functions).

(1) Royal Decree approving the Regulation of the Banking, Finance and Insurance Commission dated 8 February 2011 concerning the compensation policy of financial institutions.

(2) Does not include the possible directors' fees mentioned on page 40.

SUMMARY TABLE OF THE BASIC COMPENSATION AND OTHER BENEFITS FOR THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Basic compensation paid in 2011	Representation costs	Car (1)
Pierre Mariani	1,000,000	6,324	3,181

(1) This amount corresponds to the tax advantage associated with the provision of a company car used for private purposes.

SUMMARY TABLE OF THE BASIC COMPENSATION AND OTHER BENEFITS FOR OTHER MEMBERS OF THE MANAGEMENT BOARD (1)

(in EUR)	Basic compensation paid in 2011	Other benefits (2)
	4,135,156	64,765

(1) Messrs Hakan Ates, Jos Clijsters (member of the Management Board of Dexia SA from 6 September 2011 to 20 October 2011), Alain Clot, Marc Croonen, Stefaan Decraene (member of the Management Board of Dexia SA until 5 September 2011), Alexandre Joly, Claude Piret, Philippe Rucheton, Olivier Van Herstraeten, André Vanden Camp.
(2) This amount includes annual lump-sum indemnities for representation costs and the tax advantage associated with the provision of a company car used for private purposes for each of the members of the Management Board.

Function premium for 2011

(in EUR)	
Pierre Mariani	200,000
Other members of the Management Board (1)	796,599

(1) Messrs Hakan Ates, Jos Clijsters (member of the Management Board of Dexia SA from 6 September 2011 to 20 October 2011), Alain Clot, Marc Croonen, Stefaan Decraene (member of the Management Board of Dexia SA until 5 September 2011), Alexandre Joly, Claude Piret, Philippe Rucheton, Olivier Van Herstraeten, André Vanden Camp.

Variable compensation for the year 2011

Considering the results for the year 2011, the Board of Directors, on a proposal from the Appointment and Compensation Committee, accepted the proposal from the Management Board that no variable compensation would be paid to members of the Management Board of Dexia SA for 2011.

COMPARATIVE TABLE OF THE VARIABLE COMPENSATION OF THE CHAIRMAN OF THE MANAGEMENT BOARD AND OTHER MEMBERS OF THE MANAGEMENT BOARD IN 2010 AND 2011

(in EUR)	2010	2011
Pierre Mariani	600,000	0
Other members of the Management Board	554,000 (1)	0 (2)
TOTAL	**1,154,000**	**0**

(1) Messrs Stefaan Decraene, Claude Piret, Philippe Rucheton.

(2) Messrs Hakan Ates, Jos Clijsters (member of the Management Board of Dexia SA from 6 September 2011 to 20 October 2011), Alain Clot, Marc Croonen, Stefaan Decraene (member of the Management Board of Dexia SA until 5 September 2011), Alexandre Joly, Claude Piret, Philippe Rucheton, Olivier Van Herstraeten, André Vanden Camp.

In line with Dexia compensation policy, the amounts included in this table are paid on a deferred basis, in accordance with the principles described below.

Deferred part of the variable compensation for 2010 due in 2012

We refer to pages 47 and following of the Annual Report 2010 for an explanation of the principles of deferment of variable compensation 2010.

Moreover, in accordance with the undertakings made by Dexia within the framework of the autonomous guarantee agreement concluded with the Belgian and French states and for so long as the guarantee obligations exist or are liable to be issued, and unless agreed with the states, Dexia shall not make:

- any grant of options to subscribe or purchase shares or free shares, or
- any grant or payment of elements of variable compensation, indemnities and benefits indexed to performance, as well as deferred compensation in favour of the following persons: the Chairman of the Board of Directors, Chief Executive Officer(s) and members of the Board of Directors.

In that same spirit, Dexia undertook to suspend until a final decision is made by the European Commission any payment of the variable part of the compensation of members of the Dexia Management Board.

On a proposal from the Appointment and Compensation Committee, the Board of Directors accepted the proposal from the Management Board and decided to make use of the opportunity to a posteriori reduce the deferred parts of the variable compensation. The deferred part of the variable compensation for 2010 in cash and the deferred part of the variable compensation in the form of instruments with a retention period of one year (grant in 2012 and payment in 2013) will not be granted in 2012.

EVOLUTION OF THE DEFERRED PART OF THE VARIABLE COMPENSATION FOR 2010 FOR THE CHAIRMAN AND THE MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Amounts vested in 2011	Amounts vested in 2012	Amounts vested in 2013	Amounts vested in 2014	Total
Pierre Mariani					
Initial amount					
Cash	180,000	40,000	40,000	40,000	300,000
Instrument (1)	180,000	40,000	40,000	40,000	300,000
Paid amount					
Cash	180,000	0			
Instrument (1)	180,000	0			
Other members of the Management Board					
Initial amount					
Cash	287,400	63,867	63,867	63,867	479,001
Instrument (1)	287,400	63,867	63,867	63,867	479,001
Paid amount					
Cash	287,400	0			
Instrument (1)	169,951	0			

(1) The counter-value of the instruments representing the capital is vested after a retention period of one year following the definitive acquisition of the rights, as appears in the table.

Deferred part of the variable compensation for 2009 due in 2012

We refer to pages 41 and following of the Annual Report 2009 for an explanation of the principles of deferment of variable compensation 2009.

On a proposal from the Appointment and Compensation Committee, the Board of Directors accepted the proposal from the Management Board and decided to make use of the opportunity to a posteriori reduce the deferred parts of the variable compensation and not to grant the deferred part of the variable compensation for 2009 in 2012.

EVOLUTION OF THE DEFERRED PART OF THE VARIABLE COMPENSATION FOR 2009 FOR THE CHAIRMAN AND THE MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Amounts vested in 2010	Amounts vested in 2011	Amounts vested in 2012	Total
Pierre Mariani				
Initial amount				
Cash	308,333	128,768	128,768	565,869
Instrument (1)	-	128,768	128,768	257,536
Paid amount				
Cash	308,333	128,768	0	437,101
Instrument (1)	-	95,524	0	95,524
Other members of the Management Board				
Initial amount				
Cash	616,668	159,366	159,366	935,400
Instrument (1)	-	159,366	159,366	318,732
Paid amount				
Cash	616,668	159,366	0	776,034
Instrument (1)	-	118,223	0	118,223

(1) The counter-value of the instruments representing the capital is vested after a retention period of one year following the definitive acquisition of the rights, as appears in the table.

Extra-legal pensions

Some members of the Management Board benefit from an extra-legal pension scheme set up by Dexia.

Characteristics of the applicable extra-legal pension schemes

Supplementary pension scheme subscribed by Dexia in favour of members of the Management Board under Belgian contract prior to 31 December 2006

In 2007, Dexia decided to close this extra-legal supplementary pension scheme whilst maintaining the acquired and future rights of the persons affiliated prior to 31 December 2006.
The persons affiliated 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.
Mr Claude Piret is affiliated to this plan.
Mr Stefaan Decraene was affiliated to the same supplementary pension scheme until 5 September 2011.

Supplementary pension scheme subscribed by Dexia in favour of members of the Management Board under Belgian contract after 31 December 2006

The new extra-legal pension scheme for members of the Management Board under Belgian contract gives entitlement, on retirement, to the capital arising from capitalisation of the annual contributions. These represent a fixed percentage of a capped annual fixed compensation.
Messrs Pierre Mariani, Philippe Rucheton, Alexandre Joly, Olivier Van Herstraeten, André Vanden Camp, Marc Croonen and Benoît Debroise benefit from this extra-legal pension scheme. Mr Jos Clijsters benefited from it until 20 October 2011.
Mr Olivier Van Herstraeten will be entitled, at retirement age, to the minimum benefits he could have claimed by virtue of the Group assurance to which he is affiliated under his contract of employment (the execution of which is suspended during his mandate on the Management Board) if he were to remain affiliated to that plan for the term of his mandate as a member of the Management Board.

Amounts paid within the framework of these supplementary pension schemes

Annual premiums of EUR 963,730 were paid in 2011 in favour of the members of the Management Board under Belgian contract, including EUR 150,960 for the Chief Executive Officer.
Capital was paid in 2011, in accordance with the applicable regulations, in an amount of EUR 1,125,428.80.

Supplementary cover for death, permanent invalidity and medical costs

Collective annual premiums of EUR 334,130 were paid in 2011 to members of the Management Board under Belgian contract for supplementary cover for death, permanent invalidity and the costs of medical treatment, including EUR 74,400 for the Chief Executive Officer, broken down as follows:

EXTRA-LEGAL PLANS	(in EUR)
Death, orphan capital	46,000
Invalidity	28,000
Hospitalisation	400

Collective annual premiums of EUR 8,930 were paid in 2011 in favour of the member of the Management Board under French contract for obligatory cover and supplementary cover for death, permanent invalidity and medical costs.

Option plan

Since unification and for the last time in 2008, each year the Dexia Group established a stock option plan in favour of certain members of staff of the Dexia Group, the characteristics of which are described in the summary table of Dexia subscription rights in this Annual Report (page 56). The options issued under this plan are subscription rights each giving the right, within a limited exercise period, to acquire a new Dexia share at a strike price equal to the value of the Dexia share at the time the options were granted.
During 2011, no option was exercised, came to maturity or was granted to members of the Management Board.

Conditions relating to departure

Provisions of Dexia compensation policy

On 18 March 2011, the Board of Directors approved, on proposal from the Appointment and Compensation Committee, the Dexia Group compensation policy.
According to this compensation policy, the total of indemnities granted will not exceed 12 months of fixed and variable compensation. Under specific circumstances, the Appointment and Compensation Committee may, with its substantiated opinion, propose to the Board of Directors that there be a leaving indemnity above 12 months but not exceeding 18 months of fixed and variable compensation. A leaving indemnity exceeding 18 months of fixed and variable compensation can only be agreed exceptionally with the approval of the first Shareholders' Meeting thereafter.
Moreover, the agreement providing for the grant of a leaving indemnity will contain a performance condition in the sense that the contractual lenving indemnity will be reduced in the case where the performance assessment of the executive over the two years preceding the termination of the agreement reveals a significant deterioration of those performances. This is to avoid leaving indemnities being granted so as to reward failure.
These principles will be applied in observance of collective bargaining agreements and legal provisions.
Any agreement granting leaving indemnities concluded with a member of the Management Board after the adoption of the Dexia Group compensation policy (i.e. 18 March 2011) will respect these provisions.

Departures during 2011

Mr Stefaan Decraene and Mr Jos Clijsters resigned and/or left the Dexia Group with effect on 5 September 2011 and 20 October 2011 respectively. They received no leaving indemnity.

Provisions relating to leaving indemnities contained in management agreements with members of the Management Board

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 Philippe Rucheton to Dexia before the age of 65, within twelve months of a change of control, he will be entitled to an amount of compensation equal to the fixed and variable compensation corresponding to a period of 18 months, without that period exceeding the number of months until the date on which he reaches the age of 65 and notwithstanding the rules of Common Law which might be applicable.

If his contract is terminated by Dexia on grounds other than serious act or omission, Mr Alexandre Joly will be entitled to a single lump-sum indemnity of an amount equal to the fixed and variable compensation for a period of 12 months. This indemnity may be increased to 18 months if the termination occurs following a change of control. These single lump-sum indemnities of 12 or 18 months will be reduced by 50% if the average of the assessments of business and individual parts are less than 55% over the last two years. If the average of the assessments of business and individual parts are less than 35% over the last two years, the indemnity in lieu of notice will be reduced to 3 months.

The party who, during the mandate, on grounds other than the serious act or omission of the other party terminates the agreement binding Messrs Marc Croonen, Olivier Van Herstraeten, André Vanden Camp and Claude Piret to Dexia must give the other party notice of one month.

Provisions relating to leaving indemnities contained in contracts of employment with members of the Management Board

Termination of the contract of employment of Messrs Marc Croonen, Olivier Van Herstraeten, André Vanden Camp and Claude Piret (the execution of which is suspended during the term of their mandate on the Management Board) is governed by Belgian legislation on contracts of employment as well as the following contractual provisions:

- Seniority of 5 years is acknowledged for Mr Marc Croonen.
- If his contract of employment is terminated by Dexia on grounds other than serious act or omission, Mr Olivier Van Herstraeten may claim a contractual indemnity equal to 24 months, calculated on the fixed and variable compensation and the benefits acquired by virtue of the contract of employment after deduction of the number of months of notice and/or the indemnity in lieu of notice which he may claim by virtue of the law or jurisprudence. If the notice or indemnity in lieu of notice thus due is more than or equal to 24 months, no contractual indemnity will be due.
- Without prejudice to mandatory legal provisions, Mr Claude Piret will be entitled, if his contract is terminated by Dexia before the age of 65, to an indemnity equal to the fixed and variable compensation and other benefits corresponding to a period of 24 months.
- Messrs André Vanden Camp and Alain Clot will be entitled, if their contract is terminated by Dexia on grounds other than serious act or omission, to a single lump-sum indemnity in an amount equal to the fixed and variable compensation corresponding to a period of 12 months. This indemnity may be increased to 18 months if the termination occurs following a change of control. These single lump-sum indemnities of 12 or 18 months will be reduced by 50% if the average of the assessments of business and individual parts are less than 55% over the last two years. If the average of the assessments of business and individual parts are less than 35% over the last two years, the indemnity in lieu of notice will be equal to the legal indemnities (i.e. the contractual indemnity for Mr Alain Clot and the legal minimum for Mr André Vanden Camp).

Termination of the contract of employment of Mr Hakan Ates is governed by Turkish legislation on employment law.

Internal audit and risk management system

Principal characteristics of the internal audit and risk management system

Framework and tasks of internal audit

In March 2001, Dexia SA, a financial company under Belgian law, concluded a prudential framework agreement with the CBFA, now taken over by the National Bank of Belgium (NBB). Within that context, Dexia SA voluntarily complies with operating standards equivalent to those applicable to Belgian credit institutions which are parent companies. That condition includes on the one hand the introduction within Dexia SA of an appropriate collegial management structure and on the other hand, in addition to the legal provisions arising from the status of financial company, Dexia SA is subject to certain prudential framework provisions inspired by those legally applicable to credit institutions under Belgian law, including in particular the Law of 22 March 1993 relating to the status and control of credit institutions and the CBFA Circular 97/4 of 30 June 1997 on internal audit.

Internal audit is a process providing a reasonable assurance that the objectives of the organisation, the effectiveness and efficiency of operations, the reliability of financial information and compliance with the laws and regulations will be achieved at the desired level. Like any audit system, it is designed to reduce residual risk to a level accepted by the requirements of Dexia.

More specifically, the tasks assigned to internal audit in force within the Dexia Group can be grouped in five principal lines:

1. *Checking the effectiveness of the risk management mechanism*

Risk management is at the core of banking activity. The Dexia Group has introduced an internal audit mechanism with the objective, in relation to the main activities of the Group, to guarantee that the risks taken are appropriate for the accepted level.

2. *Ensuring the reliability and pertinence of accounting and financial information*

The principal objective of financial information is to give a true picture of the situation of the Dexia Group on a regular, complete and transparent basis. The internal audit system is focused on achieving that objective.

3. *Ensuring observance of the regulations as well as the rules of professional ethics, both internally and externally*
The good operation of the Dexia Group involves strict fulfilment of legislative and regulatory obligations in each of the countries where it has establishments, as well as the standards it has fixed for itself, beyond those obligations, in particular regarding corporate governance, compliance and sustainable development. The internal audit system aims to ensure observance of those principles.

4. *Improving the Group's operation whilst ensuring the efficient management of available means*
It must be possible to put the decisions taken to that end by the Management Board into practice rapidly throughout the Group. The internal audit procedures aim to ensure the integrity of information flows, the compliance of the actions introduced and the monitoring of results.

5. *Ensuring the operational effectiveness and efficiency of all the business lines*
The proper functioning of operational circuits is a constant concern at all decision-making levels. Many initiatives are taken in this regard in constant collaboration between the business lines and the support functions which also measure them via indicators and regular reporting. The internal audit system assesses the effectiveness of the operational processes and monitoring mechanisms.

General architecture of the mechanism

The general architecture of the mechanism relies on the basic principles declined in all activity lines and all support processes.
The Dexia Group internal audit system relies on activities integrated in all operational, support and accounting processes, the surveillance of which is a constant responsibility of management with successive levels of control.
Within the context of a project common to the so-called control support lines (risk, compliance, audit), Dexia has progressively completed risk and audit guidelines.
The latter revolves around five points: audit environment, risk analysis, audit activities, information and communication and finally monitoring.
In terms of audit environment, a clear separation of functions has been conceived to maintain and ensure a clear distinction between operators undertaking an action or a transaction and those responsible for their validation, their monitoring and their completion. In addition, a series of consistent and clear instructions, consisting of charters, codes, lines of conduct and procedures has been put in place in order, inter alia, to ensure that all the internal audit operators can be coordinated.
In that logic, the general architecture of the Dexia Group internal audit system is based on an organisation split into three levels:
1. The first audit level is performed by each member of staff and their superior, in relation to the responsibilities expressly delegated to them, procedures applicable to their activity and instructions given.
2. The second audit level is for specialist functions, independent from audited activities and reporting directly to the Management Board. This second level may also be the responsibility of specialist committees, composed of members of staff in operational, support and audit posts, chaired by a member of the Management Board. The fields concerned are for instance compliance, permanent audit (the function monitoring audits) and risk management.
3. The third audit level is for the Dexia Group audit support line which has the task, through periodic audits, to supervise the performance and the effective application of the two audit levels defined above, in the parent company and all its subsidiaries and branches.

For risk analysis and audit activities, each level/department/function performs its own risk diagnosis and puts checks in place as it deems fit. Audit mechanisms are implemented at the level of the activities of each business line process and at the level of the support functions including IT. As a component of Dexia management, activity monitoring is organised at each level and additionally between the operational entities and Dexia SA.
Internal and external information and communication are priorities. In addition to the internal communication mechanism of e-mail, intranet and within specialist departments, there are procedures in this regard. The organisation of the Dexia Group also generates transversal communication to all operational entities. There is differing reporting such as the Activity Report established by the Strategic Planning and Controlling department and the Quarterly Risk Report drawn up by the Risk Management department. External communication and Financial Communication aim for the transparency and pertinence of information transmitted outside Dexia.

The main internal audit actors

In order to ensure the proper functioning and the development of the Dexia Group, its Management Board is responsible in the last resort for the introduction and maintenance of an appropriate internal audit system. It defines and coordinates the management policy of the Dexia Group within the context of the strategy defined by the Board of Directors. It allocates the means and fixes the deadlines for the implementation of actions decided within the framework of that policy. It checks that the given objectives are achieved and that the internal audit system is appropriate for all requirements. Finally, it adjusts those requirements in relation to internal and external developments observed.

The teams more specifically concerned by the internal audit are as follows.
• **The Risk Management team**, under the responsibility of the Chief Risk Officer, a member of the Management Board, supervises risk management policy. It establishes lines of conduct for limits and delegations, monitors and measures risks aggregated at Group level and puts harmonised methods in place in the different entities.
• **The Chief Compliance Officer** reporting to the member of the Management Board in charge of Legal, Compliance and Tax from November 2008, supervises the support line of compliance officers in the different entities and ensures observance of the integrity policy and the development of a culture of professional ethics.
• **The Permanent Audit**, in place within the Dexia Group since the last quarter 2009 under the responsibility of the Head of Operational Risk – another important internal audit actor – guides and monitors the gathering of information on the permanent audit plans for the Dexia Group. That guidance relies on decentralised means within the divisions, as well as within the subsidiaries and branches.
• **The Internal Audit**, reporting directly to the Chief Executive Officer, Chairman of the Management Board, defines the methodology used in the Group, defines the Group audit

plan, coordinates, runs and performs audit tasks, and monitors action plans associated with recommendations.
In its internal audit surveillance task, the Board of Directors of Dexia SA has relied since November 2008 on an Audit Committee itself divided into an Internal Audit, Risks and Compliance Committee composed of four directors, all non-executive of whom two are independent directors, and an Accounts Committee composed of five directors, all non-executive of whom three are independent directors. Two of the five members of the Accounts Committee are also members of the Internal Audit, Risks and Compliance Committee. The Chairman of the Board of Directors may attend this Committee, and also the Chief Executive Officer.
The Accounts Committee and the Internal Audit, Risks and Compliance Committee each meet at least four times per annum. Two of those meetings are held before the meetings of the Boards of Directors examining the annual or half-yearly financial statements. They can also meet on the request of their members, or the Chairman of the Board of Directors.
The two sub-committees meet at least once per annum, in the extended form of the Audit Committee, before the annual financial statements are approved, in order to deal with joint matters relating to Group risk and provisioning policies and their impacts on the financial statements or any other topical subject. That meeting is chaired jointly by the Chairman of the Accounts Committee and the Chairman of the Internal Audit, Risks and Compliance Committee.
In order to achieve optimum performance of their tasks, the members of that committee may benefit, on their request and at the company's cost, from specific training taking account of Group features and in particular its internal audit.
The competences and the mode of operation of the Audit Committee (and its two subcommittees) are described in their internal rules.

Internal audit

Organisation and governance

Internal audit task

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, internal audit grasps all the objectives of the organisation, analyses the risks associated with those objectives and periodically assesses the robustness of the controls put in place to manage those risks. Internal audit then submits an assessment of the residual risks to management so that the latter can validate their adequacy to the global risk profile desired by the Dexia Group, and for Dexia SA, and if necessary put forward actions to management to increase the effectiveness of controls.
Moreover, via audit committees, internal audit attends Boards of Directors in the entire Group as part of its surveillance role.
In accordance with international standards, a joint audit charter sets out the fundamental principles governing the internal audit function in the Dexia Group, describing its objectives, its role, its responsibilities and its modes of operation. The new charter was presented to and approved by the Management Board on 27 July 2010 and by the Audit Committee of Dexia SA on 4 August 2010. So that each member of staff of the Dexia Group can grasp the importance of the function in the internal audit mechanisms and aids to the management of the Dexia Group, the audit charter was published on the Dexia internet site *(wwww.dexia.com)* as well as on the Dexia SA intranet site during the first half-year 2011.

Guiding principles

The strategy, the level of requirement and the rules of operation of internal audit in the Dexia Group are fixed by the Management Board of Dexia SA, within the framework approved by the Board of Directors of Dexia SA, via its Audit Committee. That framework takes account of the requirements, legislation and local regulations and instructions from the prudential control authorities.
In line with professional and ethical standards, the following general principles underlie the performance of the tasks of the internal audit support line and are compulsory for all auditors:

- Objectivity: the objectivity of audits is guaranteed by several elements: the allocation of auditors, the objectification of audit conclusions via a documented methodical approach, the supervision of tasks and taking account of the point of view of the party audited through a process in which both sides take part.
- Independence: independence is ensured by aligning each audit management to the highest hierarchical level of the entity for which it is responsible.
- Impartiality: internal audit is not involved in the operational organisation of Group entities. Group Management Boards may however call on them for an opinion, advice or assistance. This type of intervention by internal audit must remain exceptional, particularly with regard to the elaboration and introduction of internal audit procedures.
- Access to information: in performing its task, internal audit has access to all information, documents, premises, systems or persons of the entity for which it is responsible, including information regarding management, minutes and files from consultative and decision-making bodies. Within that context, audit management has access to all information in all Group entities.
- Confidentiality: each auditor is bound by a strict duty of reservation and discretion. In particular it must ensure fulfilment of the obligations of professional secrecy arising from the regulations.
- Competence: each auditor must demonstrate the greatest professionalism and have constant training to ensure mastery of the rapid developments of audit techniques, banking, financial and IT techniques and fraud techniques. Training requirements are assessed at annual appraisals.
- Common methodology: auditors use the same methodology and document in their work in order to ensure consistent quality of interventions and the traceability of investigations by internal audit in the Group and to foster a consolidated perception of risks and their control.

Internal audit receives the means necessary to perform its tasks from the Management Boards of the Dexia Group so that it can respond constantly to the evolution of structures and the environment of the Group.

Scope of intervention

All activities, processes, systems and entities of the Dexia Group are within the scope of action of internal audit, without reservation or exception. The scope of intervention includes all processes, whether operational, support, management, corporate governance and risk management and control processes.
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.

Organisation of the function

Principles

The Dexia Group internal audit support line operates in accordance with a directive model by which all the general auditors of the entities run directly by Dexia SA report directly to the General Auditor of Dexia SA, and this has an impact principally on the fixing of objectives and the assessment of the general auditors of the entities reporting to the Dexia SA General Auditor. Within this context, the heads of internal audit in the branches report hierarchically to the general auditor of their parent company and the heads of internal audit in the support lines of the parent companies report to them operationally.

Organisation of an audit function

When Dexia SA has a majority holding in a subsidiary or, if there is no majority holding, when the prudential control authorities expressly ask for one, an audit function is established in that subsidiary. If the creation of an audit function is not considered pertinent, Dexia SA assumes the function of local audit and if necessary a service level agreement is concluded between Dexia SA and the subsidiary concerned.

Role of Dexia SA audit department

Dexia SA audit department is charged with ensuring the adequacy of the organisation of internal audit put in place throughout the Dexia Group and the quality of its operation. Dexia SA audit department is responsible for:
- the audit strategy and its appropriate implementation in all audit department of the Dexia Group;
- the definition and application of a common risk analysis methodology;
- the definition and application of a common audit methodology;
- the definition and application of a common recommendation follow-up methodology;
- the optimum allocation of competences within the function;
- the determination of the level of training required of auditors throughout the Group;
- the coordination and assessment of training programmes;
- the circulation of necessary information within the function;
- the implementation of quality control;
- the management of central projects and the provision of audit tools;
- the attribution and monitoring of the operating budget of each local audit department.

Governance

The organisational structure of internal audit is aligned to the organisation of the Dexia Group by business lines and support functions. Each "segment" thus defined is run by a Group Head of Audit (GHA) who is responsible for the identification and surveillance of risks relating to the segment with which he is entrusted, in liaison with the operational directors concerned, as well as supervision of all the audit tasks in relation to that segment.

The segments are as follows:
- Public and Wholesale Banking;
- Retail and Commercial Banking, Asset Management and Investor Services;
- Private Banking;
- Market activities, Balance-Sheet Management, Risk and Finance;
- Operations, IT and other support functions.

This organisation, by transversal segment, is superimposed on the organisation by entity, so as to maintain a global view of risks.

The General Auditor of Dexia SA sees to the adequate cover of risks over the entire scope of the Dexia Group: head office, subsidiaries and branches. It also plays an interface role with the management of Dexia SA and the Regulator.

For the management of the support line, an Audit Management Committee (AMC) has been established. It is composed of the General Auditors of Dexia SA, Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg, Dexia Crédit Local and DenizBank, segment heads and the Head of the Audit Management Office (AMO). The AMC has the task:
- of managing the audit strategy as well as the human and financial means of the support line;
- to define and update the audit universe, to validate the risk map prepared by each of the Group Heads of Audit and to ensure optimum planning of the audit tasks;
- to define the internal audit methodology applicable in the Dexia Group and to ensure its proper application;
- to establish the Group's global audit plan to be presented for approval to the various committees of Dexia SA and its operating entities;
- to analyse the result of monitoring the performance of the internal audit support line.

The AMO unit has the role of providing support to the audit support line. It thus has the objectives of defining and updating the methodology and audit processes, of elaborating and/or coordinating the different activity reports produced by the support line (internally and externally), of implementing and maintaining the tools necessary for the proper functioning of the audit support line, of coordinating the work with operational risk teams and Compliance, of producing performance indicators for the realisation of tasks and for organising the auditor training plan as well as the quality reviews in order to ensure correct application of the audit method and processes. The AMO unit organises and also participates in the Audit Committee and, in an effort to strengthen control of subsidiaries and branches, monitors the surveillance bodies of the entities and their subsidiaries/branches as well as the tasks performed by the local regulators. Finally, the AMO unit is responsible for management of the audit plan, which means that it plans all the tasks under the audit plan as well as any tasks outside the plan.

In terms of governance, this organisation of the support line presents the following advantages:
- each member of the Management Board has a single and clearly identified audit contact who has a view of all the risks in his field of responsibility;
- complete integration of the Audit Management Office function and its attachment to Dexia SA provides a single definition of the audit methodologies as well as monitoring and assisting in their proper application throughout the Group;
- the introduction at Dexia SA level of monitoring of the supervisory bodies on subsidiaries/branches (audit committees, supervisory boards) and monitoring of all the tasks performed by the local regulators, strengthens their control;
- the grouping together of auditors, in the Shared Service Centre for France, Belgium (excluding Dexia Insurance Belgium), Luxembourg and Turkey and the pool of IT auditors for Dexia SA, allows strengthened integration and tightened guidance of transversal audit tasks;

• a minimum number of auditors is maintained in the international subsidiaries/branches, as these are covered by multiple "joint" audit tasks, i.e. tasks performed in subsidiaries and branches by central teams in liaison with local teams.

It is to be noted that since the first quarter 2011, following the announcement in October of new structural measures, the organisation of the support line has been subject to adaptations in order to align it to the new structure and the new scope of the Group:

• the IT auditors, who under the integrated organisation report to the support line at Dexia SA will be transferred to the respective entities of their countries (Dexia Bank Belgium and Dexia Technology Services for Belgium, Dexia Crédit Local for France and Dexia Banque Internationale à Luxembourg for Luxembourg) at the latest by 31 March 2012;

• an additional task has been entrusted to the AMC, namely identification of the "unwinding" work at internal audit level and its priority nature. In order to reflect this new task, the AMC has been renamed the Audit Management & Transition Committee (AMTC) and the priorities of the AMO unit have been revised.

Audit work

The work of internal audit rests on robust methods translated directly from international good audit practices. Both the audit tasks and risk analysis through all the entities of Dexia rely on common methodologies. These are regularly adapted to reflect both the evolution of standards and returns of experience on the ground and the evolutions of structures.

The methodology first of all identifies the objectives of the business lines and the support processes in order then to quantify the impact of major risks which might adversely affect the achievement of those objectives. Then the audit tasks are targeted on the more critical subjects in terms of impact and probability of occurrence. The methods used structure the audit activity as a support to corporate governance in terms of risk control.

The global risk universe approach, the common audit methodology, the performance of "transversal" tasks if necessary, if not local and jointly depending on needs, and the terms of accounting and monitoring at the level of the Group parent company contribute to assessing whether the Dexia internal audit system is integrated and efficient and, if necessary, to asking for improvements.

Process of risk analysis and planning audit tasks and resources

Internal audit at Dexia SA exercises its function on the basis of a single audit plan for the Group defined by the AMC, approved by the Management Board and then by the Audit Committee and/or the Board of Directors.

This plan is constructed from an annual risk analysis performed independently by audit in compliance with best practices presented by the Institute of Internal Auditors. The principal stages leading audit to elaborate its audit plan are as follows:

• identification of potential critical risks which might be contrary to the outcome of business line objectives by business line and support process;

• evaluation of the degree of vulnerability of Dexia SA in relation to those critical risks, via a measure of the impact and probability of occurrence. The results of that evaluation enable more significant risks to be identified;

• identification of audit units and audit universes which are either at the origin of risks or responsible for anticipating them, leading to a risk score per audit unit, a score from which a frequency of audit review is deducted.

• listing of tasks performed in the past (the last three years) on audit units (back-testing).

• selection of tasks on risky audit units taking account of tasks performed in the past and possible regulatory requirements in terms of frequency.

With a desire for efficiency, the audit plan is targeted on the more risky audit units which are therefore those which, through all business lines and all support processes, carry the greatest number of risks and/or key controls for the achievement of objectives. The audit units which do not carry major risks are subjected to a simplified approach, responding to regulatory requirements to cover the audit universe.

This perennial plan thus defined enables any human resources requirement to be determined both from a quantitative and a qualitative point of view and training needs.

The audit plan draws a distinction between several types of audit tasks:

• these tasks are performed on the same scope in several entities at the same time and relate principally to one of the processes with a relatively high degree of integration;

• these tasks are performed jointly within an entity by local audit teams (when there is one), with the participation of one or more auditors from a shared service centre;

• local tasks which only relate to a single entity.

It is to be noted that in the fourth quarter 2011, following the announcement of new structural measures in October, there was a reclassification of audit tasks, to take account of decisions on the structure of the Dexia Group. Indeed, the tasks are now categorised as follows:

• "local" tasks, which only concern a single entity. Among these, some may be of "common interest", meaning that other entities (whether they still belong to the Dexia Group or not) are interested in the results of the task as, in a transition phase, these audited processes still have an impact on their own activities;

• so-called "joint" tasks, performed jointly within a subsidiary or branch by local audit teams (when there is one), with the participation of one or more auditors from the holding company;

• unwinding tasks and monitoring. In this category, we distinguish:
   - on the one hand, a series of unwinding tasks, which will relate to the risk elements identified in the process of transforming the Dexia Group. These tasks will be started in relation to the progress of the unwinding work when considered relevant,
   - on the other hand, monitoring the various projects by the correspondents out of a fully dedicated budget or their normal monitoring budget. The precise terms of that monitoring will be defined on a case-by-case basis by each correspondent in liaison with the General Auditor of their reporting entity and/or the Group Head of Audit in charge of Operations, IT and other support functions and will be communicated to the different heads concerned.

Method of performing audit tasks

The method of performing audit tasks is common to all entities of the Dexia Group. The different phases of the process are presented in a procedure which describes the different phases to be followed in performing an internal audit task (preparation, realisation, audit report, recommendation monitoring...) as well as the formats of documents expected at

each phase. The procedure also determines the roles and responsibilities and modes of review and approval and the archiving of documents.
The Dexia audit methodology revolves around four principal phases.

• The preparation phase: after studying the activity sector to be audited, when the aim is to gather and to analyse available information which might prove useful in properly understanding the activity, the audit team prepares a work programme which in particular includes the processes, risks, controls expected to cover the identified risks and tests to be performed in order to give an opinion on the concept and effectiveness of the controls in place to cover identified risks. A task letter informs those concerned as well as the members of the Management Boards of the entities involved of the scope, objectives and programme for the task.
• The realisation phase: each task must be performed on the basis of working documents established on a specific basis and organised in audit files. They clearly reflect the work carried out and the techniques and methods of work used to reach a substantiated conclusion. The audit opinion is expressed on the capacity of the controls to provide appropriate cover of identified risks. A causal analysis is performed of weaknesses revealed and residual risk is assessed.
• The conclusion phase: each task is subject to a written report, established in the presence of all concerned, intended for the parties audited as well as management. The report contains an assessment of the ability of the internal audit system to cover risks (positive and negative points), but also recommendations on measures enabling the risk level to be improved. Then action plans are established by the parties audited and discussed with audit. Each action plan is defined by an operational member of staff who assumes responsibility for it and the date completion. The audit attributes a critical level to each of the recommendations made. Finally, each audited process is given a rating expressing the degree of risk control. Throughout the task, a constant and constructive dialogue is established with the audited parties and management. Each report is then presented to the Management Board which rules on the recommendations, action plans and their completion.
• Recommendation monitoring: each task results in recommendations being made from the action plans defined by the audited parties with an undertaking on their part as to the date of completion. The aim of these is to remedy any weak points revealed by the audit tasks, in order to consolidate the internal audit system. The implementation of each action plan is regularly monitored by audit on the basis of a declared progress statement and supporting documents provided by the parties audited. Internal audit keeps a database of all recommendations arising from audit reports and has defined a consistent procedure for monitoring the implementation of those recommendations.

Monitoring

Twice a year, the General Auditor of Dexia SA presents the Audit Committee and/or the Board of Directors with a report on the activities of internal audit. This report contains a summary of the principal observations made during audit tasks, an annotated statement of the completion of audit plans, particularly in the case of a significant departure from planning, and an assessment of the sufficiency of means (from a qualitative and quantitative point of view).
To support the recommendation monitoring process, twice yearly monitoring of the action plans associated with the audit recommendations is presented to the Management Boards of the various Group entities, and any delays in completing the action plans responding to the recommendations are dealt with at this level.
On this subject, a new recommendation monitoring tool was commissioned successfully at the end of January 2010. This tool enables the auditors and the audited parties constantly to exchange views on the evolution of action plans responding to the audit recommendations. The tool has been deployed in the subsidiaries of the Dexia Group and the regulators' recommendations have been integrated.

Training

In addition to the training organised by human resources, an audit-specific training plan has been introduced. It has various sections to be followed depending on the role and seniority of the auditor. Furthermore, at a human risk control level, the organisation of internal audit in "shared service centres" will provide better cover for Group activities by mitigating the risk of a lack of means (in quality and in quantity) and ensuring the required reactivity in case of urgency.

Projects for 2012

After the methodological work in 2009 and 2010 (new risk analysis methodology for establishing the audit plan, common recommendation monitoring tool for the internal audit support line and a new report model with an update of the "underlying" audit methodology), the year 2011 was marked be a stabilisation overall.
Only work on the Risk Map Summary was carried out in 2011. Its aim is to provide a one-page summary view at the end of an audit of the residual risks of the matter audited using a graduated visual scale. This new reporting format was tested in two pilot tasks. Its general application is planned for the beginning of 2012, after a rapid assessment of these two pilot tasks.

Activities in 2011

In terms of completion of the audit plan (number of tasks) over the year 2011, the rate of completion of local and joint tasks is deemed to be good and slightly up on the rate for transversal tasks.
The audit tasks performed in 2011 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.
It is to be noted that in the second half-year 2011, the tasks in progress at the time that new structural measures were announced were brought to a conclusion, including transversal tasks, sometimes with certain adaptations of form (elaboration of one report per entity rather than a global report) and an adaptation of the recommendations to the overall context.
Contacts with the various Group regulators, whether through inspections or meetings, remain intensive and contributed in 2011 to mobilisation of a significant amount of the time of the internal audit work force.
When the Regulator performs a task within the Dexia Group, the role of audit consists of monitoring its progress ensuring that the elements requested are properly transmitted to the Inspectors, coordinating, at the end of the task, the formulation of action plans responding to the recommendations by

the Regulators (applying the principle of strengthening the role of audit in these matters), then to likewise monitoring the response to its own recommendations.
At Dexia SA level, the tasks performed by the Regulators in 2011 related in particular to the following matters: risk management and more particularly the Retail and Commercial Banking credit risk, collateral management and the organisation and operation of the network audit.
Moreover, regarding relations with the supervisory authorities and the corporate auditors, the audit department of subsidiaries and branches of Dexia SA inform the audit department of Dexia SA of planned meetings on the audit operation, tasks performed by the prudential control authorities in their entities (throughout the task) and the matters deemed important arising from their regular meetings with the corporate auditors and the supervisory authorities and submit the reports. The audit department of Dexia SA may attend these meetings when they so desire.

Investigation and Branch Audit unit

The Investigation and Branch Audit (IBA) unit within Dexia SA is responsible for the definition of transversal methodologies, taking charge of investigations within Dexia SA, investigations in entities not covered by a local investigations team, and transversal investigations (involving several Dexia Group entities).
Moreover, this unit gives Dexia, independently and objectively, an assurance as to the degree of control of risks associated with activities in the physical distribution channels present in Group entities. It supervises the management by local teams of the risk management, control and governance process in those distribution channels.

Organisation and governance

In terms of governance, the Investigation and Branch Audit support line is placed under the responsibility of the Group Head of Investigation and Branch Audit, reporting to the General Auditor of Dexia SA. It consists of:
- an Investigation and Branch Audit unit reporting hierarchically and operationally to Dexia SA audit department;
- local Investigation and Branch Audit units reporting hierarchically to the audit department of the entities but which nonetheless depend operationally on the Investigation and Branch Audit management of Dexia SA.

In order to manage and to steer the unit, a so-called IBAEC (Investigations and Branch Audit Executive Committee) coordinates it. The meetings planned in the 2nd and 4th quarters were cancelled due to exceptional circumstances (priority to a transversal investigation in the 2nd quarter, unwinding of the support line in the 4th quarter).
An Investigation and Branch Audit Charter sets out the fundamental principles governing the Investigation and Branch Audit function, describing its objectives, roles, powers, duties and responsibilities, modes of operation and basic rules. This document assists in fixing objectives for the unit and describes relations and conditions of intervention by the IBA team of Dexia SA vis-à-vis other entities of the Dexia Group taking account of the presence or not of local investigation teams.
Already approved by the competent bodies of Dexia SA in 2010, the charter was approved by all the major entities of the Group in 2011.
Publication of the charter and its operational implementation involving the conclusion of various collaboration agreements or service level agreements between Dexia SA and its subsidiaries was suspended awaiting the establishment of compliance/investigation guidelines, governing access to personal data. An agreement was reached with the Legal, Compliance and Tax support line in September 2011. The Charter and related guidelines will be revised according to the future structure of the Dexia Group.

Activities in 2011

Beyond the activities around elaborating and implementing the Investigation Charter and the compliance guidelines, the activity of the Investigation and Branch Audit (IBA) team of Dexia SA revolved in 2011 around the following lines:

Actions involving awareness of the organisation as to fraud risk(s)

On the request of the Operational Risk Management support line, the Dexia SA team cooperated in an awareness campaign focused on the clean desk and the theft of supports which might contain Dexia information, in the form of a film on the intranet site accompanied by a written message.

Performance of tasks

In 2011, the Investigation and Branch Audit team was involved in several tasks:
- a transversal task covering the use of telephone means available to members of staff “Dual Invoicing”;
- two tasks, following cases of whistleblowing, in the subsidiaries/branches of certain Group entities;
- a task, initially planned in 2010 but begun in 2011, concerning assistance in the analysis of supplier accounting and more precisely the exposure to financial risk associated with the double payment of supplier invoices. This task, entrusted to an outside service provider, will continue until the end of the 1st quarter of 2012.

Inquiries and information to the judicial authorities

In 2011, 17 inquiries and a request from a legal authority were dealt with by the IBA unit at Dexia SA. According to the classification of fraud risks set by the Basel II Committee, the inquiries made or ongoing can be classified in the following risk categories: internal fraud (9 tasks), external fraud (3 tasks), clients, products and business practices (3 tasks) and employment practices and workplace safety (5 tasks).
The IBA unit stresses that the work performed in 2011 necessitated close collaboration between entities (Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg, Dexia Crédit Local or Dexia Asset Management), both in transversal tasks performed by the investigation support line or by internal audit departments providing support on specific requests.
From a quantitative perspective, the number of cases dealt with is down significantly (21 cases in 2010, a fall of 20%).

Compliance

The Compliance function is an independent 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 falling within the Compliance function as well as the principles of governance underlying the approach adopted by Dexia regarding compliance are set out in the compliance policy which was 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 identifies, analyses and measures non-compliance 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 area.
• 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.
• 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 Management Boards and Coordination Committees of Internal Audit with regard to its activities and the status of any major shortcoming.

Organisation and positioning

The Group's Chief Compliance Officer reports to the member of the Management Board of Dexia SA responsible for the Legal, Compliance 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 Compliance Committee of Dexia SA on any significant incident.
This organisational mode was duplicated within the main entities.
Dexia SA Compliance was reorganised in 2011. Permanent audit, previously attached to the Compliance function, was transferred to the Risks Department in order to optimise synergies with the Operational Risk department.

Compliance is now composed of two divisions:
- the "Policies and Guidelines" pole in charge of fields relating to regulatory surveillance of compliance, market abuse, conflicts of interest, client and private data protection, relations with entities directly reporting to Dexia SA (Dexia Technology Services and DenizBank), and determination of the compliance framework applicable to the different business lines;
- the "Monitoring, Reporting and Tools" pole in charge of administration, global monitoring of the Compliance function and specific monitoring in particular regarding MiFID. This pole is also in charge of establishing the compliance risk map and coordination of the AML and CTF mechanisms in Group entities.

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 and will be adapted in relation to the evolution of the Dexia Group scope.
Furthermore, there is periodic reporting by each Group subsidiary. A consolidated report is then drawn up and submitted to the Internal Control, Risks and Compliance Committee.
A Compliance risk map exercise was performed in 2010 and presented to the different entity Management Boards and the Dexia Group Audit Committee at the beginning of 2011. Considering existing Group activities, policies and procedures, the map led to the observation of a moderate residual risk level in line with previous analyses. Action plans were put in place and monitored throughout the year.
The risk map also served as a basis for the definition of a consistent control plan for all Group entities in 2011, being finalised for subsidiaries and branches of the main entities. The aim of this exercise is to ensure the application of policies, guidelines and procedures, if necessary to detect malfunctions and to implement corrective measures in order for the support line to be better run.
There were several actions aimed at strengthening the compliance framework of the various activities regarding the combating of money laundering and the prevention of terrorism (procedures aimed at implementing the 3rd directive for subsidiaries subject to those regulations, the introduction of a renewed country policy and so on), protection in the circulation of confidential information which might become insider information (measures for awareness, prevention and training essentially), regarding the protection of personal data (particularly in sensitive project implementation) or the protection of clients.
As for client protection, a consolidated quarterly MiFID report is now operational in all the entities concerned by MiFID. This report contains the indicators and results of tests intended to measure the performance of procedures relating to the European MiFID directive. It is produced by Dexia SA on the basis of reports from the different entities subject to that directive and on the basis of exchanges and discussions between the Dexia Group and the main entities. Once validated, the final report is presented by the Chief Compliance Officer to the Audit Committee. It has also been the basis of joint actions with the commercial departments of entities to improve the quality of client services. Policy relating to the prevention of conflicts of interest was updated and policy regarding the

compensation received or paid by entities was introduced in order to coordinate and to harmonise the different entity practices.
In the same field, major works were completed regarding the structured credits sold to public sector clients and not falling under MiFID. A policy aimed at defining the type of product sold, client profiles and marketing rules was put in place in the Group entities concerned and regularly monitored throughout the year.
The rules for the prevention of insider trading in Dexia financial instruments define the statuses attributed to members of staff depending on access to the insider/sensitive information they are liable to have in the performance of their tasks, and set the restrictions/obligations associated with each status. Those obligations were recalled several times during Group restructuring operations.
Training was organised in all the entities in the fields of compliance, developing an e-learning formula, implementing specific MiFID-related training and in particular of the code of professional ethics for members of staff of Dexia SA in order to remind them of the key principles in terms of compliance.
Concrete actions were gradually taken to improve supervision of the network of subsidiaries and branches.
Each main entity is responsible for organising contacts with their respective subsidiary networks.
Indeed, Dexia SA Compliance maintains close relations with directly attached entities and with the main entities.
The Group restructuring announced in October 2011 led to definition of a transitional plan for the field of Compliance in order to assist in the disposal of entities. That restructuring will impact the Compliance support line like other support lines and the appropriateness of means to tasks to be performed by Compliance will remain a point for attention in 2012.

Characteristics of internal audit within the context of producing financial information

The Finance support line has the following five departments, reporting to the Chief Financial Officer, member of the Management Board:
• Financial Management, including transversal services to the Finance support line, i.e. Capital & Structuring, Finance Project Management, Finance Control & Finance Prudential Watch;
• Accounting and Consolidation;
• Strategic Planning and Controlling;
• Balance-Sheet Management (BSM);
• Financial Communication.
Dexia's scope of consolidation includes the following direct subsidiaries, also known as the operational entities:
• Dexia Bank Belgium SA, until 20 October 2011;
• Dexia Crédit Local SA;
• Dexia Banque Internationale à Luxembourg SA;
and the following subsidiaries:
• Dexia Holdings Inc. (holding company of Dexia Financial Products);
• Dexia Participation Belgique SA (holding company of DenizBank);
• Dexia Nederland BV (result from the merger of Dexia Nederland Holding SA and Dexia Bank Nederland);
• Associated Dexia Technology Services SA;
• Dexia Management Services Ltd;
• Dexia Participation Luxembourg SA;
• Dexia Funding Luxembourg SA.

Production of the financial statements

The Accounting and Consolidation department produces the following financial statements:
• the consolidated financial statements of the Dexia Group;
• the periodic prudential reports;
• the company financial statements of Dexia SA.
It also monitors and audits the accounting data of the permanent establishments of Dexia SA in France and Luxembourg and, within the context of the consolidation process, of its direct subsidiaries.
In particular it checks that the information provided is consistent and complies with Group rules.
It has four departments:
• Accounting Standards;
• Consolidation;
• Consolidation Information Systems;
• General Accounting.

Dexia SA consolidated financial statements

Dexia SA principally has holdings in Dexia Crédit Local, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium (until 20 October 2011) and DenizBank. Each of these entities prepares consolidated financial statements and these are in turn consolidated with the financial statements of the holding company, Dexia SA, and of directly associated subsidiaries.
The main adjustments booked by the Dexia Group Consolidation division relate to the elimination of reciprocal accounts and intra-Group transactions (asset acquisitions/disposals, dividends...). They also relate to the reprocessing of companies held by different Group entities.
If there is difficulty in interpreting the accounting principles, all entities may call on the Dexia SA Consolidation division. In collaboration with the Accounting Standards division, it gives them an appropriate answer.
When the consolidated financial statements have been finalised, they are submitted for review to the Chief Financial Officer who has them approved by the Management Board. They are then presented to the Audit Committee (part of the Accounts Committee), and approved by the Board of Directors of Dexia SA. The consolidated financial statements of the entities are prepared by the Dexia SA Consolidation team and presented for review to the Head of Accounting of the entity, who approves them and has them approved by the Chief Financial Officer of the entity.

Consolidation tool

Consolidation reporting uses a common tool deployed in all Dexia subsidiaries and branches. It operates via a common database, Dexia SA thus having access to all bundles.
The shared use of this common database enables consolidated data to be established at Dexia level and at an operational entity level.
The selection of data, for each entity or subsidiary, is managed on the basis of scopes of consolidation established by each consolidation level.

Consolidation process

Units gather basic data using standardised frameworks, i.e. bundles.

The Group accounting plan, integrated into the consolidation software, is common to all Dexia entities and subsidiaries. The amount of detail required from subsidiaries is defined at Group level.
The standardised bundles are adjustable to permit the gathering of specific data for a sub-group (or consolidation level).
Bundled data is then subject to the appropriate consolidation processing, either via automatic processes managed by the consolidation software or by manual entries so as to result in consolidated data. Manual entries are managed by the Consolidation divisions of the entities and subsidiaries. Manual entries are also subject to defined checks in the software.
Within the Consolidation division, reciprocal transactions are reconciled under management supervision. An operating mode details the rules relating to specific problems (securities issued by a Group entity, acquired by another Group subsidiary, reciprocal rate-hedged lending and borrowing, maintenance of hedge relations including intra-Group derivatives and value gaps of derivatives).

Notes and appendices to the annual financial statements

Some of the notes and appendices to the annual financial statements are not drawn up directly by the Accounting and Consolidation department, but come from the following departments:
- Strategic Planning and Controlling (analysis per business line);
- Risk Management (notes on risks);
- Legal (note relating to litigation, state guarantees, related parties transactions);
- Human Resources (related parties transactions – management, stock options).

The planning for gathering this information and final responsibility for the content of the annual financial statements are assumed by the Finance department.

Dexia SA annual financial statements

Dexia SA accounting is kept in Brussels and also in the permanent establishments in Paris and Luxembourg. These three establishments keep a separate accounting. On a monthly basis, all transactions recorded in the financial statements of the permanent establishments are integrated at the registered office in Brussels using the SAP tool.
Additional checks are made by teams in the Accounting department when drawing up the quarterly or annual financial statements. Balances and the principal evolutions must be justified.

Accounting standards

The Accounting Standards department has become the competence centre for the entire Group. Its task is:
- to monitor, analyse and interpret IFRS/IAS/IFRIC/SIC accounting standards published and endorsed by the European Union;
- to ensure compliance of the consolidated financial statements with those standards;
- to analyse transactions proposed by the business, to determine their IFRS treatment and to assist entities and other departments on questions relating to standards, financial structures and new products;
- to represent Dexia before external organisations such as EFRAG (European Financial Reporting Advisory Group), EBF (European Banking Federation), Febelfin(1);
- to centralise updated documents relating to standards and to make them available to entities and subsidiaries.

(1) Febelfin is the "umbrella federation" of the Belgian financial sector.

Periodic prudential reporting

Standardised reporting (COREP) and the calculation of solvency margins are sent to the National Bank of Belgium four times a year; they are also sent to the French and Luxembourg supervisory authorities. Regulatory ratios (CAD) are calculated quarterly for publication purposes.

Components of COREP reporting

COREP reporting is realised with contributions from:
- the Finance support line (calculation of regulatory capital, floor calculation, calculation of capital requirement for market risk – standard method);
- the Credit Risk Management division (calculation of capital requirement for credit risk);
- the Market Risk Management division (calculation of capital requirement for market risk – internal model);
- the Operational Risk Management division (calculation of capital requirement for operational risk).

Equity capital requirements are calculated by different divisions of the Risk Management support line and are subject to checks defined within that same support line. The Finance support line checks probability by comparison with requirements declared in the previous period.

Calculation of regulatory equity capital

Regulatory equity capital is calculated on the basis of:
- the consolidation of the financial statements on a prudential scope for capital elements, for the value of holdings to be deducted (by the equity method or not), for items to be deducted;
- the calculation of the fair value of subordinated loans by the different consolidation levels; compliance of the calculation base with the accounting balances is checked centrally; the result of the calculation is entered under a technical heading on the consolidation software;
- the calculation provided by Risk Management regarding expected loss and impairments booked; the amount is entered under a technical heading on the consolidation software.

Components of FINREP and MoU reporting

Since 2011, Dexia SA has been subject to the quarterly FINREP reporting of financial institutions. Moreover, it has to provide certain additional information to the regulators within the framework of the Memorandum of Understanding (MoU).

Other reporting

Beyond the preparation of company and consolidated financial statements and prudential documents, the Accounting division provides different reports to other supervisory authorities (FRY7 for the Federal Reserve in the USA, statistical surveys to various authorities, and so on) and takes part in the preparation of publications/reports for instance under Pillar 2 and Pillar 3.

Relations with the Statutory Auditors

The Statutory Auditors make regular checks on the financial reporting of the various entities and subsidiaries of the Dexia Group.
They are involved with the entire process of checking the financial and accounting information with a concern for efficiency and transparency. As part of their duties they analyse the accounting procedures and assess the internal audit systems necessary for reliably establishing the financial statements. They issue instructions to the auditors of the entities

and ensure their work is centralised. They organise summary meetings on the results of their audits and assess the interpretation of standards. Finally, they check the consistency of accounting information between the management report and the financial statements. The performance of these duties enables them to obtain a reasonable assurance that, considering the legal and regulatory provisions governing them, the annual financial statements give a true picture of the assets, financial situation and results of the company and that the information given in the Notes is appropriate. They issue an opinion on the company's and the Group's consolidated accounts.

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.
The function of legal control of the financial statements of Dexia SA has been in the hands of Deloitte – Reviseurs d'entreprises SC s.f.d. SCRL, a company represented by Messrs. B. De Meulemeester and F. Verhaegen, Statutory Auditors, whose mandate was renewed by the Ordinary Shareholders' Meeting in May 2011 for a term of three years closing at the end of the Ordinary Shareholders' Meeting in May 2014.

Compensation of the Statutory Auditor

This table gives a summary of the compensation paid to the statutory Auditor for its services in 2011 at Dexia SA and at the level of the whole Group.

DELOITTE (in EUR)	**Services rendered to Dexia SA**	**Services rendered to Dexia Group (consolidated amounts)** [1]
a) Audits of the financial statements	285,000	5,509,858
b) Certification work	0	330,416
c) Tax advice	33,233	57,642
d) Due diligence	0	0
e) Other work (not certification)	38,594	597,429
TOTAL	**356,827**	**6,495,345**

(1) Including entities held for sale.

Protocol on the prudential structure of the Dexia Group

Financial supervision on a consolidated basis of the financial company Dexia SA, parent company of the Dexia Group, is exercised by the Belgian National Bank.

In accordance with the provisions of the European directives on banking coordination, and considering the Dexia Group's current structure and the evolution of its share price, on 24 January 2012 the Belgian National Bank and the Prudential Control Authority concluded a new cooperation agreement in relation to supervision of the Dexia Group.

This agreement aims to ensure close coordination between the decisions taken by the authorities at financial company level and those taken at sub-Group level, namely for Dexia Crédit Local, by common positions being taken prior to the respective decisions of the two authorities.

It replaces the earlier agreement concluded between the Belgian, French and Luxembourg supervisory authorities in relation to the consolidated supervision of the Dexia Group.

General information

Share capital

Share capital as at 31 December 2011

On 11 May 2011, the Extraordinary Shareholders' Meeting decided to make a capital reduction amounting to EUR 4,066,909,391.39 by the appropriate impairment of the loss incurred, as it appears in the financial statements as at 31 December 2010. This Extraordinary Shareholders' Meeting also decided to increase the capital by EUR 243,110,168.10 with the incorporation of reserves and the issuance, representing that capital increase, of bonus shares to be distributed to shareholders.
As at 31 December 2011, the share capital was EUR 4,618,136,424.80 represented by 1,948,984,474 shares without indication of nominal value, including 329,420,124 registered shares, 1,613,465,075 dematerialised shares and 6,099,275 (physical) bearer shares. The shares are listed on Euronext Brussels, Euronext Paris and the Luxembourg Stock Exchange.

SUMMARY TABLE OF DEXIA SUBSCRIPTION RIGHTS (WARRANTS) (AS AT 31 DECEMBER 2011)

	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 (5)
Warrants granted in 2001							
"ESOP 2001" Warrants	16.15	30 June 2004 (1)	31 Dec. 2011 (1)	8,100,000	2,715,038	952,736	0
Warrants granted in 2002							
"ESOP 2002" Warrants	12.35/10.74 (2)	30 Sept. 2005 (1)	23 July 2012 (1)	10,000,000	5,541,057	529,182	4,087,911
	12.35						1,121,371
	10.74						2,966,540
Warrants granted in 2003							
"ESOP 2003" Warrants	10.28	30 Sept. 2006 (1)	24 July 2013 (1)	10,000,000	2,247,878	452,169	8,065,490
Warrants granted in 2004							
"ESOP 2004" Warrants	12.26	30 Sept. 2007 (1)	24 July 2014 (1)	10,000,000	81,250	735,678	10,232,603
Warrants granted in 2005							
"ESOP 2005" Warrants	16.30	30 June 2008 (1)	29 June 2015 (1)	9,994,950	15,000	922,926	9,991,281
Warrants granted in 2006							
"ESOP 2006" Warrants	16.83	30 June 2009 (1)	29 June 2016 (1)	9,760,225	15,000	737,980	9,899,471
"2006 network share ownership plan" Warrants	19.21	29 Oct. 2011	29 Oct. 2011	197,748	0	218,671	0
"ESOP 2006" Warrants	18.73	15 Dec. 2009	14 Dec. 2016	235,000	0	30,987	228,878
Warrants granted in 2007							
"ESOP 2007" Warrants	21.02	30 June 2010 (1)	29 June 2017 (1)	10,322,550	0	493,956	10,883,145
Warrants granted in 2008							
"ESOP 2008" Warrants	9.12	30 June 2011	29 June 2018	7,093,355	0	110,906	7,553,684
"ESOP 2008" Warrants	11.44	30 June 2012	29 June 2018	3,466,450	0	224,660	3,531,624
"FP state guarantee" warrants (3)		11 May 2011	11 May 2016 (4)	2	0	0	2

(1) Except under specific conditions.
(2) 13.35: France/10.74: other countries.
(3) Relates to the issue, decided by the Extraordinary Shareholders' Meeting on 11 May 2011, 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 18 March 2011: http://www.dexia.com/FR/gouvernance/conseil_d_administration/rapports_speciaux/Documents/20110418_rapport_actions_de_bonus_FR.pdf.
(4) Warrants were issued for a term of five years.
(5) In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the resolution passed by the Extraordinary Shareholders' Meeting held on 11 May 2011, the exercise price for warrants was reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe. Those adjustments were observed by notarised deed dated 14 June 2011. By virtue of that adjustment, warrant holders are in the same financial situation as before the issue of the bonus shares.

Authorised capital (Article 608 of the Company Code)

Following the capital reduction (EUR 4,066,909,391.39) and the capital increase (EUR 243,110,168.10), both decided by the Extraordinary Shareholders' Meeting on 11 May 2011, the amount of authorised capital was reduced to an amount equal to the amount of new share capital (namely EUR 4,618,136,424.80) by decision of the Extraordinary Shareholders' Meeting that same day.

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

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.

SUMMARY OF TRANSACTIONS ON OWN SHARES

Period from 31 Dec. 2010 to 31 Dec. 2011	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	
					31/12/10	31/12/11
Situation at the beginning of the period	**1,846,406,344**	**307,548**	**4.572**	**9,301**	**0.02%**	**0.02%**
Acquisitions over the period	0	0	-	-	0.00%	0.00%
Cancellations over the period	0	0	-	-	0.00%	0.00%
Transfers over the period	0	0	-	-	0.00%	0.00%
Issues over the period	102,578,130 (1)	17,086	2.37	2,370		
Situation at the end of the period	**1,948,984,474**	**324,634**	**2.37**	**8,936**	**0.02%**	**0.02%**

(1) The issue of 102,578,130 shares ("bonus shares") was decided by the Extraordinary Shareholders' Meeting held on 11 May 2011. Their effective issue was observed by notarised deed dated 14 June 2011. They were distributed to shareholders in the proportion of one bonus share per 18 existing shares.
(2) One bonus share was allocated per 18 existing shares, corresponding to 17,086 bonus shares for 307,548 own shares held.

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;
• 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 2011.
The balance of the portfolio of own shares as at 31 December 2011 corresponds to the number of Dexia shares still held by Dexia Crédit Local (direct subsidiary of Dexia SA within the meaning of Article 627 § 1 of the Company Code), within the context of a share option plan put in place by that subsidiary in 1999.

Overview of the direct holdings of Dexia SA as at 31 December 2011

The 12 direct holdings of Dexia SA as at 31 December 2011 are as follows:
• 100% in Dexia Crédit Local SA (France);
• 57.68% in Dexia Banque Internationale à Luxembourg SA (Luxembourg);
• 99.99% in Dexia Participation Luxembourg SA (Luxembourg), which holds 42.23% of Dexia Banque Internationale à Luxembourg SA;
• 10% in Dexia Holdings Inc., the parent company of Dexia FP Holdings Inc. (United States);
• 100% in Dexia Nederland BV (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;
• 100% in Dexiarail (France);
• 100% in DCL Investissements (France);
• 49% in Dexia Asset Management Luxembourg.

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

Agenda of the Shareholders' Meetings

The agendas for the Ordinary Shareholders' Meeting and the Extraordinary Shareholders'
Meeting to be held on Wednesday 9 May 2012 in Brussels are available on the Dexia SA Internet site: *www.dexia.com*.

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 admitted for trading on a regulated market, and the Royal Decree dealing with its execution 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.
During the year 2011, Dexia SA received various notifications from its shareholders, namely:
• several notifications sent by BlackRock Inc. their holding exceeding the statutory threshold of 1% as at 31 December 2011;
• a notification sent by the shareholders which had concluded an agreement under which they are deemed to constitute "parties acting in concert" (see paragraph entitled "Legislation on tender offers") to communicate the sale of shares held by Ethias SA to Ethias Finance SA on 7 July 2011;
These notifications are available in full on the Dexia SA internet site.
It emerges from these notifications that no shareholder, other than the reference shareholders listed in the table on page 19, and BlackRock Inc. holds more than 1% of the share capital of Dexia SA as at 31 December 2011.

Legislation on tender offers

"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, either alone 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 the object of a notification to the CBFA and a communication to Dexia SA in accordance with Article 74 § 6 and 7 of the Law of 1 April 2007 relating to public takeover bids.
The principal elements of that communication are published on the Dexia SA internet site.
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 2011, 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 (table to follow).

	2010		2011	
	Number of shares held with voting rights	Percentage of shares held with voting rights	Number of shares held with voting rights	Percentage of shares held with voting rights
Arcofin SCRL	248,813,296 (1)	13.48%	263,080,112 (2)	13.50%
Arcopar SCRL	2,571,219 (1)	0.14%	3,464,194 (2)	0.18%
Arcoplus SCRL	530,092 (1)	0.03%	710,702 (2)	0.04%
Arcosyn SA	605,492 (1)	0.03%	789,692 (2)	0.04%
Auxipar SA	931,855 (1)	0.05%	1,131,596 (2)	0.06%
Holding Communal	267,444,856 (3)	14.48%	278,495,869 (4)	14.29%
CNP Assurances SA	54,677,878 (5)	2.96%	57,715,526 (6)	2.96%
Caisse des dépôts et consignations	325,218,902 (5)	17.61%	343,286,618 (6)	17.61%
Ethias Droit Commun	0 (1)	0%	0 (2)	0%
Belré SA	0 (1)	0%	n.a.	n.a.
Nateus Life SA	0 (1)	0%	0 (2)	0%
Nateus SA	0 (1)	0%	0 (2)	0%
Ethias SA (formerly Nateus SA)	93,065,092 (1)	5.04%	0 (2)	0%
Ethias Investment RDT-DBI SA	0 (1)	0%	0 (2)	0%
Ethias Finance SA	0 (1)	0%	98,235,361 (2)	5.04%

(1) As at 31 August 2010.
(2) As at 30 August 2011.
(3) As at 27 August 2010.
(4) As at 29 August 2011.
(5) As at 26 August 2010.
(6) As at 30 August 2011.

Publication in accordance with Article 34 of the Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted for trading on a regulated market

Capital structure as at 31 December 2011

The shareholder structure is detailed on page 19, and the information relating to share capital is provided on page 55 of the Declaration of Corporate Governance.

Legal or statutory restriction on the transfer of shares

In 2007, Dexia SA issued a share ownership plan reserved for members of staff of the Dexia Group which took the form of a capital increase reserved for members of staff of the Dexia Group enabling them to subscribe either in a classic investment or in a structured leverage formula.
Members of staff had the opportunity to subscribe directly or indirectly via a lever effect to new Dexia shares at a discount of 20% on the share price provided the shares thus acquired by members of staff were non-transferable for five years.
All the immobilised shares will be unlocked in October 2012.

Holders of any security bearing special control rights

No special right is attached to securities representing the company's share capital.

Control mechanisms provided in an employee share ownership plan when control rights are not exercised directly

Not applicable.

Legal or statutory restriction on the exercise of voting rights

The voting rights on own shares held by Dexia SA or its subsidiaries, i.e. 0.02%, are not exercised during the Shareholders' Meetings of Dexia SA.

Agreements between shareholders known by the issuer and which may involve restrictions to the transfer of securities and/or the exercise of voting rights

Not applicable.

Rules applicable to the appointment and the replacement of members of the Board of Directors as well as amendment of the articles of association of the issuer

The rules relating to the appointment and replacement of members of the Board of Directors are detailed on page 25 of the Declaration of Corporate Governance as well as the Corporate Governance Charter published on the company's internet site.

The company's articles of association may be amended in accordance with the provisions of the Company Code.

Powers of the administrative body, particularly concerning the power to issue or to repurchase shares

The Board of Directors was authorised by the Shareholders' Meeting, in accordance with statutory provisions and Articles 607 and 620 of the Company Code, to issue and to repurchase shares on the basis of authorisations granted by the Shareholders' Meeting.

• The authorisation to increase the capital granted by the Shareholders' Meeting on 13 May 2009 is valid for a period of five years expiring in 2014.

• The authorisation to increase the capital within the framework of the authorised capital in a period of public tender offer granted by the Extraordinary Shareholders' Meeting on 12 May 2010 and valid for a period of three years will expire in 2013; the authorisation to acquire and to dispose of own shares granted by the Shareholders' Meeting on 13 May 2009, valid for a period of five years, will expire in 2014.

• The authorisation to acquire and to dispose of own shares in order to avoid the company suffering severe and imminent damage granted by the Extraordinary Shareholders' Meeting on 12 May 2010, valid for a period of three years, will expire in 2013.

Major agreements to which Dexia SA is a party and which take effect, are amended or terminate in the event of a change of control of Dexia SA as the result of a public tender offer

Dexia SA is not party to any major agreement liable to enter into force, be amended or terminated as the consequence of a change of control of the company within the context of a public tender offer.

Agreements between Dexia SA and members of its Board of Directors or its staff which provide indemnities if members of the Board resign or must leave their posts without valid reason or if the employment of members of staff ends by virtue of a public tender offer

The contracts of employment concluded with Mr André Vanden Camp and Mr Alain Clot provide that, if the contract is terminated following a change of control, they will be paid a single and fixed indemnity equal to 18 months of fixed and variable compensation. That indemnity is subject to a condition of performance in the sense that the indemnity will be reduced if an assessment of their performance finds that it has deteriorated.

The management agreement concluded between Dexia SA and Mr Philippe Rucheton provides an indemnity equal to 18 months of fixed and variable compensation if the agreement is terminated by Dexia SA before Mr Philippe Rucheton has reached the age of 65 years, within a deadline of 12 months following a change of control. The fixed indemnity corresponding to a period of 18 months may not however exceed the number of months between the date of termination and the date on which Mr Philippe Rucheton reaches the age of 65 years.

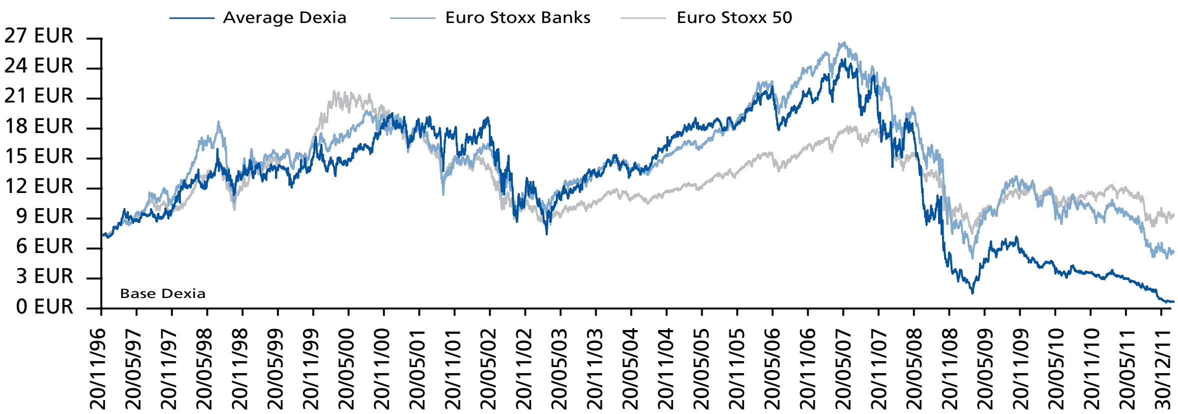
Shareholder information

Stock market evolution in 2011

In 2011 the markets were again sluggish, and that trend was reflected in significant falls recorded by all the indices, whether general or sector. Indeed the Euro Stoxx 50 posted a fall of 19.2% over the year, the CAC 40 16.9% and the BEL20 19.2%.
Operators were worried on many accounts. The revolutions in Arab countries at the beginning of the year aroused fears of rising oil and commodity prices. The accident at the nuclear power station in Fukushima also raised anxieties with regard to the Japanese economy. But it was above all the problems in the euro zone, and in particular fears as to the solvency of certain states, which weighed heavily on financial sector valuation.
The euro zone governance problems, the inability of Greece to honour its undertakings, the reactivity of the European Central Bank deemed inappropriate given the extent of the crisis and downgrades by rating agencies, or their anticipation, were not likely to reassure investors.
Against this difficult background, euro zone banks, historically major holders of the debt of Greece and countries in Southern Europe, and moreover considered a reflection of the health of the economy, had a particularly rough ride.
The EuroStoxx Banks thus lost 37.9% against 16.9% for the Stoxx Banks which, in its composition, covers all European banks including those outside the euro zone.
For Dexia, 2011 was a particularly difficult year, although at the beginning of the year the share evolved more or less in line with the market. Affected by the problems of Greece, the fear of contagion to other euro zone countries and the drying up of interbank liquidity in the autumn, the Dexia share lost 88.5%, from EUR 2.600 at the end of 2010 to EUR 0.297 as at 30 December 2011. This trend was further accelerated from the beginning of October by the announcement of new and significant structural measures for the Group.
In contrast to 2010, this considerable fall of the share price was accompanied by an increase in the number of share exchanges, up by more than 45% principally in view of the share's low price.
The Euronext Council on Indices, which decides on those shares entering or leaving the BEL20, the principal equity index of the Brussels Stock Exchange met on 27 February 2012 for its annual index review on the basis of the share prices in January. Following this committee, NYSE Euronext announced that the Dexia share would be leaving the index from the Stock Exchange session on Monday 19 March 2012.

STOCK EXCHANGE DATA	31/12/10	31/12/11
Share price (in EUR)	2.600	0.297
Market capitalisation (in millions of EUR)	4,801	0.579
	2010	**2011**
Highest/lowest price (in EUR)	4.868/2.540	3.571/0.220
Average daily volume of transactions (in millions of EUR)	13,379	8,533
Daily number of securities exchanged (in thousand shares)	3,802	5,543

DEXIA'S STOCK MARKET PERFORMANCE (FROM NOVEMBER 1996 TO 30 DECEMBER 2011)



EVOLUTION OF THE NUMBER OF SHARES	31/12/07	31/12/08	31/12/09	31/12/10	31/12/11
Number of shares	1,178,576,763	1,762,478,783	1,762,478,783	1,846,406,344	1,948,984,474
of which own shares	*8,932,736*	*293,570*	*293,570*	*307,548*	*324,633*
Subscription rights (warrants)	62,817,843	71,787,214	71,242,716 [1]	70,960,487 [1]	64,474,087 [1]
Total number of shares and subscription [2]	1,241,394,606	1,834,559,567	1,833,721,497	1,917,366,829	2,013,458,561

(1) This amount does not take into account the two warrants issued by decision of the extraordinary shareholders' meeting of 11 May 2011 in the framework of the state guarantee in relation to the sale of FSA.
(2) For more details, consult the legal information at www.dexia.com.

DATA PER SHARE	31/12/07	31/12/08	31/12/09	31/12/10	31/12/11
Earnings per share [1] (in EUR)					
- basic [2]	2.08	(2.42)	0.55	0.37	(5.97)
- diluted [3]	2.05	(2.42)	0.55	0.37	(5.97)
Average weighted number of shares [1]					
- basic [4]	1,218,031,322	1,372,373,776	1,846,098,796	1,948,659,841	1,948,659,841
- diluted [4]	1,235,488,294	1,372,373,776	1,846,098,796	1,948,659,841	1,948,659,841
Net assets per share (in EUR) [1] [5]					
- relating to core shareholders' equity [6]	12.28	9.47	10.02	9.86	3.89
- relating to total shareholders' equity [7]	10.99	2.12	5.52	4.59	(1.04)
Dividend (in EUR)					
Gross dividend	0.91	- [8]	- [9]	- [10]	- [11]
Net dividend [12]	0.68	- [8]	- [9]	- [10]	- [11]
Net dividend for shares with VVPR strip [13]	0.77	- [8]	- [9]	[10]	- [11]

(1) The average weighted number of shares, the earnings per share and the net assets per share have been restated to take into account the issue of bonus shares distributed to the shareholders and to enable comparison.
(2) The ratio between the net income Group share and the weighted average number of shares.
(3) The ratio between the net income Group share and the average weighted diluted number of shares.
(4) Excluding own shares.
(5) The ratio between the net assets and the number of shares at the end of the period (after deduction of own shares).
(6) Excluding reserves on shares available for sale, fair value of hedge derivatives and conversion differences.
(7) Including reserves on shares available for sale, fair value of hedge derivatives and conversion differences.
(8) No dividend was paid for the 2008 financial year.
(9) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata their shareholding.
(10) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 11 May 2011 approved a capital increase of EUR 243,110,168.10 by incorporation of reserves and the issue of 102,578,130 bonus shares granted to shareholders on 14 June 2011 prorata their shareholding.
(11) Considering the net loss of EUR 11.6 billion posted for 2011, the Board of Directors will propose to the Shareholders' Meeting to be held on 9 May 2012 that no dividend be paid to shareholders for the financial year 2011.
(12) After deduction of a 25% Belgian withholding tax.
(13) 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 in Dexia SA held as at 31 December 2011
Caisse des dépôts et consignations	17.61%
Holding Communal	14.26%
Arco Group	11.97%
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%
Employee shareholding	0.63%
Other institutional and individual shareholders	30.33%

STOCK MARKET RATIOS	2007	2008	2009	2010	2011
Pay-out ratio (in %) (1)	42.0	- (2)	- (3)	- (4)	- (5)
Price earnings ratio (6)	7.9x	n.a.	7.8x	6.7x	n.a.
Price to book ratio (7)	1.3x	0.3x	0.4x	0.2x	0.08x
Annual yield (in %) (8)	5.3	- (2)	- (3)	- (4)	- (5)

(1) The ratio between the total dividend and the net income Group share.
(2) No dividend was paid for the 2008 financial year.
(3) On the proposal of the Board of Directors, the Extraordinary Shareholders' Meeting of 12 May 2010 approved a capital increase of EUR 352,915,394.01 by incorporation of reserves and the issue of 83,927,561 bonus shares granted to shareholders on 11 June 2010 prorata their shareholding.
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(5) Considering the net loss of EUR 11.6 billion recorded for 2011, the Board of Directors will propose to the Shareholders' Meeting to be held on 9 May 2012 that no dividend be paid to shareholders for the financial year 2011.
(6)) The ratio between the average share price as at 31 December and the earnings per share for the year. For the period 2007-2008, 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.
(7) The ratio between the share price as at 31 December and the net assets per share as at 31 December (related to core shareholders' equity).
(8) The ratio between the gross dividend per share and the share price as at 31 December.

Dividend policy

Considering the net loss of EUR 11.6 billion posted for 2011, the Board of Directors will propose to the next Shareholders' Meeting that no dividend be paid to shareholders for the financial year 2011.

Relations with shareholders

Dexia is attentive to the quality of its relations with its shareholders. Those relations are described in detail in the chapter entitled "Declaration of Corporate Governance" in this Annual Report (pages 18-20).
In 2012, Dexia will meet its shareholders at the Ordinary and Extraordinary Shareholders' Meetings to be held in Brussels on Wednesday 9 May 2012.

Human Resources

From the transformation plan to the implementation of the new structural measures announced in October 2011

During the first three quarters of 2011, the Human Resources support line continued to assist in implementation of the Group transformation plan. Deployment of the Human Resources aspect of that transformation plan also entered a new phase. Each Human Resources pillar defined a series of priority initiatives forming a strategic road map for the future. A precise communication plan was also drawn up for the different Human Resources competence centres, business partners and service centres. The collaboration and integration of DenizBank in the various fields associated with Human Resources was also accelerated.

At the beginning of October, after the Group's announcement of new structural measures and particularly the sale of Dexia Bank Belgium to the Belgian state, the task of Human Resources was profoundly altered.

The beginning of the fourth quarter was marked by major upheavals for staff members in all the Group's entities, in view of the many uncertainties as to the future of their position, their activity and sometimes their team, against a background of significant developments for the Group. All Human Resources teams were mobilised to ensure that this phase of reorganisation proceeded well and to assist staff members by keeping them informed of the new context, the measures taken and the agreements resulting from them. The primary objective of Human Resources was to provide information to staff and to ensure that internal communication was as concrete as possible, to monitor developments closely and as far as possible to see that the restructuring of entities proceeded in the calmest possible manner, without operational disruption. Social dialogue, organised in line with the social management principles of the Dexia Group and Dexia SA, was at the heart of Human Resources action.

In Belgium, the sale of Dexia Bank Belgium to the Belgian state, finalised on 20 October 2011, had major repercussions on the activities of Dexia SA staff members and their future. Considering the close operational links existing between Dexia Bank Belgium and Dexia SA, service agreements were rapidly put in place to ensure operational continuity. The unwinding of those operational links which, at a Human Resources level, included significant transfers of activities and staff between the entities, is supervised by a transition committee consisting of representatives of Dexia SA, Dexia Bank Belgium and the Belgian state.

In addition, the agreement to sell Dexia Bank Belgium to the Belgian state provides that, under certain conditions, Dexia Bank Belgium will offer Dexia SA staff members in Belgium the opportunity to be transferred to Dexia Bank Belgium or its subsidiaries.

Two collective agreements were thus concluded before the end of the year: an agreement between Dexia SA, Dexia Bank Belgium and the social partners concerning the transfer of staff members and of certain activities of Dexia SA to Dexia Bank Belgium and an agreement between Dexia SA and its social partners in relation to measures for the early departure of staff members of Dexia SA in Belgium.

In the current context, reorientation, information and transfer of staff members and activities have become a priority task of Human Resources. This context of social negotiation is accompanied by psychological support, manager coaching, targeted training for staff members and individual interviews.

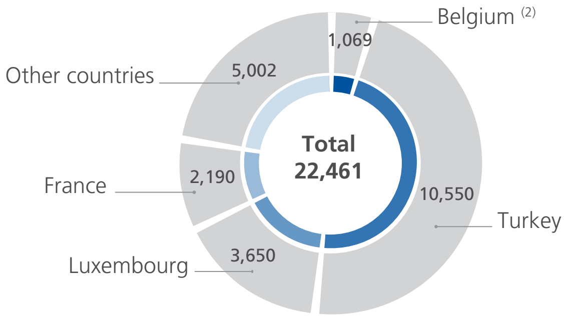
During negotiations with the social partners and when they were completed, a series of information sessions were organised, in order to present the general context and the framework for negotiation as well as more specific elements such as vacancies, Group insurance, the organisation of work in the entities and so on.

In France, against the still uncertain background regarding what will come of the Group's local public sector finance activities and their organisation, the principal task of the Human Resources teams was to keep staff members informed, to assist them and to answer questions about Dexia's situation and the strategic discussions taking place at the end of 2011.

The announcement at the end of December of the sale of Dexia Banque Internationale à Luxembourg to Précision Capital and the Grand Duchy of Luxembourg ended a period of uncertainty as to the future of the Group's Luxembourg operation and enabled discussions to begin on the transfer of staff and the transitional agreements necessary for the operational conclusion of the sale.

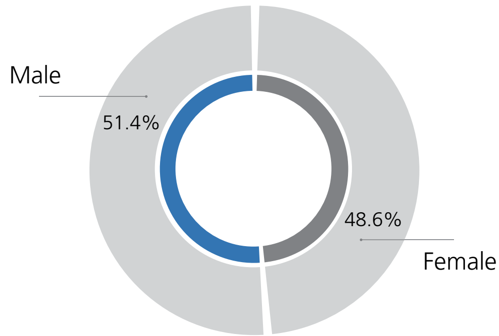
So today, in the entire Group and despite the differing levels of progress made on the Group restructuring plan, Human Resources teams are working with the same preference for quality social dialogue, assisting and informing staff members in the current phase of change and minimising the social and human impact of the reorganisations currently occurring.

STAFF MEMBERS AS AT 31 DECEMBER 2011(1)

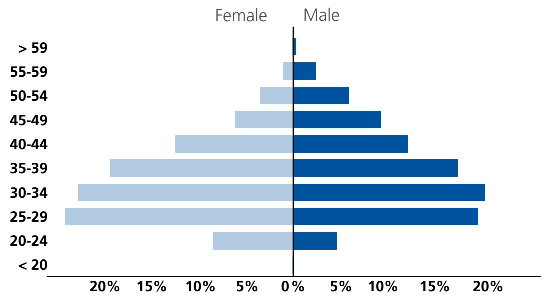


(1) Including RBC Dexia Investor Services.
(2) After the sale of Dexia Bank Belgium to the Belgian state on 20 October 2011.

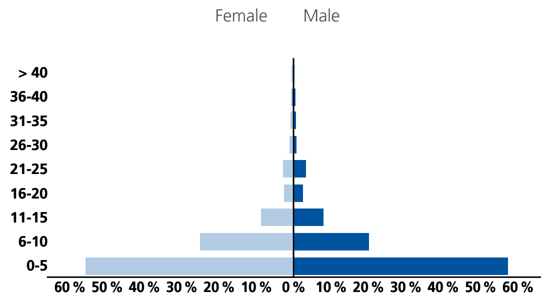
GENDER BREAKDOWN



AGE PYRAMID



SENIORITY PYRAMID



Key figures

After the sale of Dexia Bank Belgium to the Belgian state, finalised on 20 October 2011, at the end of 2011 the Dexia Group had 22,461 members of staff, of 63 different nationalities, in 30 countries (including RBC Dexia Investor Services).

- Seniority – More then 80% of staff members joined the Group less than ten years ago and the average seniority of Group staff members is 8.5 years.
- Age – Group staff members are young; in total, 53.3% are less than 35 years old and 71.7% less than 40. The average age is 36 for men and 34 for women, the overall average age being 35.
- Men/women – The overall division of the workforce into men and women is well balanced, at 51.4% and 48.6% respectively.
- Rotation – 94.6% of staff members are on indefinite-term contract.
- Part-time – 7.7% of Group staff members work part-time.
- Training days – The average number of training days per staff member (full-time equivalent) is 1.6 days per annum for the Group as a whole.

Training

Change accompaniment remained one of the major objectives of the Training division in 2011. Individual and team coaching, specific workshops to support professional reorientation and mobility, and training initiatives aimed at identifying or preventing psycho-social risks were strengthened or developed.

Training with the aim of assisting commercial networks to manage client relations better during difficult periods and programmes aimed at strengthening management skills were also a priority objective of the Training division.

Considerable efforts were made in Belgium to train staff members concerned by the so-called "Cauwenberghs" and "Willems" Laws.

Over the first nine months of the year, the Dexia Corporate University placed an accent on the consolidation of strategic training initiatives re-launched in 2010 (Marco Polo Programme, Lead an Organisation, Dexia Mentoring Programme and Discovering Dexia) and on the specific offer developed over recent years to assist Group managers and staff members to cope with change and uncertainty (Learning with Change, Dealing with Stress, and so on).

New projects were also launched in 2011 however. In fact, the Dexia Corporate University piloted the development of the Dexia Learning Management System (LMS), a common training management and development tool for the entire Group.

At the beginning of 2011, the Dexia Corporate University also piloted the introduction of a new language training policy in Dexia. The aim of this new policy is to respond better to the needs of staff members adopting a more effective and more proactive approach.

Finally, a new training course in risk management was developed with the help of the Risk support line.

In October 2011, following the Group's announcement of new structural measures, the Dexia Corporate University was forced to review its training programmes. The majority were cancelled or transferred to Dexia Bank Belgium and new programmes

(Reinventing your Career and Professional Branding) adapted to the new situation were developed to help staff members of Dexia SA to prepare for their professional futures.

Working conditions

The working conditions of members of staff were impacted by the implementation of the new structural measures in October 2011 and the announcement of measures for early departure in Belgium and in Luxembourg.
The Group has long endeavoured to give its staff members the best visibility possible on their company and on their evolution within it, to detect and to prevent stress situations, particularly with the introduction of a policy for the prevention of "psycho-social risks".
Numerous mechanisms for the detection, prevention and management of stress and burn-out exist within entities.
Several vectors for the gathering of information currently enable those risks to be detected (staff representatives, work doctors, social assistants, internal and external consultancy teams, tools within the framework of the quality certification process, satisfaction surveys and so on).
As for prevention, all the entities have introduced certain measures: preventive medical consultations, ergonomic advice, staff and manager training, training and coaching programmes.
Information sessions on the prevention, detection and management of burn-out have been organised by the Dexia Corporate University for various Group entities.
A well-being committee was established within the European Works Council to monitor the action plans put in place within entities which organised a stress survey in 2009.
To recall, the aim of such surveys was to implement action plans enabling staff motivation to be increased.
Finally, declared stress situations are taken in hand and dealt with in various ways: via Human Resources Management, internal and/or external experts, coaching measures, psychological hotlines, interviews and the arrangement of working time.

Recruitment, talent management and mobility

With regard to recruitment, 2011 was once again marked by a strict monitoring of vacant posts and an extremely selective external recruitment policy. The priority objective remained the accompaniment and implementation of restructuring measures via the internal mobility of staff members.
In Turkey, DenizBank maintains a strong and attractive presence on the labour market, with more than 2,500 external recruitments in 2011, approximately one half of which were directly associated with enlargement of the branch network, the other half offsetting annual turnover.
In the three job pools (Belgium, France, Luxembourg), Dexia continued its repositioning as a the Dexia Employer Brand, in line with the Group's Brand image campaigns.
Initiatives implemented in relation to career management revolved around the retention and development of members of staff.
With regard to retention, internal mobility was reaffirmed by the Management Board as one of the priorities in assisting staff members who had lost their jobs as a consequence of the restructuring and proactively offering courses to staff members identified within the context of their career paths.

As for the development of staff members, development centres were provided and enhanced by actions dedicated to staff regarded as "experts". Several tools, undergoing deployment, are offered to staff members and to managers to help them in their considerations on career management (information centralised on the intranet, individual development plans, training actions and so on).
Finally, during annual succession and performance reviews, the subjects of development and mobility were tackled systematically with managers.

Compensation

Recurrent projects continued in 2011. These included the management of departure from the 2006 share ownership plan which enabled teams to continue the work of informing staff members as to the terms associated with its maturity.
Furthermore, the Dexia Group's compensation policy was impacted by new regulations, both Belgian and French as well as European. The Reward team took part in discussions with the regulators and sector federations and prepared the appropriate changes to Dexia policy for it to comply with regard to these issues.
The Dexia Group adapted and implemented its general compensation policy in accordance with the European Directive CRD 3 and the Directives of the Committee of European Banking Supervisors, as well as the obligations arising from the Belgian Law of 6 April 2010 concerning corporate governance and the Royal Decree of 22 February 2011 approving the Regulation of 8 February 2011 of the Banking, Finance and Insurance Commission concerning the compensation policy of financial establishments.
More detailed information on compensation policy is provided in the section "Compensation report" in the chapter entitled "Declaration of corporate governance" in this Annual Report (pages 39-45).

Social dialogue

The Dexia European Works Council (EWC) has 30 permanent members from 13 different entities of Dexia and 4 countries. This social body is competent to discuss with management any major question of transnational importance.
Considering the present situation in the information-consultation process regarding the transformation plan and the Group's announcement of new measures severely impacting its structure, the year was particularly busy and numerous meetings were organised (6 meetings of the European Works Council, 11 meetings of the EWC Board) in order to inform staff representatives and to answer their queries.
At a local level, social dialogue was intense in all Group entities. In fact, within their entities the social partners escalated the information-consultation process brought about by the third phase of the transformation plan.
Dexia SA particularly intensified its social dialogue following the adoption in October 2011 of new structural measures by the Board of Directors, notably the sale of Dexia Bank Belgium to the Belgian state.
In order to implement the decisions of the Board of Directors, the social partners of the Belgian entities met together, in plenary meetings, to negotiate collective agreements for the transfer of members of staff.

Risk management

Introduction

2011 was a year of two phases, demanding a great deal of reactivity on the part of the Risk support line in confronting the many events which punctuated the year.
Until the end of June, the implementation of the Group transformation plan, aimed at reducing its risk profile and adjusting its financial structure, progressed in line with set objectives. In May, against the background of a hardening economic environment, the Group announced its desire to accelerate its financial transformation by selling EUR 6.4 billion in guaranteed assets from the Financial Products portfolio, at a loss on the disposal of EUR 1.9 billion and by booking a fair value adjustment on a significant reserve of non-strategic loans and bonds available for sale. Over the entire year, in addition to the guaranteed assets from the Financial Products portfolio, the Group disposed of EUR 18.2 billion in assets.
The aggravation of the sovereign debt crisis from the beginning of the year marked a breaking point. The worrying situation in Greece severely impacted the Group, which in 2011 was forced to impair EUR 3.4 billion on its total Greek exposure.
On the other hand, this aggravation of the sovereign debt crisis, combined with the deterioration of the macroeconomic environment, severely weakened the Group's liquidity position, despite the considerable reduction of its funding requirement and the clear improvement of its funding mix since the end of 2008. Investor risk aversion increased, leading to significant pressures on the short-term interbank market and to fewer long-term debt issues. Against this deteriorating background, from October 2011, the Group undertook in-depth changes to its structure, notably including a funding guarantee scheme from the Belgian, French and Luxembourg states, the sale of Dexia Bank Belgium to the Belgian state, finalised on 20 October 2011, and a programme for the disposal of certain of the Group's operational subsidiaries.
More detailed information on the structural measures undertaken by Dexia in October 2011 is provided in the chapter entitled "Highlights" in this Annual Report (pages 14-17).
For the Dexia Group and on the basis of the figures estimated as at 30 September 2011, the sale of Dexia Bank Belgium had the effect of reducing the size of its balance sheet by EUR 150 million, of reducing weighted risks by EUR 45 billion, of reducing the maximum credit risk exposure (MCRE) on government bonds from certain European countries and the bond portfolio in run-off by EUR 8.8 billion and EUR 19.8 billion respectively and of reducing the short-term liquidity gap with EUR 16 billion.

Furthermore, the deconsolidation of Dexia Bank Belgium goes together with the transfer of a large number of Dexia SA teams based in Brussels to Dexia Bank Belgium, and this requires a reorganisation of the Risk support line. Awaiting the introduction of this new organisation, teams are guaranteeing a continuity of service on the basis of the Service Level Agreements in place.

Against that background, Dexia continued to be involved in national and international consultations, participating particularly in the impact study by the Bank for International Settlements on the Basel III reforms with regard to the definition of equity capital, the leverage ratio and liquidity ratios. In particular, Dexia worked on the application of the so-called "CRD 3" European directive, applicable as from 31 December 2011.

Governance

The task of the Risk support line is to define the Group's risk appetite, to put in place independent and integrated risk measures for the different types of risks, to monitor and to manage them, as well as to identify and to address any emerging risks.

The general organisation of the support line, established in 2010, is aligned to that of the Group, with local risk management in each of the Group's subsidiaries, under the responsibility of the Group Chief Risk Officer. The support line is now organised transversally by departments: "Retail and Commercial Banking" credit risk, "Public and Wholesale Banking" credit risk, risk linked to financial market activities and operational risk. To make the most of Group competences, the organisation is based on specialist competence centres on which local risk management can rely, in accordance with the Service Level Agreements (SLA) concluded in 2010. The Group's in-depth restructuring, begun in the autumn of 2011 and marked in particular by the disposal of Dexia Bank Belgium and the transfer of a large proportion of the Dexia SA Brussels teams to Dexia Bank Belgium, necessarily resulted in a reorganisation of the Risk support line. In fact, the majority of the activities currently performed by the Dexia SA Brussels teams and by the competence centres in Dexia Bank Belgium will have to be recreated in order to manage all the Bank's risks. Awaiting the establishment of this new organisation, current teams are ensuring the continuity of services in line with the Service Level Agreements currently in place.

The organisation and governance presented below correspond to the structure in place as at 31 December 2011; this structure will evolve in the near future in line with aforementioned changes.

The principal operational responsibilities of the Risk support line at Dexia are as follows:
- to elaborate a general risk policy under the supervision of the Management Board;
- to introduce and to manage the function of risk monitoring and decision-making processes;
- to set credit limits and delegations for the different decision-makers.

From this point of view, risk management has therefore put methodologies in place to assess risks in Dexia for each of the Group's activities and entities.

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.

Organisation

The Dexia risk management supervises Dexia credit risk, under the supervision of the Management Board and specialist committees. It is in charge of defining the Group's policy on credit risk, particularly the decision-making process for granting loans, and supervising the processes for rating counterparties, analysing credit files and monitoring exposure.
Since 2010, in order to increase its efficiency and to make the most of Group competences, the Risk support line has evolved towards an organisation by specialist competence centres, such as project finance, local public sector finance and corporate finance, in relation to the various Dexia business lines (Retail and Commercial Banking, Public and Wholesale Banking and market activities). Specialist risk committees have also been set up per competence centre, while coordination is provided by transversal teams and committees.

Transversal committees
The Risk Policy Committee defines risk policies including the rules for granting loans, for different sectors and types of counterparty.
The Executive Risk Committee meets weekly to decide risk management strategy and the organisation of the support line.
The Management Credit Committee is in charge of undertaking decisions.

Committees specialising per competence centre
In order to ease the decision-making process, the Management Credit Committee delegates its decision-making power to Credit Committees organised per entity and/or competence centre. This delegation relies on specific rules, in relation to the type of counterparty, the level of counterparty rating and credit risk exposure. The Management Credit Committee remains the decision-making body of last resort for larger credit files or those presenting a risk level deemed to be sensitive. For each file presented to the credit committee, an independent analysis is performed, presenting the main risk indicators, as well as a qualitative analysis of the transaction.

At the same time as monitoring the credit process, different committees are responsible for the supervision of specific risks. These committees are organised per competence centre and per entity and meet quarterly. They are in particular:
- "watchlist" committees supervise assets deemed to be "sensitive" and placed on watch;
- default committees qualify and monitor counterparties in default in accordance with Basel II regulations, applying rules prevailing at Dexia;
- provision committees settle the amount of provisions allocated and monitor the cost of risk;
- rating committees ensure the correct application of internal rating systems and the appropriateness of rating processes in relation to established principles and the consistency of those processes within the different entities.

Credit risk management in each entity of the Dexia Group is focused on management of the credit risk specific to its domestic market and is in charge of analysing and monitoring local counterparties. This activity also includes the development and maintenance of internal rating systems in relation to those counterparties and local reporting.

Market risk

Definition

Market risk represents the Group's exposure to variations in market parameters, such as interest-rate risk, equity-price risk and foreign-exchange risk.

The interest-rate risk consists of a general interest-rate risk resulting from market evolution and a specific interest-rate (credit spread) risk linked to the issuer. The latter arises from variations in the spread of a specific signature within a rating class. The risk associated with the equity price represents the risk arising from the reduction of value in equity. As for foreign-exchange risk, this represents the potential decrease of value due to currency exchange rate movements towards the euro.

Organisation

Financial Markets Risk Management (FMRM) oversees market risk under the supervision of the Management Board and specialist risk committees. FMRM is a support line integrated into the Risk support line. On the basis of its global risk management approach, it is responsible for identifying, analysing, monitoring and reporting on risks and results (including the valuation of assets) associated with financial market activities. The policies, directives and procedures documenting and governing each of the activities are defined within Dexia SA and applied to all the entities of the Dexia Group. Central teams with competence centres or transversal teams have the task of defining methods of income statement calculation and risk measurement, as well as guaranteeing the consolidated measurement, reporting and monitoring of the risks and results of each of the activities for which they are responsible.

Established in the operational entities, local FMRM teams are responsible for day-to-day activity, namely and *inter alia* the implementation of policies and guidelines defined at Dexia SA level, and also the assessment and monitoring of risks at a local level (calculation of risk indicators, control of limits and triggers, framing new activities/new products and so on), as well as reporting, reconciliation with local management audit, accounting and IT systems. Each operational entity is also responsible for monitoring and reporting to its own Management Board and 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: risks and income statement trigger reporting analysis [1] and related decisions, definition and revision of limits, proposals for the approval of new products, discussion of directives, risk governance and standards, risk concepts and risk measurement methodology, and the quality of valuation processes.

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

In addition to the monthly MRGC, a specific MRGC meets each quarter to examine reports relating to activity and management of risks associated with market activities.
Dexia Market Risk Committee (DMRC) meets bimonthly and acts as supervisory committee of the MRGC.
The Risk Policy Committee and the Risk Management Executive Committee validate all major changes in risk profile or risk governance.

Balance Sheet Management

Definition

Balance Sheet Management (BSM) covers all the structural risks of the banking book, namely interest-rate risk, foreign-exchange risk, equity risk and liquidity risk.
We refer to the part on market risks for detailed definitions of structural and specific interest-rate risk, foreign-exchange risk and equity risk.
Liquidity risk measures the ability of the Group to meet its liquidity requirements under different stress scenarios: current and future cash-flow requirements, both expected and unexpected, and if the situation deteriorates.

Organisation

Balance Sheet Management (BSM) is the responsibility of the Finance support line and involves the management of the structural risks of the entire Group.
Within Risk management, the role of BSM Risk is to define the risk framework in which management may be undertaken by BSM Finance (risk factors, limits, investment universe, guidelines), to validate models used in the effective management of that risk, to monitor exposure and to check compliance in relation to Group standards, to define the stress to be applied to different risk factors, to challenge the risk management performed by the Finance support line and to ensure compliance of the framework with external regulations in force throughout the Group.

Committees

BSM risks are managed via the Group Assets & Liabilities Committee (ALCo) which meets monthly. The Dexia SA ALCo decides on the global risk framework, fixes limits, ensures consistency of strategy and delegates its implementation to local ALCo. It decides globally on the level of exposure in line with the risk appetite defined by the Management Board, and validates internal transfer price mechanisms within the Dexia Group. Local ALCo manage risks specific to their balance sheet within the framework defined by and under the responsibility of the Group ALCo.

The Funding and Liquidity Committee (FLC), by delegation from the Dexia SA ALCo, centralises and coordinates the decision-making process in relation to liquidity-associated issues. The FLC is responsible for monitoring the Group's liquidity position, its evolution and its cover by short, medium and long-term resources. It monitors the achievement of liquidity targets fixed by the Management Board and elaborates funding, disinvestment and structuring strategies to enable the Group to overcome regulatory and internal stresses. Meeting bimonthly, the FLC does all it can to improve the Group's liquidity profile.

Operational risk

Definition

Operational risk represents the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes IT, legal and compliance risks, 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 policy also requires the gathering of data on events generating financial gains.

Organisation

Dexia's Operational Risk Management framework relies on strong governance with clearly defined roles and responsibilities.

- The Management Board regularly reviews the evolution of the risk profile of the different Group activities and takes the required decisions.
- The Risk Policy Committee, composed of members of the Management Board, approves Group-wide policies.
- The Operational Risk Guidelines Committee meets quarterly to examine the main risks identified, to decide on whether they are acceptable or not, and the corrective actions to be taken if necessary. It also validates proposed measures for prevention or improvement in relation to the different elements of the mechanism (Permanent Control, Information Security, insurance programme and so on). It is chaired by the Group Chief Risk Officer.

(1) Income statement triggers warn of a deterioration of results and are expressed as a percentage of VaR limits, typically 50%, 75% and 100% for triggers 1, 2 and 3 and stop the activity at 300% of VaR.

• The Operational Risk Management Committee, chaired on a monthly basis by the Group head of operational risks, develops a consistent operational risk management mechanism for the entire Group, including business continuity, crisis management, information security and insurance policy.
• Middle management remains principally responsible for operational risk management. In each field of activity it appoints a correspondent for operational risks whose role is to coordinate the gathering of data and the assessment of risks, with the support of local operational risk management.

Risk monitoring

Credit risk

Dexia credit risk policy

Dexia Credit Risk Management (CRM) has established a global framework of policies and procedures consistent with the Bank's risk appetite. This framework guides CRM in its functions of risk analysis, decisions and surveillance. CRM manages the credit granting process by giving delegations to different committees and heads of support lines, within the limits set by the Bank's top management and by chairing credit committees. As part of its credit risk surveillance function, risk management and more particularly the different teams in charge of credit risk, monitor the credit risk evolution of its portfolios by regularly performing credit reviews and by updating ratings. It also defines and implements impairment policy. As such it qualifies defaults and decides on specific impairments.

Risk measures

Credit risk measures rely principally on internal rating systems put in place by Dexia under Basel II. Each counterparty is rated by analysts in charge of credit risk relying on dedicated scoring systems. This internal rating corresponds to a valuation of the counterparty's level of default risk, expressed on an internal rating scale, and is a key element in the loan granting process. Ratings are reviewed at least annually, and this allows the proactive identification of counterparties requiring regular monitoring by the watchlist committee.

In order to control the Group's general credit risk profile and to limit risk concentrations, credit risk limits are defined for each counterparty, fixing the maximum exposure to credit risk deemed acceptable for a given counterparty. Limits may also be imposed per economic sector and per product by the risk department, which proactively monitors these limits, which may be reduced at any time depending on the evolution of associated risks.

Fundamentals of Dexia credit risk in 2011

Macroeconomic environment

The International Monetary Fund (IMF) reports a slowdown of global economic growth since the second quarter 2011, as a consequence of various factors: natural disaster in Japan, rising oil prices, uncertainty on public finances in the euro zone. As a result, growth of global activity will be 3.8% in 2011.

In 2012, the persistence of the problems observed in 2011, but also the possible occurrence of additional shocks, could weaken growth. Susceptible to significant revisions, the IMF growth forecast is nonetheless set at 3.3%.

Euro zone growth slowed sharply in the second quarter, taking the IMF growth estimate for 2011 to 1.6%. Weakened by deficits and high debt levels placing severe pressures on the markets, any improvement of the situation remains dependent on finding a political response to the sovereign debt crisis. Considerable disparities are to be observed in terms of growth: Germany will record one of the highest growth rates at +3%, whilst the majority of other economies will trend lower (+1.6% in France, +0.4% in Italy, +0.7% in Spain), or negative (-5.0% in Greece, -2.2% in Portugal). In general, this crisis has forced all European countries to adopt financial austerity measures aimed at reducing public debt. For 2012, the IMF anticipates a slowdown of euro zone growth of about -0.5%.

In 2011, within the euro zone, market uncertainty was primarily related to the so-called "PIIGS", namely Portugal, Italy, Ireland, Greece and Spain.

The situation in Greece appears to be the most disconcerting, because in 2011 the country experienced a fourth consecutive year of recession, posting a debt level close to 160% of GDP. The first rescue plan for EUR 110 billion put in place in July 2011 proved insufficient for a return to budget equilibrium. Difficulties in the implementation of the reforms demanded by the Troïka (International Monetary Fund, European Commission and European Central Bank) against a tense social background and a chronic deficit in government receipts on expenditure due particularly to structural weaknesses in the collection of taxes making any budget stabilisation difficult, despite the establishment of a national unity government under the aegis of Prime Minister Lucas Papademos in October 2011.
This situation led to the introduction of a second rescue plan for EUR 130 billion, including EUR 40 billion intended to recapitalise the banks. The release of this aid is dependent on the conclusion of an exchange agreement with private lenders, represented by the International Institute of Finance (IIF), involving a large discount on Greek sovereign securities held by the latter. This plan, to which Dexia subscribed for all the securities it then held, was successfully implemented during the first two weeks of March 2012.

In Spain, the general elections in November 2011 gave a strong majority to the conservative government of Prime Minister Mariano Rajoy who confirmed his intention to introduce additional austerity measures enabling Spain to maintain sustainable financing costs at the end of 2011. Spain is still seeking a new growth model and, facing massive unemployment (20%) and a huge fiscal deficit (8% against an expected rate of 6%), the country could enter a phase of recession in 2012, a consequence in particular of the austerity measures implemented.

In Italy, the absence of a parliamentary majority resulted in the resignation of Prime Minister Silvio Berlusconi, replaced by Mario Monti at the head of a government charged with implementing austerity measures and the reforms demanded by the European Commission.
The risk of political paralysis has still not disappeared, the parliamentary majority being far from guaranteed and a major proportion of the population remaining opposed to reforms. In addition, there are difficulties in the Italian banking sector

which require major recapitalisation. Finally, the austerity measures announced are likely to weigh on economic growth, and this explains the distrust shown by the markets in a country with a public debt greater than EUR 1,900 billion and refinancing requirements in 2012 of EUR 20 billion a month.

In Portugal, the reform government of Prime Minister Pedro Passos Coelho gained power at the beginning of 2011 and continued to implement a programme in line with the requirements of the IMF and the European Union. Nevertheless, the country's financing conditions are still extremely unfavourable (with a 10-year bond yield above 12.5%).

For its part Ireland seems to have succeeded in implementing an internal devaluation policy and returned to positive growth from 2011. The government remains firmly in favour of continuing the programme agreed with the IMF and the European Union, so far with the support of the population. The cost of recapitalising the banks seems now to have stabilised. Nevertheless, as Ireland has an open economy, it remains severely exposed to an economic slowdown in the euro zone and/or the United Kingdom.

In general, all the so-called "PIIGS" sovereigns were subject to specific and regular monitoring by the Country Analysis competence centre and the special mention and watchlist committee.

In the United States, growth slowed more sharply than forecast in 2011. Beyond the strong rise in oil prices, confidence among households and business leaders declined, unemployment remained at high levels and the financial markets were still extremely volatile. GDP growth should be 1.8% in 2011 and 2012, according to the IMF.

It should also be noted that uncertainties arising from troubles in the Middle East and North Africa led the Group temporarily to freeze its activities in those areas.

Commitments to the local sector

Against the background of the sovereign debt crisis it is important not to extrapolate the default risk of a sovereign with that of its local authorities.

Nevertheless, the financial data available on local authorities shows a change of performances in the majority of European countries and in the United States, as a consequence of the tense economic environment leading to a fall in tax receipts; savings capacities are restricted and pressures are weighing on cash flows. This general deterioration, in response to which Dexia booked collective impairments in 2011 in particular with regard to the local public sector in Spain, Italy and North America, has proved to be contained and does not at this stage reflect any increase in defaults. This observation is corroborated by the evolution of files monitored quarterly by the special mention and watchlist committee. This is due in particular to the institutional framework governing local authorities, which are extremely restrictive in almost all of the countries in which Dexia has clients, and to its recent reinforcement against a background of global economic crisis. Situations differ from one country to another.

In France, despite a difficult environment and after the sharp fall observed last year, local investment rose (+2.9% in 2011, against a marked fall of 5% in 2010), particularly in the municipal sector. This investment effort was made with limited recourse to fiscal levers, as local authorities have made the choice of a modest increase of taxation rates (+0.7% on council taxes, local and business rates).

2011 was marked by the introduction of a new structure to replace the local tax on professional activity. Tax receipts rose but at a less sustained pace than the previous year (+4.5% in 2011 after +6.2%), and despite a further rise of the proceeds from remunerated transfer duties (+15%). At the same time, government allocations remain stable (EUR 48.1 billion, +0.5%).
Local budgets for 2011 reflect an effort to control management expenditure (EUR 160 billion, +2.4%, after +2.7% in 2010), particularly marked for personnel costs (+2.0%, after +2.9% in 2010 and +4.5% in 2009).
After two years falling (-13.5% in 2009 and -5.3% in 2010), financial costs increased again in 2011 (+8.2%) with the impact of the past increase in debt stock and the rise in the cost of credit. Their weighting in operating expenditure remains limited however at 3%.
In total, gross savings, representing the difference between receipts and operating expenditure, rose by 5.3% and reached EUR 39.4 billion.
Local authorities limited their recourse to debt against a background in which it is in short supply. The variation of debt in 2011 can be estimated at EUR 2.7 billion, against EUR 6 billion on average since 2003. The outstanding debt of local authorities is thus at EUR 154.7 billion at the end of 2011, or 7.7% of GDP.
For several months the financial crisis has been a source of concern for local authorities. The liquidity and refinancing constraints today weighing on banks have in fact led to the majority of them reducing their local public sector funding capacities, or even withdrawing totally from the market. For some months the result has been an insufficiency of finance to cover the requirements of all authorities, an increase of the rates on offer, linked to the increased cost of access to liquidity and a shortening of maturities on new loans. The prospect of introduction of the new so-called "Basel III" norms further restricts the ability of banks to finance a sector asking for significant loan volumes, traditionally amortised over the long terms.
This situation has led, as in 2008, to public authorities introducing an emergency package provided by the Caisse des dépôts et consignations to cover some of the requirements at the end of 2011.
The year 2011 was marked everywhere therefore by a consolidation of financial balances in the local public sector, this observation resting in part on economic effects, notably the momentum of proceeds from transfer taxes, which are likely to be less favourable in the future. It also masks severe disparities in the situation from one territory to another.

In Spain, where the local sector seems to be more affected than French, Italian and US local authorities, there is a gradual reform of regional financing, which should be fully effective in 2013 and result in more tax receipts being allocated to the regions.
The constraints aimed at limiting debt are strengthened:

- a deficit target has been set for the regions at -1.3% for 2011 and 2012. If the target is not met, the regions have to submit an Economic and Financial Plan (EFP) to central government. If the EFP is not ratified by the state then the regions cannot borrow over the long term;
- borrowing has been forbidden to municipalities and provinces where debt exceeds 75% of current receipts.

Of the three segments (regions, provinces, municipalities) a fall is observed in savings levels whilst debt is increasing. The first elements of 2010 (last available data) show a significant fall of receipts in the regions (expected savings rate -6%; debt 91%).
As at the third quarter of 2011, the consolidated regional deficit reached 1.19% of GDP and six regions present deficits lower than 1.3% of regional GDP.
Regional satellites suffer from reductions of transfers/subsidies and are therefore forced to review their budgets and their long-term plans. Some regions are launching programmes to rationalise the public sector.

In Italy, the Internal Stability Pact still applies, aimed at regulating expenditure and public debt. Transfers from the state to local authorities are likely to fall by 10% in 2012.
Debt servicing is set a ceiling of 8% of the current receipts of local authorities. In the latest accounts available to date (2009), the current receipts of cities increased on average by 3%, at the same pace as management expenditure: management savings are therefore relatively stable. However, average debt per inhabitant has increased sharply and room for fiscal manoeuvre has been reduced.
As for the Italian regions, the state continues to intervene to limit health sector deficits (this item represents 80% of current regional expenditure).
Current regional receipts remained stable in 2009 and expenditure was down slightly, generating a slight fall in savings. The average debt level remains measured.

In the United States, two authorities applied to be placed under Chapter 9 protection, events sufficiently rare to warrant mention: the County of Jefferson [(1)] and the City of Harrisburg [(2)]. Although this reveals an increase in pressures on the US public sector, it should be stressed that such cases are still extremely uncommon.
Globally, the latest available accounts show a slight deterioration of Local Government indicators explained by the following factors:
• their receipts depend in part on transfers made by the Federal States, and these tend to restrict their aid.
• Local Governments are financed by property taxes (70% of city receipts) and sale taxes (for the counties) and these are affected by the economic slowdown. It should nonetheless be stressed that debt servicing (less than 8% of receipts) and debt rates remain stable overall.

DenizBank activity in Turkey

The improvement of risk indicators noted in 2010 continued in 2011. In Turkey, the strong economic rebound and the strength of domestic demand are reflected by sustained production volumes, a return of defaults to pre-crisis levels and significant recoveries. The improvement of risk management tools and the tightening of credit policies also continued in 2011. As a consequence, cost of risk of all credit portfolios fell sharply compared to 2010. It is nonetheless to be noted that retail and commercial banking activities are globally concentrated in subsidiaries transferred or sold by the Dexia Group in 2011.

Bond portfolios in run-off

Dexia manages two bond portfolios in run-off:
• the bond portfolio in run-off, amounting to EUR 75.2 billion as at 31 December 2011;
• the Financial Products portfolio, amounting to EUR 5.5 billion as at 31 December 2011.
The programme to dispose of Dexia's non-strategic assets continued in 2011, in line with the undertakings made to the European Commission, resulting mechanically in a reduction of the Group's credit risk.
In 2011 Dexia sold EUR 14.8 million assets from the bond portfolio in run-off. The bond disposals principally related to banking exposures, ABS/MBS and sovereign or public exposures. The Group endeavoured to reduce its risk profile by selling notably EUR 4.5 billion in assets with the aim of de-risking. The average rating for assets sold was "A". The Group concentrated its sale efforts on bonds in non-euro currencies, sales of assets denominated in USD representing 37% of sales volume. Sales did not significantly reduce the average quality of the portfolio, which remains 88% investment grade, nor its diversification profile by asset class, sector, country or currency. Over the year, rating migrations are explained by the impact of the sale of Dexia Bank Belgium. The deterioration of European sovereign ratings particularly in Italy and Greece, and related downgrades, also resulted in significant rating migrations. Despite the reduction of the total amount of the portfolio and the sale of riskier assets, the level of portfolio provisioning rose to EUR 2.6 billion, in view of impairments recorded on Greek sovereign and assimilated exposure.
In May 2011, the Group announced its desire to accelerate its financial transformation by selling EUR 6.4 billion in guaranteed assets from the Financial Products portfolio. The portfolio is now 99% investment grade, as lower quality assets have been sold. It is funded around EUR 3.7 billion by guaranteed investment contracts (GIC) collateralised by USD 5.0 billion of US Treasury bonds and similar notes.

Maximum credit risk exposure [(3)]

The maximum 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 derivatives contracts;
• the total amount of 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 maximum credit risk exposure (continuing activities and activities held for sale) includes fully consolidated subsidiaries of the Dexia Group and 50% of the joint venture RBC Dexia Investor Services.

(1) Not a client of Dexia.

(2) Not a client of Dexia which is only committed to a satellite with the benefit of a guarantee from Assured Guaranty.

(3) More detailed information is given in the Note 12.2. "Credit risk exposure" to the consolidated financial statements in this Annual Report (page 195).

As at 31 December 2011, the Dexia Group's maximum credit risk exposure was EUR 371,533 million, of which EUR 273,154 million for continuing activities and EUR 98,379 million for activities held for sale.

Maximum credit risk exposure by category of counterparty as at 31 December 2011

As at 31 December 2011, exposure to continuing activities remains for the most part concentrated on the local public sector (43.2%). The proportion of financial institutions increases sharply, to represent 21% of the total of continuing activities as at 31 December 2011, in view of the deconsolidation of Dexia Bank Belgium, which became a counterparty of Dexia.

(in millions of EUR)	Total	Continuing activities	Activities held for sale
Central governments	43,502	36,222	7,281
Local public sector	187,370	118,841	68,530
Corporate	24,929	21,394	3,535
Monolines	5,969	5,969	0
ABS/MBS	9,271	9,192	79
Project finance	16,998	16,763	235
Individuals, SME and self-employed	14,302	7,355	6,947
Financial institutions	68,949	57,192	11,758
Other	243	226	16
TOTAL	**371,533**	**273,154**	**98,379**

Maximum credit risk exposure by geographical region as at 31 December 2011

As at 31 December 2011, Group exposure remains for the most part concentrated in the European Union.

The sale of Dexia Bank Belgium had the effect of sharply reducing exposure to Belgium, which now only represents 11.2% of the exposure of continuing activities at year-end 2011 against 20.3% of total exposure in 2010.

The transfer of exposures from Dexia Municipal Agency and Dexia Banque Internationale à Luxembourg to activities held for sale results in a significant fall in exposure to France and Luxembourg. Indeed France only represents 14.4% of exposure of continuing activities at year-end 2011 against 18.2% of total exposure in 2010. For Luxembourg, the proportion is 0.1% at year-end 2011 against 2.4% at year-end 2010. Finally, the proportion of exposure to other countries increases mechanically. This is particularly the case for Turkey, the United States, Spain and Italy.

(in millions of EUR)	Total	Continuing activities	Activities held for sale
France	94,863	39,596	55,267
Italy	39,877	35,670	4,207
Belgium	37,227	29,020	8,208
Germany	29,356	26,999	2,357
Spain	25,909	25,158	750
Great Britain	19,616	17,816	1,800
Turkey	15,771	15,764	7
Luxembourg	10,580	221	10,359
Central and Eastern Europe	6,446	6,384	62
Switzerland	4,801	359	4,442
Portugal	4,449	4,196	253
Scandinavia	2,915	1,924	992
Austria	2,755	2,165	590
Netherlands	1,394	1,058	336
Greece	1,206	1,203	3
Ireland	1,186	1,123	63
Rest of Europe	381	298	83
United States and Canada	46,175	38,991	7,184
Japan	7,297	7,225	72
Central and South America	2,211	2,059	152
South-East Asia	2,127	1,828	299
Other	14,989	14,098	891
TOTAL	**371,533**	**273,154**	**98,379**

Maximum credit risk exposure by rating class as at 31 December 2011

As at 31 December 2011, almost a half of the exposure of Dexia's continuing activities is rated AAA or AA and only 10% of exposure is Non-Investment Grade (NIG). The composition of the Dexia portfolio in terms of rating is comparable to that of 2010.

The proportion of non-rated counterparties increased from 2010 to 2011 (from 6.0% to 8.4%). This is explained by the change of the Dexia Group structure: the majority of counterparties classified in the "no rating" category are clients of DenizBank and therefore weigh more on the portfolio of continuing activities. DenizBank attributes an internal rating to its counterparties, but as these are not currently compatible with the Group format these counterparties are considered as non-rated. The project to develop an advanced rating system applicable to DenizBank, which should enable the ratings of DenizBank counterparties to be recognised, was recently suspended.

The increase in defaults is explained by the deterioration of Greek sovereigns.

In %	Total	Continuing activities	Activities held for sale
AAA	14.4%	12.7%	19.4%
AA	27.9%	30.4%	20.9%
A	20.8%	20.9%	20.4%
BBB	20.4%	18.1%	27.1%
D	1.4%	1.6%	0.7%
NIG [1]	8.2%	8.0%	8.8%
No rating	6.9%	8.4%	2.6%
TOTAL	**100%**	**100%**	**100%**

[1] Non-Investment Grade.

Aggravation of the sovereign debt crisis and impairment on exposure to Greece

Within the euro zone, the sovereign debt crisis, which worsened during the summer, severely impacted the Group. In fact, Dexia is the premier local public sector financier in the euro zone, and its sovereign exposures, previously considered to be of no risk, are significant, particularly in Italy, Greece and Portugal.

The situation in Greece appears to be the most disconcerting. The first Greek rescue plan proved to be insufficient to allow a return to greater market calm. It was consequently followed by the announcement of second support plan, involving a large haircut on Greek sovereign securities held by private creditors. This second plan, to which Dexia subscribed for all the securities it then held, was successfully implemented during the first two weeks of March 2012.

Against that background Dexia booked in 2011 a total impairment of EUR 2.4 billion on its Greek government bonds and assimilated exposure, which represents a haircut of 75% on the Group's EUR 3.2 billion [1] nominal exposure as at 31 December 2011.

Dexia also made a EUR 1 billion impairment on the revaluation of derivative interest rate hedge accounted for as fair value and cash-flow hedge because of the uncertainties weighing on expected bond cash flows, leading to an inefficiency of the accounting hedge and an impairment of 100% of the value of those hedge instruments. The total impairment associated with Dexia's exposure to Greece therefore amounted to EUR 3.4 billion for the entire year 2011.

[1] EUR 2.9 billion in government bonds and EUR 0.3 billion in assimilated exposure.

Breakdown of the government bond portfolio on a selection of European countries

EXPOSURE AS AT 31 DECEMBER 2010

(in millions of EUR)	Maximum credit risk exposure	of which banking book	of which insurance book	of which trading book
Greece	4,266	3,437	828	1
Ireland	326	0	326	0
Italy	13,502	12,354	1,143	5
Portugal	2,162	1,927	235	0
Spain	1,702	1,373	314	15
TOTAL	**21,958**	**19,091**	**2,846**	**21**

EXPOSURE AS AT 31 DECEMBER 2011

(in millions of EUR)	Nominal amount	Maximum credit risk exposure (banking book)	of which continuing activities	of which activities held for sale
Greece	2,916	747	747	0
Ireland	0	0	0	0
Italy	9,604	9,779	9,146	632
Portugal	1,967	1,575	1,474	100
Spain	488	481	481	0
TOTAL	**14,975**	**12,581**	**11,848**	**733**

In view of the sale of Dexia Bank Belgium and its insurance subsidiary Dexia Insurance Belgium, Dexia no longer has exposure in the trading book or the insurance book. Furthermore, the fall of total exposure is essentially explained by the sale of Dexia Bank Belgium.

Maximum exposure to credit risk from Greek government bonds was EUR 747 million at the end of December 2011, after deduction of the impairment booked by the Group in 2011.

More detailed information on the exposure to sovereign debt is to be found in the Note 12.2.I. on the consolidated financial statements in this Annual Report (page 201).

Asset quality

In 2011, impaired loans and advances to customers fell by EUR 3 billion to EUR 2.5 billion. This sharp fall is explained by the sale of guaranteed assets from the Financial Products portfolio, the deconsolidation of Dexia Bank Belgium and, more marginally, by a foreign-exchange effect. It is combined with a fall of 50% in specific impairments on loans and advances to customers, at EUR 1.6 billion. The coverage ratio is therefore 62.9%, against 57.9% in 2010.

ASSET QUALITY

(in millions of EUR, except where indicated)	31/12/10	31/12/11
Impaired loans and advances to customers	5,554	2,534
Specific impairments on loans and advances to customers	3,214	1,594
Asset quality ratio (1)	1.6%	1.1%
Coverage ratio (2)	57.9%	62.9%

(1) The ratio between the impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(2) The ratio between the specific impairments on loans and advances to customers and the impaired loans and advances to customers.

Market risk

Dexia policy regarding market risk

In order to have integrated and sound market risk management, Dexia developed a framework based on the following components:
• a comprehensive risk measurement approach, which constitutes an important part of the process of monitoring and controlling the Group's risk profile;
• a sound structure of limits and procedures governing risk taking, consistent with the entire risk measurement and management process and with the adequacy of the capital position.

Risk measures

The Dexia Group adopted the Value at Risk (VaR) measurement methodology as one of the leading risk indicators. The VaR is a measure of the potential loss that can be experienced with a 99% confidence level and for a holding period of 10 days. Dexia applies multiple VaR approaches to measure market risk accurately in different market activities and portfolios.
• General interest-rate and foreign-exchange risks are measured through a parametric VaR approach, the methodology of which is based on a hypothesis of normal distribution of yields from risk factors.
• Specific interest-rate risk, equity risk and other risks in trading books are measured by means of a historical VaR approach. The historical VaR is a VaR the distribution of which is constructed by applying historical scenarios of the risk factors concerned to the current portfolio.

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

The VaR methodologies are improved on an on-going basis. The "Market Risk Engine" project launched in 2010 aims for an historical VaR over all risk factors (with a complete revaluation on non-linear risk factors).
The complete historical VaR which is confirmed as the standard in many banks provides a consistent and precise risk measure. In addition, this new tool facilitates stress testing, the analysis of extreme values and the implementation of stressed VaR in accordance with CRD 3.

An application was made to the National Bank of Belgium (NBB) at the end of 2011 for authorisation to use the historical VaR as a replacement for the parametric VaR in determining the regulatory capital requirement for interest-rate and foreign-exchange risks. Once the authorisation has been obtained, historical VaR will also be used for internal risk management.

As a complement to VaR measures and income statement triggers, Dexia applies a broad range of other measures aimed at assessing risks associated with the different business lines and portfolios (nominal limits, maturity limits, market limits and those on authorised products, sensitivity to different risk factors and so on).

Stress-testing completes the risk management mechanism, exploring a range of low-probability events outside the predictive capacity of VaR measurement techniques. As such, VaR measures assess market risk in a classic daily market environment, whereas stress-testing measures market risk in an abnormal market environment. Against that background, the different scenario hypotheses are regularly revised and updated. In 2011, stress scenarios were introduced on sovereign issues, rate correlations and credit value adjustments. The results of consolidated stress tests and the corresponding analyses are presented quarterly to the MRGC and the DMRC.

The bond portfolio on the banking books is not subject to VaR limits, given its different investment horizon, but is the object of regular stress tests.

Exposition to market risk [1]

Value at Risk

The detailed VaR use of market activities (the bond portfolio in the banking book not included) is disclosed in the table below. The average Value at Risk of the continuing activities was EUR 8.8 million in 2011, against EUR 44.6 million in 2010 for the whole Group.
Since 2008, limits have been considerably lowered in order to comply with the principle of risk appetite reduction in the Dexia transformation plan. The limits were reduced from EUR 178 million in the third quarter of 2008 to EUR 100 million in the first quarter of 2009. They were again reduced at the end of 2011, from EUR 82 million at the end of the second quarter to EUR 29 million, to reflect the departure of Dexia Bank Belgium from the Dexia scope in risk management. They will be further reduced as entity disposals are achieved.

VALUE AT RISK OF MARKET ACTIVITIES

(in millions of EUR)	2011						
VaR (10 days, 99%)	IR (1) & FX (2) (Trading and Banking) (3)	EQT Trading (4)	Spread Trading	Other risks (5)	Activities held for sale	Continuing activities	Limit
Average	11.4	1.6	11.6	1.8	1.6	8.8	29
End period	5.9	0.0	2.7	0.0	1.5	7.2	
Maximum	24.5	5.6	20.7	3.8	7.4	14.1	
Minimum	3.9	0.0	2.5	0.0	0.4	5.2	

(in millions of EUR)	2010					
VaR (10 days, 99%)	IR (1) & FX (2) (Trading and Banking) (3)	EQT Trading (4)	Spread Trading	Other risks (5)	Total 2010	Limit
Average	16.6	2.1	22.4	3.5	44.6	100
End period	19.0	1.0	15.3	3.7	39.1	
Maximum	28.0	4.7	30.0	5.8	55.5	
Minimum	12.1	0.9	14.7	2.9	35.8	

(1) IR: interest rate.
(2) FX: foreign exchange.
(3) IR & Forex: excluding asset & liability management (BSM).
(4) EQT: equity.
(5) Other risks: inflation, commodities, CO_2.

Bond portfolios

Bond portfolios amounted to EUR 114.6 billion as at 31 December 2011. A significant part of these portfolios is managed in run-off in the Legacy Division (EUR 75.2 billion in the bond portfolio in run-off and EUR 5.5 billion in the Financial Products portfolio). Interest-rate risk of these portfolios is hedged. Accounting-wise, a major proportion of the bond portfolios are classified in Loans and Receivables. The AFS reserve of these securities is insensitive to market spread evolutions. Regarding the other bond portfolios classified in AFS, the sensitivity in fair value terms (and of the AFS reserve) to a basis point market spread increase amounted to EUR 31.4 million.
Given the illiquidity of the markets and the lack of visibility on prices/spreads in the valuation process, mark-to-model valuations were applied to the "illiquid" part of the available-for-sale bond scope.

Balance Sheet Management

Dexia policy regarding ALM risk

The principal objective in Dexia's balance sheet management is to minimise volatility of the statement of income, by immunising the commercial margin generated by the business lines and also by preserving the Group's overall value creation. There is no objective of creating additional revenue through voluntary interest-rate risk taking, as the focus is on stabilising bank revenues.

Risk measures

Interest rate

Balance sheet risk measurement is harmonised between the different Group entities. Risk sensitivity measures reflect balance sheet exposure to a parallel movement of 1% on the rate curve. Sensitivity of the net present value of BSM positions to an interest-rate trend is currently the main indicator for measuring and monitoring risks, and fixing limits.
A parametric VaR based on interest-rate sensitivities is calculated on an indicative basis at a Group level. Global and partial sensitivities per interval of time nonetheless remain the main risk indicators on which asset-liability risk committees (ALCo) manage risks.

The structural rate risk of the Dexia Group is concentrated principally on European long-term interest rates and results from the structural imbalance between Dexia's assets and liabilities after hedging rate risk.

Equity

Equity risk is now marginal following the sale in October 2011 of Dexia Bank Belgium and its insurance subsidiary Dexia Insurance Belgium, in which the equity portfolio was largely kept.

(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 hedging the risk associated with the evolution of these results in foreign currencies. Since 2010, a systematic and ongoing hedge has been made of these exposures.

(1) More information is given in the note 12.5. "Market risks and Balance Sheet Management (BSM)" to the consolidated financial statements of this annual report (page 203).

The structural risks of financing participations (equity) in foreign currencies as well as the volatility of the Group's solvency ratio are also monitored regularly.

Balance sheet exposure

Balance sheet exposure to interest rate risk

Interest-rate sensitivity measures the change in the balance-sheet net economic value if interest rates move by 1% across the entire curve.

For continuing activities, ALM long-term sensitivity was EUR -60 million as at 31 December 2011 (against EUR -150 million as at 31 December 2010 for the entire Dexia Group).
The sensitivity limit on interest rates was EUR 196 million/% as at 31 December 2011 (against EUR 400 million/% at year-end 2010). This limit is in line with Balance Sheet Management strategy, which aims to minimise the volatility of the statement of income whilst protecting overall value creation. These variations of sensitivity and limits are explained by the redefinition of the Dexia scope.

(in millions of EUR)	2010	2011	
		Continuing activities	Activities held for sale
Sensitivity	-150	-60	49
Limit	400	196	79

Balance sheet exposure to equities (listed shares)

Following the sale of Dexia Bank Belgium and Dexia Insurance Belgium, the sensitivity of the balance sheet to equities is now marginal.

Liquidity

Dexia policy

Since 2010, Dexia has completely revised its internal process for managing liquidity risk, including its contingency funding plan, so as to achieve more effective and coordinated liquidity management. The cornerstone of this new framework is the Funding and Liquidity Committee (FLC) [(1)], a central committee of all those parties concerned by liquidity and funding, coordinating their actions.

In 2011, the Funding and Liquidity Committee met two or three times a month, closely monitoring the evolution of the Group's liquidity and, mandated by the Management Board, taking formative decisions aimed at its improvement. The disposal of non-strategic assets and riskier assets in loan and bond portfolios, long-term collateralised funding transactions, securities swaps, long-term secured funding (via the covered bond issuers of the Group – Dexia KommunalBank Deutschland, Dexia Municipal Agency and Dexia LdG Banque) and unsecured funding as well as the close monitoring of funding sources and production are all levers deployed by Dexia on the initiative of this committee to remedy the Group's liquidity situation.
The liquidity management process is based on covering the Group's funding requirements with its available liquidity reserves. Funding requirements are assessed prudently, dynamically and comprehensively by taking existing and planned on and off-balance sheet transactions into consideration; reserves are constituted with assets eligible for refinancing with central banks to which Dexia has access (European Central Bank, Federal Reserve, Central Bank of Turkey).

Regular information channels have been established for management bodies:
• daily reporting to members of the Management Board and all those involved with Group liquidity management, namely members of the ALCo, the FLC, Audit, Finance, Risk Management, Cash & Liquidity Management and TFM;

• weekly reporting to the Management Board on developments and actions undertaken during the week;
• meetings of the FLC several times a month, during which the evolution of the liquidity situation is studied and analysed in detail;
• very frequent meetings of the Audit Committee and the Board of Directors;
• annual challenging of Dexia's long-term funding plan by the Management Board and the FLC.

An emergency funding plan has also been implemented, supplementing these information and decision-taking processes. It alters the structure of governance in order to make it more reactive in the case of liquidity stress necessitating rapid decision-taking.

Despite these improvements to the Group's liquidity management process and the diligence with which Dexia had ensured that the appropriate liquidity reserves were maintained, the sudden aggravation of the European crisis and its consequences on the liquidity market severely impacted the Group in the summer of 2011.

Risk measures

The internal framework for managing liquidity risk defines indicators enabling Dexia's resistance to liquidity risk to be measured. These indicators include but are not limited to "liquidity ratios" comparing liquidity reserves to liquidity deficits. They also include limits on the absolute size of liquidity requirements as well as limits on the proportion of short-term funding. All of these indicators are assessed according to different scenarios, in the principal currencies and at all relevant consolidation levels. They are part of the Dexia risk appetite framework and are communicated to the Management Board and the Audit Committee on a regular basis.
Dexia's liquidity risk is also framed by liquidity ratios monitored by the various regulators, the National Bank of Belgium (NBB) for Dexia SA and the Prudential Control Authority (ACP) for Dexia Credit Local.
The NBB ratio to which Dexia SA is subject calculates the liquidity position of a credit institution by comparing the liquidity required (the numerator) and the available liquidity (the denominator) on a weekly and a monthly basis. It must be less than 100% on each of those time scales (CBFA Circular 2009 18-1 of 8 May 2009).
The ACP ratio to which Dexia Credit Local is subject is defined as the ratio between liquidities (the numerator) and liabilities falling due (the denominator) over a prospective period

(1) This committee is described in the section "Governance – Balance sheet management" (page 69).

of one month; the coefficient thus calculated must be above 100 at all times (Instruction No. 2009-05 of 29 June 2009 relating to the standard liquidity risk approach).

These ratios are communicated to the NBB and to the ACP on a monthly basis.

As from the summer of 2011, pressures were applied to Group liquidity, leading to a significant deterioration of the regulatory liquidity coefficient of Dexia SA and its subsidiary Dexia Crédit Local, although a continuous improvement of those ratios had been observed in previous months. Consequently, Dexia SA and Dexia Crédit Local have not been in a position to achieve the minimum regulatory threshold for observance of the liquidity coefficient to which those entities were respectively subject at the end of 2011. Observance of this ratio in future will depend on implementation of the Group financing programme which is still affected by many uncertainties.

Liquidity management

An improvement of the Dexia Group's financial structure and a reduction of its liquidity requirement were the priority objectives of the transformation plan introduced in 2008. Until the summer of 2011, significant progress had been made in this regard, in particular enabling:

- to reduce the Group's short-term funding requirement by EUR 164 billion between the end of 2008 and June 2011 via a voluntary programme of asset disposals and a contraction of commercial loan production;
- to improve the diversification of its funding sources via growth of retails deposits (+EUR 12 billion between the end of 2008 and the end of June 2011) and a fall of short-term market resources aimed in particular at reducing dependence on central bank funding (-EUR 75 billion between the end of 2008 and the end of June 2011);
- to manage actively the off-balance sheet liquidity risk to which the Group was severely exposed in particular via liquidity lines in US dollars granted to US local authorities ("Stand-by Bond Purchase Agreements"); to recall, these reached USD 50.8 billion at the beginning of October 2008 and were reduced to USD 4.3 billion at the beginning of February 2012.

As from mid-2011, the exceptionally challenging environment severely impacted the Group's liquidity situation (see chapter entitled "Highlights" in this Annual Report, page 14), leading at the end of December 2011 to a funding of the liquidity gap of EUR 88 billion relying almost exclusively on central bank and guaranteed funding.

Between the end of June and the end of December 2011, the share of central bank borrowings increased by EUR 17 billion[1], partially offsetting the Group's loss of unsecured funding. At the end of December 2011, the EUR 31 billion in central bank borrowings included drawings on the emergency liquidity assistance (ELA) activated by the Dexia Group from the beginning of October 2011 with the entire central bank system. At that same date, i.e. after the departure of Dexia Bank Belgium from the Group scope, the amount of emergency liquidity assistance was EUR 18.7 billion. The Group will endeavour to reduce this amount which is not significantly different to the peak reached in October 2011 before the disposal of Dexia Bank Belgium. The timetable for a reduction of drawings from the ELA will nonetheless depend on the Group's ability to issue guaranteed debt.

Considering the extremely negative evolution of the environment and growing distrust in the signature of the Dexia Group, considerably restricting its access to market funding, a new guarantee mechanism was put in place by the Belgian, French and Luxembourg states aimed at supporting implementation of the structural measures announced by the Group in October.

A temporary agreement on this guarantee scheme was reached with the European Commission on 21 December 2011, enabling Dexia Crédit Local to execute its first short-term debt issues. At the end of December 2011, debt issued with the benefit of this guarantee amounted to EUR 22 billion (EUR 41 billion as at 15 march 2012). The resources thus raised on the one hand enabled the drawings of emergency liquidity assistance to be reduced and on the other hand permitted repayment of some of the unsecured funding granted by Dexia Bank Belgium to Dexia Crédit Local, in line with the undertakings made by the Group.

More detailed information on this new guarantee agreement is provided in note 9.3.D. to the consolidated financial statements in this Annual Report (page 163).

The execution of the Group's medium and long-term funding programme in 2011 is to be appraised in two halves: during the first part of the year financial markets were in fairly good shape, providing relatively favourable conditions to issuers. However from June onwards the mounting sovereign crisis and tensions on the short-term US dollar market had virtually shut the market for financial institutions. The impact was felt on the volume of primary issues and on their margins: the iBoxx France Banks Senior index saw the average margin on senior bank debt rise from 86 basis points in January 2011 to 234 basis points at the end of that year, after reaching a peak of 284 basis points in November 2011. Similarly, the iBoxx France Covered index posted a sharp increase in the margin on covered bonds from 52 basis points in January 2011 to 154 basis points at the end of December 2011. Although in 2011 the amount issued on the covered bond market in Europe was in line with expectations, at EUR 180 billion, the pace of execution of issues followed the market trend: EUR 98 billion issued in the first quarter 2011, EUR 42 billion in the second, EUR 28 billion in the third and EUR 15 billion in the last quarter 2011, with the market closing the year in a wait-and-see mood.

Against that background, the Dexia Group's long-term funding activity was sustained during the first part of the year, enabling practically the entire 2011 budget to be achieved by the end of June. In all, Dexia raised EUR 38.2 billion in medium and long-term resources, including EUR 9.5 billion in the form of covered bonds, posting an average duration of 7.2 years, and EUR 2.0 billion in the form of senior unsecured funding with an average duration of 3.2 years. Among the noteworthy transactions were two benchmark transactions by Dexia Municipal Agency at 10 and 5 years (the latter, issued in May 2011, was broadly over-subscribed) as well as two benchmark issues at 3 and 5 years by Dexia KommunalBank Deutschland. Several bilateral secured funding transactions also enabled EUR 6.8 billion in long-term funding to be raised with an average duration of 5.4 years, and the Group took part in the 3-year refinancing operation launched in December by the European Central Bank (LTRO) in an amount of EUR 20 billion.

(1) Excluding the Group's participation in the "LTRO" or "longer-term refinancing operation" launched on 21 December 2011 with a 3-year maturity.

Operational risk

Dexia policy regarding operational risk

Dexia's operational risk management policy consists of identifying and regularly assessing the existing risks and current controls in order to check that the acceptance level defined per activity is respected. If not, adequate governance in place must lead to the rapid corrective or improvement actions permitting a return to an acceptable situation. This framework is completed by a prevention policy, particularly with regard to information security, business continuity and whenever it is necessary by the transfer of certain risks through insurance.

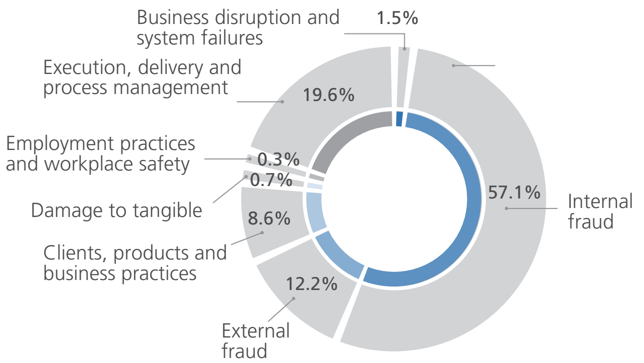
Risk measures and management

The operational risk management 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 the bank's historical loss experience could provide meaningful information for assessing the bank's exposure to operational risk and developing a policy to mitigate and control the risk".
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. In terms of reporting, in order to ensure that the most important information is escalated in due time to Senior Management, in addition to the compulsory declaration threshold being set at EUR 1,000, rules have been formulated and disseminated at Group level. The Management Board receives a report on the main events, including action plans defined by the bank's middle management enabling risks to be reduced.

Over the last three years, the split of the total amount of losses among standard event types has been as follows for the continuing activities:



Considering the reduction of the Dexia Group scope, the breakdown of the different categories of incident has changed considerably. This breakdown for the continuing activities reveals a considerable proportion of internal fraud. As the breakdown calculation by categories of incident was made over a 3-year sliding period, major incidents of this type which occurred in 2009 in the Group's Turkish entity now mechanically weigh more heavily in the breakdown. They have since given rise to actions to improve the internal control system.
Losses due to incidents in the "Execution, Delivery and Process Management" category, more classic events, represent the second largest category. The most significant events recorded in this risk category to have occurred in 2009 have not been repeated since then.
The other categories present incidents limited in number and in amount of losses. The main events have been subject to corrective actions approved by management bodies.

Self-assessment of risks and associated controls

In addition to building a history of losses, it is also necessary to determine Dexia's exposure to the main risks through the risk mapping of all significant activities. To do this, all the entities of the Dexia Group perform bottom-up self-assessment exercises regarding risks and associated controls. They can lead to the definition of mitigation 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 exercises are repeated each year.

Definition and follow-up of action plans

middle management defines corrective actions enabling major events to be remedied, and deficient controls or notable risks identified. Regular monitoring is in the hands of operational risk management. This process enables the internal control system to be constantly improved and risks to be reduced appropriately over time.

Permanent control

The aim of the permanent control framework is to check the existence and quality of the key controls present in all activities and enabling major risks to be covered, whatever they are. First level operational controls are concerned, and second level controls by non-operational support functions.
Initially deployed in France, it was extended in 2011 to a certain number of significant activities (Compliance, Risk management, Operations) in other Group entities.

Information security and business continuity management

Information security policy and the related information security guidelines, standards and practices aim to secure Dexia's 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 must make impact analyses for critical business in case of interruption. They have to 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. So steps were taken towards improvements in 2011 on the basis of an assessment of the business continuity mechanisms established in 2010 for all Dexia subsidiaries.

Management of insurance policies

Mitigation of the operational risks to which Dexia is exposed is also guaranteed by subscription to collective insurance policies, covering professional liability, fraud, theft and business interruption. Through an insurance policy elaborated for the entire Group, the aim is moreover to establish insurance guidelines regarding the different risks within the Group and to be implemented at Group and entity levels. It is also a matter of providing a centralised framework for negotiations with brokers and insurance companies. Against that background, existing policies in each entity and subsidiary were mapped in 2010, in order to improve effective cover. The adaptation of local policies continued in 2011 with a view to harmonisation within the Group.

Increased coordination with other functions involved in the internal audit system

A new software tool was introduced in 2010 to cover most of the building blocks of the operational risk management framework, also offering some key functionalities for other central functions such as Internal Audit, Compliance, Validation, Permanent Control or Quality Control. This software allows the use of one language and reference systems common to those functions, as well as the generation of consolidated information for the bank's middle management, in particular regarding any type of action plan or recommendation to be followed up over time. Use of this tool was intensified in 2011 with an inventory taken of the principal controls in the most important entities.

Calculation of regulatory capital requirements

Dexia applies the Basel II Standardised Approach to calculate regulatory capital within the context of its operational risk management.

This approach consists principally of applying a percentage (called the beta factor, in a range from 12% to 18%) to an appropriate activity indicator, calculated for each of the eight business lines defined by the Basel Committee (Corporate Finance, Commercial Banking, Retail Banking, Market Activities, Asset Management, Agency Functions, Retail Brokerage, Payments and Settlements).

The indicator in question is defined by the regulator and essentially consists of the result from operation of the underlying activities including new commission and interest income. Income from insurance activities is not taken into account, since it is not subject to Basel II regulation.

The total regulatory capital for each business line is used to calculate total capital requirements for operational risk. It is an average over the last three years. The calculation is updated at the end of each year. Capital requirements for 2010 and 2011 are as follows:

CAPITAL REQUIREMENTS

(in millions of EUR)	2010	2011
	772	625

The reduction of 19% on the year 2010 is due principally to the method of calculation. In fact this relies on an average over three years. In 2011, income for the year 2008 was replaced by that for the current year. As it was considerably less than for previous years, because of the reduction of activities, the average is down. The departure of several entities from the reference scope only had little impact to the extent that the regulators asked for the corresponding income for the entities sold or held for sale to be taken into account until they leave the consolidation scope of the Group.

Operational risk management in a period of transition

The current transition period, with the disposal or run-off of several Group activities, could be conducive to the development of certain operational risks, particularly from well-identified factors: the departure of key staff, possible loss of staff motivation, changes of processes when operational applications have to be replaced and so on.

Nevertheless, the main elements of the management mechanism described previously are still perfectly valid, particularly the self-assessment of risks and controls, which have to be updated with increased frequency.

On the other hand, a process for the escalation of new risks or those increasing as a consequence of the current situation has been introduced with inter-entity transition committees intended to manage the main work involved in transition and the problems arising from it.

Finally, all Dexia SA heads of department have been made specifically aware of the need to be attentive to the deterioration of the risk factors mentioned above, to ensure the best possible continuity in particular from the point of view of activity documentation and to alert management if required.

Legal risk

Like many financial institutions, Dexia is subject to a number of regulatory investigations and litigations, of which current examples include class action lawsuits in the USA and Israel. Except as otherwise indicated, the status of the most significant litigations and investigations summarised below is as at 31 December 2011, and is based on the information available to Dexia on that date. On the basis of such information, either other litigations and investigations are not expected to have a material impact on the Group's financial situation or it is too early to properly assess whether they may have such an impact.

The consequences, as assessed by Dexia based on the information available to it as at the above-referenced date, of the most significant litigations and investigations that are liable to have a material impact on the Group's financial situation, its results or its business are generally provided in the Group's financial statements. Subject to the terms and conditions of the professional liability insurance and the Directors' liability insurance policies entered into by Dexia, the adverse financial consequences of all or certain litigations and investigations may be covered, in whole or in part, under such insurance policies as entered into by Dexia, and, upon acceptance of such risks by the relevant insurers, be offset against any pay-out Dexia would receive pursuant thereto.

Dexia Nederland BV

Background

The difficulties linked to the share-leasing activities of Bank Labouchere (now Dexia Nederland BV, hereinafter referred to as "the Company") 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 the Company proved insufficient in a large number of contracts, thus potentially ending with a residual debt instead of the gain initially hoped for.

Specific litigations

Duty of care cases

As stated in previous annual reports, on 5 June 2009, the Netherlands Supreme Court passed an important judgement with respect to the share-leasing contracts of the Company. Many allegations were rejected, including those of error, misleading advertising, abuse of circumstances, and the applicability of the Netherlands Consumer Credit Act. On the other hand, the Supreme Court decided that a special duty of care should have been applied at the time of entering into the share-leasing contract. The Supreme Court made a distinction between two categories of clients: clients for whom the contract was a bearable financial burden and clients for whom the contract was an irresponsibly heavy financial burden.
As also stated in the last two annual reports, on 1 December 2009, the Amsterdam Court of Appeal subsequently passed four detailed judgements in respect of the exact way in which the distinction of the Netherlands Supreme Court between the two categories of clients should be made. Clients claiming to have been faced with an irresponsibly heavy financial burden have the obligation to demonstrate the facts. Furthermore, the Amsterdam Court of Appeal decided that the profits from earlier share-lease products should be taken into account when calculating the damages, and that the legal interest to be reimbursed was to be calculated from the termination date of a contract.
Shortly after the judgements were passed by of the Amsterdam Court of Appeal, cassation appeals against two of those judgements were filed by two former clients. On 29 April 2011, the Supreme Court rejected the cassation appeals, confirming, too, that, if a client were also party to profitable securities leasing contracts, such profits would have to be set off against the damage incurred in relation to loss-making contracts, provided certain conditions were met.
The outcome of the judgement of the Amsterdam Court of Appeal and the confirmation thereof by the Supreme Court form the basis of the out-of-court settlement attempts by the Company (hereafter called "the Court model").

Spousal consent cases

Unlike the situation with regard to disputes with clients about duty of care issues, the situation with regard to "spousal consent" cases is less clear. On 28 March 2008, the Netherlands Supreme Court ruled by judgement that article 1:88 of the Dutch Civil Code was applicable to share-lease contracts. The applicability of this article means that the written consent of the lessee's spouse (or registered partner) is necessary to enter into the lease contract, in the absence of which written consent the spouse is permitted to annul the contract, meaning that all payments made under the contract would have to be reimbursed and any existing debt towards the Company resulting from the contract be extinguished. By the decision rendered on 28 January 2011, the Supreme Court confirmed that the spouse or partner could annul the contract within three years after becoming aware of the existence of the contract. However, controversial questions remain concerning the nature of the evidence required to demonstrate the knowledge of the spouse. On 17 February 2012 the Supreme Court judged in a cassation appeal that the awareness or knowledge of the contract may be assumed in case of payments for such a contract from a joint account of the spouses or partners. However, contrary to the outcome of an Amsterdam Court of Appeal judgement, the Supreme Court also judged that spouses or partners still have the right to (try to) prove lack of awareness of the existence of such a contract in court.

Number of court cases

As at 31 December 2011, the Company was still involved in about 1,400 civil court cases (compared to about 2,000 at the end of 2010). However, the vast majority of these court cases have been suspended. Most clients in the proceedings (and especially those clients with complaints about breach of the duty of care) were offered out-of-court settlements on the basis of the Court model during 2011. The number of clients in proceedings will decrease sharply in 2012 because of settlements expected after the judgements of the Supreme Court and the Amsterdam Court of Appeal.
Proceedings related to "spousal cases" are still ongoing due to interpretation issues.

Litigations in general

A number of disputes have arisen between the Company and its clients with respect to share-leasing products. Particularly with regard to the nature of these disputes, Dexia refers to its earlier reports and quarterly activity reports. Generally speaking, only the approximately 19,000 clients that filed an opt-out statement before 1 August 2007, and who have not entered into any settlement since then, are entitled to start or continue proceedings against the Company. However, more than 3,200 cases have already been closed due to settlements with the Company or the closure of proceedings.

Klachteninstituut Financiële Dienstverlening (KiFiD)

At the end of 2011, nine share-lease-related cases were still under consideration by the Klachteninstituut Financiële Dienstverlening (KiFiD), the Complaints Institute for Financial Services.

Provisions as at 31 December 2011

Provisions are updated every quarter and may be influenced by fluctuations in the value of the equity portfolios underlying the share-leasing contracts, by client behaviour and by future judgements. At the end of 2011, the provisioning model was adapted to the most recent information about client behaviour as well as the most recent information about the effect of the Court model. The net financial impact thereof on the 2011 financial statements was negligible.
As at the end of December 2011, total provisions amounted to EUR 115 million.

Financial Security Assurance

Financial Security Assurance Holdings Ltd (FSA Holdings) and its subsidiary, Financial Security Assurance Inc. (now named Assured Guaranty Municipal Corp. and hereafter referred to as "AGM") – former subsidiaries of the Dexia Group – and many other banks, insurance companies and brokerage firms are being investigated in the United States by the Antitrust Division of the US Department of Justice, the US tax authorities and the US Securities and Exchange Commission (SEC) on the grounds that they violated certain laws and regulations

in connection with bidding on, and entering into, municipal derivatives transactions, including guaranteed investment contracts (GICs) (1), with issuers of municipal bonds. Several US states have initiated parallel, similar investigations.
In addition to the governmental investigations described above, a large number of banks, insurance companies and brokerages, including, in some cases, FSA Holdings, Dexia and/or AGM, have been named as defendants in various civil actions relating to municipal GICs and municipal derivatives transactions. These civil lawsuits allege violations of antitrust and other laws and regulations. Substantially all these civil proceedings have, for pre-trial purposes, been consolidated in a single matter before the US District Court for the Southern District of New York.
Under the terms of the sale of FSA Holdings and AGM to Assured Guaranty Ltd, Dexia retained the Financial Products business and agreed to indemnify AGM and Assured Guaranty Ltd for all losses relating to this activity that they may incur as a result of the investigations and lawsuits mentioned above.
On 27 July 2010, the Department of Justice (DOJ) indicted former AGM employee Steven Goldberg, together with two former colleagues of Goldberg at his previous employer, in the bid-rigging matter. The DOJ did not indict AGM or any entity within the Dexia FP Group as part of the Goldberg indictment.
Dexia is unable at present to reasonably predict the duration and the outcome of the investigations and legal proceedings in progress, or their potential financial repercussions. In addition, due to the nature of the DOJ/SEC investigations and civil actions relating to the same subject matter, any indication as to whether a provision has been constituted in relation to these investigations or litigations or their subject matter and, if so, the amount thereof, could seriously prejudice Dexia's legal position or its defence in the context of these legal actions or any related proceedings.

Alleged shortcomings in financial communication

In 2009, a shareholder, Mr Robert Casanovas, lodged a complaint with the Public Prosecutors in Brussels and Paris alleging shortcomings in Dexia's financial communication. This complaint gave rise to the opening of two preliminary investigations. Mr Casanovas and his wife, Mrs Marie Christine Guil, also served direct summonses on the company Dexia SA and several former and current executives of the Group to appear before the Criminal Court in Paris.
At the hearing, in October 2009, Mr Casanovas and his wife withdrew their action against the company Dexia SA, which acknowledged it. This withdrawal occurred after the Public Prosecutor in Paris had dismissed the complaint filed by Mr Robert Casanovas and his wife. As to the complaint lodged in Brussels, the Public Prosecutor also dismissed the charges against Dexia.
Nonetheless, in October 2010, Mr Casanovas and his wife re-filed an action against Dexia before the Civil Court of Perpignan on essentially the same grounds as the criminal complaints filed in 2009. The proceeding is still pending before the Court of Perpignan.

(1) The GICs that are the subject of these investigations and lawsuits were issued by subsidiaries of FSA Holdings in exchange for an investment in funds by US municipal entities. Those subsidiaries also issued GICs to issuers of securitized debt securities. The GICs, which had varying terms and repayment conditions, entitle their holders to receive interest payments at a guaranteed (fixed or variable) rate along with a return of invested principal. Payments of principal and interest on the GICs were guaranteed by AGM, remaining so after the acquisition of that company by Assured Guaranty Ltd.

Dexia denies any shortcomings in its financial communication and considers that the allegations made by Mr Casanovas and his wife are unfounded.
No provision has been set up.
Dexia has been named as defendant in two other civil actions based on alleged shortcomings in Dexia's financial communication, and third parties have declared in the Belgian press that they have filed criminal complaints based on similar grounds. So far, Dexia has not been officially notified of any criminal investigations against the company, its managers or its directors.

Dexia banka Slovensko

In June 2009, a client of Dexia banka Slovensko, which had defaulted on its collateral-posting obligations in respect of certain currency transactions, commenced a court action against the bank, claiming EUR 162.4 million for noncompliance with legislative and contractual obligations. Dexia banka Slovensko, in turn, submitted a counterclaim for EUR 92.2 million.
On 17 May 2010, the District Court of Bratislava announced its judgement on the former client's claim, ordering Dexia banka Slovensko to pay an amount in principal of EUR 138 million. By separate judgement, the District Court further ordered Dexia banka Slovensko to pay legal fees and costs of EUR 15.3 million. The bank appealed both decisions to the Regional Court of Bratislava and, in reaction to these decisions in first instance, withdrew its counterclaim still pending before the first instance court and resubmitted it for the gross amount to the Permanent Arbitration Court of the Slovak Banking Association.
On 25 January 2011, the appeal court passed a ruling cancelling both first instance judgements. In its ruling, the appeal court almost entirely dismissed the arguments adopted by the first instance court, stating that it had not established the facts of the case correctly and erred in its legal arguments. Under such circumstances, the case is usually returned to the first instance District Court for re-examination taking into account any (binding) instructions included in the appeal court's ruling. The appeal court's ruling was itself the subject of an extraordinary appeal lodged by the former client with the Slovak Supreme Court, which is still pending.
In the context of the sale of Dexia banka Slovensko in early 2011, the residual exposure of the Dexia Group in respect of this particular claim is capped at an undisclosed amount, which, if and when due by Dexia, is secured by funds in escrow.

Dexia Crediop

Dexia Crediop, like other banks in Italy, is involved in certain judicial proceedings with respect to hedging transactions concluded in the framework of debt refinancing for local authorities.
Under Italian law, debt may be restructured only if it leads to a reduction in the costs borne by the community (the "economic convenience test"). The legal question raised is whether or not the costs to be taken into consideration when performing the economic convenience test include the cost of hedging transactions.
In September 2011, in a dispute between Dexia Crediop and the Province of Pisa, the Council of State decided that the self-redress action taken by the Province of Pisa met the formal requirement for it to be valid, and that the hedging transaction costs would have to be taken into account when performing

the economic convenience test. The Council appointed a technical expert to perform such a test. The expert's report was filed before the Council of State in January 2012.
The Council of State further ruled that the Italian administrative courts had exclusive jurisdiction on the matter, irrespective of the election of English courts made by the parties, a position which Dexia Crediop has decided to challenge before the Italian Supreme Court. Dexia Crediop has also decided to request the Supreme Court to refer to the European Court of Justice the question of the conflict of jurisdiction between the Italian and the English courts.
In addition, Dexia Crediop has filed several claims before civil and administrative courts to preserve its rights under certain hedging agreements.
At this stage in the proceedings, Dexia is not in a position reasonably to forecast the duration or the outcome of the disputes, or their possible financial consequences. Therefore only a provision of approximately EUR 7 million (to cover the legal fees) appears in the financial statements as at 31 December 2011.

Dexia Banque Internationale à Luxembourg and Dexia Private Bank (Switzerland)

Further to the Bernard Madoff Investment Securities ("BMIS") bankruptcy, the trustee of the BMIS estate and certain trustees of Madoff-related investment funds launched proceedings against a large number of financial institutions and institutional investors that had purchased Madoff securities and Madoff-linked investment products, claiming reimbursement of profits earned by, and redemptions received on those investments over the several years leading up to the discovery of the fraud scheme operated by, and the subsequent bankruptcy of BMIS ("clawback claims").
Dexia Banque Internationale à Luxembourg and its affiliate, Dexia Private Bank (Switzerland), have been named as defendants in certain civil actions based on these clawback claims for an estimated amount, in principal, of USD 79 million, most of which relates to investments made by Dexia Banque Internationale à Luxembourg on behalf of third party investors.
Dexia is unable at present reasonably to predict the duration or the outcome of the legal proceedings in progress, or their potential financial repercussions. If and to the extent these clawback claims are supported by the courts, Dexia Banque Internationale à Luxembourg intends to seek reimbursement of any amounts to which it may be condemned from the beneficiaries on whose behalf it will have acted.
As at 31 December 2011, no provision has been set up with respect to the clawback claims.
In addition, Dexia Banque Internationale à Luxembourg is a defendant in a limited number of proceedings brought by clients having invested in Madoff-linked products.

Dexia Asset Management

Dexia Asset Management is defendant in proceedings brought against it by a professional investor before the Irish Court, filed in December 2010, seeking unquantified damages for alleged breach of contract.
The claims relate to investments made by this professional investor in two Irish funds managed by Dexia Asset Management.
The proceedings have been commenced and served upon Dexia Asset Management. They are ongoing.

As at 31 December 2011, a provision of EUR 2 million had been set up to cover expected legal fees and costs in relation to the defence against these allegations.

Dexia Crédit Local

There were no notable changes in the number of client disputes in 2011 which, compared with the size of our client base, was low.
As at 21 February 2011, claims have been filed against Dexia Crédit Local by 17 clients, in relation to structured financing. Dexia Crédit Local is analysing these claims but at this stage is not able reasonably to predict the duration and the outcome of these proceedings, or their possible financial consequences.
In addition, the French have mentioned the filing of two criminal complaints against Dexia Crédit Local by two local authorities. Dexia Crédit Local denies all criminal charges brought against it.

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. The hearing was held in November 2010. The Court has not yet passed judgement.
In December 2011, another class action was filed by nine individuals, in their capacity as shareholders, against: Dexia Crédit Local, the Union for Local Authorities in Israel (ULAI) and Dexia Israel. Such action is, amongst other things, based on an alleged failure to complete the process of equalization of the rights attached to Dexia Israel's shares, which the applicants claimed had caused prejudice to them.
No provision has been set up.

Dexia Bank Denmark

A Danish bank, EBH BANK, went bankrupt in the aftermath of the 2008 crisis and people connected to this bank were indicted for fraud and market manipulation in respect of trading in EBH BANK own shares and shares of other listed companies.
In the framework of this case, complaints have been filed by the Danish regulator with the police against Dexia Bank Denmark (DBD) and one of its traders, for having assisted EBH BANK in the alleged market manipulation. The trader and, later on, DBD, as a legal person, have been charged for this alleged assistance. Police investigations are still being conducted, potentially leading to an indictment of DBD and its trader.
DBD strongly denies any involvement in the alleged criminal behaviour.
No provision has been set up.

Dexia Bank Belgium SA

On 20 October 2011, Dexia SA entered into a share purchase agreement ("SPA") that completed the sale of Dexia Bank Belgium SA ("Dexia Bank") to the Société fédérale de Participations et d'Investissement SA ("SFPI"), a fully-owned subsidiary of the Belgian state.

The SPA contains representations and warranties subject to customary (time) limitations, and certain specific indemnities given by the Dexia Group. To date, no warranty or indemnity claim has been made.

Dexia SA and Dexia Crédit Local: request for annulment of the Belgian Royal Decree granting a state guarantee

The Kingdom of Belgium has received authorisation to grant a guarantee to Dexia SA and Dexia Crédit Local SA by a Belgian Royal Decree dated 18 October 2011 "granting a state guarantee on certain Dexia SA and Dexia Crédit Local SA loans". On 23 December 2011, the Committee for the Abolition of Third World Debt (CADTM) and the Association for the Taxation of financial Transactions for the Aid of Citizens (ATTAC) – two non-profit organisations – filed, with the Belgian Council of State, a request for the annulment of the Royal Decree of 18 October 2011. Dexia SA has decided to intervene in the proceeding before the Belgian Council of State in order to defend its rights.

Stress tests

At the end of 2010, Dexia introduced reinforced governance for the performance of stress tests based on a transversal and integrated approach to the Group risk management process.

Stress tests aim to measure the bank's sensitivity in the event of an adverse occurrence in terms of expected losses, weighted risks, liquidity and capital requirements.

In 2011, Dexia performed a series of stress tests (sensitivity analysis, scenarios analyses, assessment of potential vulnerabilities) enabling it to assess the potential impact on its financial balances of an event or of a combination of events. To do this, macroeconomic scenarios were defined with the economists to simulate crisis situations common to the entire Group.

In addition to the stress tests on market and liquidity risks, performed regularly and responding to regulatory requirements, in 2011 Dexia implemented stress tests covering the majority of credit portfolios. Under Pillar 1 of Basel II, the exposures covered by internal rating systems were subject to tests for sensitivity and scenarios involving the unfavourable evolution of macroeconomic variables.

Dexia also took part in 2011 in stress tests performed by the European Banking Authority (EBA) and national regulators. These stress tests [1] were intended to measure the solvency of European banks in the case of a deterioration of credit quality, market risk parameters and funding costs.
After publication of the results of these stress tests on 15 July 2011, a new exercise [2], integrating a stress on sovereign exposures, was performed on 71 banks, on the basis of data as at 30 September 2011, in order to respond to investor concerns on sovereign risk. The aim was to establish a temporary and exceptional capital reserve so as to reach a Core Tier 1 ratio of 9% as at 30 June 2012 (against 5% in the test published in July) and to cover potential value reductions on sovereign exposures. According to the EBA methodology, a capital deficit of EUR 6.3 billion was identified for Dexia, on a scope nonetheless including Dexia Bank Belgium (sold on 20 October 2011). According to that EBA methodology, the capital deficit in relation to the threshold ratio would be EUR 4.2 billion at the end of September on a pro forma basis excluding Dexia Bank Belgium.

Since 30 September 2011, the Group has announced a huge restructuring plan including the planned disposals of Dexia Banque Internationale à Luxembourg, RBC Dexia Investor Services, Dexia Asset Management, Dexia Municipal Agency and DenizBank. In line with that restructuring programme, the Group will no longer carry on any significant cross-border activity and its size will be considerably reduced. In order to implement the plan, the Group will have the support of a guarantee from the Belgian, French and Luxembourg states on its new issues, approved provisionally by the European Commission on 21 December 2011.
Considering these elements, Dexia is not subject to the recapitalisation requirements of this exercise of building a capital reserve and will no longer be included in the EBA sample.

Application and evolution of the regulatory framework

The Dexia Group has implemented all the mechanisms associated with the Basel II regulations and has a framework for constant improvement.
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.
Pillar 3, which defines all the qualitative and quantitative information relating to risks and distributed to market operators, is applicable at the highest consolidation level of the Dexia Group and has been an integral part of its external communication since 2008 (see document Risk Report – Pillar 3 of Basel II published on the internet site *www.dexia.com*).
Pillar 2, applicable since 31 December 2008, requires banks to demonstrate to their regulators the adequacy of their risk profile and their capital. To do so, they must 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)*. Consolidated in the Group in 2010, this process is marked in particular by the definition of risk appetite and the capital adequacy process, (see section on internal capital adequacy in the chapter entitled "Capital management in this Annual Report (pages 88-89).

Finally, Dexia is heavily involved in national and international consultations by participating in particular in the study of the impact of the Bank of International Settlements on Basel III reform regarding the definition of capital, leverage and liquidity ratios and so on.

(1) The exercise was performed according to the scenarios, methodology and hypotheses provided by the EBA, detailed in the global report published on the EBA internet site on 15/07/11: http://www.eba.europa.eu/EU-wide-stress-testing/2011/2011-EU-wide-stress-test-results.aspx

(2) The exercise was performed according to the scenarios, methodology and hypotheses provided by the EBA, detailed in the global report published on the EBA internet site on 08/12/11: http://www.eba.europa.eu/News--Communications/Year/2011/The-EBA-publishes-Recommendation-and-finalresults. aspx

Dexia has worked actively on application of the so-called "CRD 2" and "CRD 3" European directives. Indeed, within the context of CRD 2, on 31 December 2010 Dexia implemented changes in relation to intragroup and interbank exposures for the calculation of "Major Risks" and developed internal guidelines to ensure retention of 5% of securitised exposures in the event of future new originations.
Similarly, within the context of CRD 3, applicable as at 31 December 2011, the Group has developed an internal measure of stressed value at risk (VaR) for the calculation of the capital burden by virtue of market risk and implemented new requirements for the calculation of capital consumption for securitisation and re-securitisation positions (nonetheless extremely limited within Dexia) in the banking book and in the trading book.
The heavy involvement of the Dexia Group in monitoring Basel III regulatory changes is reflected by the introduction of dedicated governance involving considerable collaboration between the Risk and Finance teams in order to proceed best with all the adaptations necessary for observance of the new requirements in calculating capital consumption (credit value adjustment, asset value correlation, liquidity, capital definition).

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.

Based on a global approach, risk appetite is a reference point to:
• guide strategy and planning;
• frame performance in terms of value creation;
• facilitate daily investment or disposal decisions.

Dexia's risk appetite is marked by a series of ratios which constitute a key element in defining limits for major financial balances. This framework is based on a mix of accounting ratios (gearing), regulatory ratios (Tier 1, weighted risks), economic ratios (economic capital, earnings at risk) and integrates liquidity and funding structure ratios as well as credit concentration limits.
Limits have been defined on each of these ratios and are validated by the Board of Directors each year. The Risk and Finance support lines are responsible for monitoring these ratios, and if necessary propose measures to the Management Board to ensure limits are observed.
After deployment at Group level in 2010, the risk appetite approach was integrated in 2011 in the main Group subsidiaries and validated by their governance bodies.

Capital management

Solvency

Dexia monitors its solvency using rules and ratios established by the Basel Committee on Banking Supervision and the European Capital Requirements Directive.
These ratios, the capital adequacy ratio and the Tier 1 ratio, compare the amount of regulatory capital (in total and Tier 1) with total weighted risks. From a regulatory point of view, they should amount to a minimum 4% for the Tier 1 ratio and 8% for the capital adequacy ratio.
Another indicator used by Dexia to monitor its solvency is the Core Tier 1 ratio, which compares the amount of regulatory capital excluding hybrid capital with total weighted risks.
The National Bank of Belgium (NBB) requires Dexia to submit the calculation of capital necessary in performance of its activity in accordance with the prudential banking regulations on the one hand and in accordance with the prudential regulations on financial conglomerates on the other.

Regulatory capital

Regulatory capital consists of:
- Tier 1 capital consisting of share capital, share premiums, 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 the eligible part of subordinated long-term debt, less subordinated debt from and equities in financial institutions.

According to regulatory requirements:
- 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;
- certain 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 NBB requirements.

Moreover, since 1 January 2007, according to the CRD regulation (Capital Requirement Directive), the NBB has 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.

COMPARISON OF TOTAL EQUITY (FINANCIAL STATEMENTS) AND EQUITY CALCULATED FOR REGULATORY REQUIREMENTS

	31/12/10		31/12/11	
(in millions of EUR)	Consolidated financial statements	Regulatory purposes	Consolidated financial statements	Regulatory purposes
Total shareholders' equity	8,945	8,945	(2,018)	(2,018)
Non-controlling interests	1,783	1,773	1,698	1,698
of which Core equity	*1,858*	*1,849*	*1,819*	*1,819*
of which Gains and Losses not recognised	*(75)*	*(76)*	*(121)*	*(121)*
TOTAL EQUITY	**10,728**	**10,718**	**(320)**	**(320)**

In the regulatory calculations, insurance companies are accounted for by the equity method. Non-controlling interests differ from those published in the financial statements. Moreover, items of discretionary participation only related to insurance companies.

REGULATORY CAPITAL	31/12/10	31/12/11
Regulatory capital (after profit appropriation)	**20,636**	**8,589**
Tier 1 capital	**18,425**	**6,305**
Core shareholders' equity	19,214	7,589
Cumulative translation adjustments (Group share)	(361)	(803)
Prudential filters	(104)	(335)
Non-controlling interests eligible in Tier 1	660	627
Dividend payout (non-controlling interests)	(6)	(0)
Items to be deducted	(2,401)	(1,772)
Intangible assets and goodwill	*(2,262)*	*(1,416)*
Holdings > 10% in other credit and financial institutions (50%)	*(54)*	*(45)*
Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings < 10% (50%)	*0*	*(310)*
Subordinated claims and other items in credit and financial institutions in which holdings > 10% (50%)	*(85)*	*0*
Innovative hybrid Tier 1 instruments	1,423	999
Tier 2 capital	**2,211**	**2,284**
Perpetuals and excess on innovative hybrid Tier 1-instruments for recognition in Tier 1 capital	839	424
Subordinated debts	2,541	2,104
Available for sale reserve on equities (+)	308	202
IRB provision excess (+); IRB provision shortfall 50% (-)	0	44
Items to be deducted	(1,298)	(1,478)
Holdings > 10% in other credit and financial institutions (50%)	*(186)*	*(138)*
Subordinated claims and other items in other credit and financial institutions in which holdings > 10% (50%)	*(85)*	*(0)*
Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings < 10% (50%)	*0*	*(310)*
Participations in insurance undertakings	*(1,206)*	*(42)*

At year-end 2011, Tier 1 capital amounted to EUR 6,305 million, down 66% as a consequence of the loss reported at year-end 2011.
The European Directive CRD 2 limits the recognition of hybrid capital to 15% of Tier 1 capital (considered before deduction of holdings). In application of that rule, only EUR 999 million out of EUR 1,423 million in the Group's hybrid Tier 1 instruments can be recognised in the accounts as Tier 1 capital. The balance of EUR 424 million is recognised as Tier 2 capital.
As a consequence, the Group's Core Tier 1 capital amounted to EUR 5,306 million at year-end 2011.

As at 31 December 2011, the Group's hybrid Tier 1 instruments consist of three issuances:
• a perpetual hybrid capital instrument of EUR 225 million issued by Dexia Banque Internationale à Luxembourg ;
• undated subordinated non-cumulative Notes for EUR 700 million, issued by Dexia Crédit Local and booked for an amount of EUR 700 million;
• undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked for an amount of EUR 498 million.
The characteristics of these three issuances are as follows.

Issuer	Booked amount (in millions of EUR)	Rate	Call date	Rate applicable after the call
Dexia Banque Internationale à Luxembourg SA	225	6.821%	6 July 2011	Euribor 3 m + 230 bp
Dexia Crédit Local SA	700	4.30%	18 November 2015	Euribor 3 m + 173 bp
Dexia Funding Luxembourg SA	498	4.892%	2 November 2016	Euribor 3 m + 178 bp

The agreement with the European Commission provides certain restrictions in relation to the payment of coupons and the exercise of calls on Dexia hybrid capital instruments. Dexia effectively undertook only to pay coupons on its subordinated debt and hybrid capital instruments if there is a contractual obligation and not to exercise any call until the end of 2011. In 2012, the Group intends to apply the same rule.
Following the sale of Dexia Bank Belgium in October 2011 and within the framework of the unwinding of existing links between Dexia SA and Dexia Bank Belgium, Dexia Bank Belgium launched on 20 February 2012 a public offer for the purchase of the

EUR 500 million perpetual non-cumulative securities issued by Dexia Funding Luxembourg SA, at a purchase price amounting to 25% of the nominal value of the securities. As part of that transaction, the Dexia Group undertook to purchase from Dexia Bank Belgium the securities tendered in the offer. Dexia Bank Belgium will repay the subordinated loan of EUR 500 million granted by Dexia Funding Luxembourg SA and financed by the issue of those securities, up to the nominal amount of the securities tendered in the offer. This transaction was closed on 29 February 2012, with investor participation in an amount of EUR 459 million, a success rate of 91.84%.
Furthermore, from the perspective of strengthening the Core Tier 1 of Dexia and its subsidiary Dexia Crédit Local, on 2 March 2012 Dexia Crédit Local launched an offer to purchase its EUR 700 million of hybrid Tier 1 securities at a purchase price (expressed as a percentage of nominal amount) of 24%. This offer, closed on 14 March 2012, had a success rate of 91.96%, representing an amount of EUR 644 million in securities contributed by investors.

Compared to 31 December 2011, these two operations will be reflected by an improvement of the Group's Core Tier 1 ratio by 83 basis points and are neutral regarding its Tier 1 ratio.

Weighted risks

Weighted risks consist of three elements: credit risk, market risk and operational risk. Each of these risks is described in the chapter entitled "Risk management" in this Annual Report (pages 68-70). At year-end 2011, Dexia's total weighted risks amounted to EUR 83 billion against EUR 57 billion at year-end 2010, in view of the sale of guaranteed assets from the Financial Products portfolio in the first half-year 2011 and the sale of Dexia Bank Belgium in October 2011 (impact of EUR 46 billion without recognition of the risk represented by the exposure of the Dexia Group to Dexia Bank Belgium).

	31/12/10	31/12/11		
(in millions EUR)		Total	Continuing operations	Activities held for sale
Weighted credit risks	128,240	73,507	64,615	8,892
Weighted market risks	2,945	2,047	1,756	291
Weighted operational risks	9,650	7,821	7,821	–
TOTAL	**140,834**	**83,374**	**74,192**	**9,182**

Solvency ratios

At 7.6% and 6.4% respectively, the Tier 1 ratio and the Core Tier 1 ratio were impacted by losses booked in 2011. The reduction of core shareholders' equity is reflected by the Tier 1 ratio falling 861 basis points whilst the reduction of weighted risks enabled the ratio to be improved by 309 basis points.
Excluding the weighted risk of entities held for sale in 2012, the Group's pro forma Tier 1 and Core Tier 1 ratios were 8.6% and 7.3% respectively.

The capital adequacy ratio was 10.3% at year-end 2011.
It is also to be noted that the repurchases of hybrid Tier 1 securities issued by Dexia Funding Luxembourg SA and Dexia Crédit Local at the beginning of 2012 will be reflected by an improvement of the Group's Core Tier 1 ratio by 83 basis points and are neutral regarding its Tier 1 ratio compared to 31 December 2011 (for more details on these repurchase offers, see section dedicated to regulatory capital above).

	31/12/10	31/12/11
Tier 1 ratio	13.1%	7.6%
Core Tier 1 ratio	12.1%	6.4%
Capital adequacy ratio	14.7%	10.3%

Internal capital adequacy

Further on what was introduced at Dexia SA in 2010 to respond to the requirements of Pillar 2 of Basel II, in 2011 Dexia deployed its risk appetite and capital adequacy mechanism in the Group's main subsidiaries. Dexia also continued its dialogue with its various regulators on the analysis of Pillar 2 (capital adequacy in relation to risks taken, principally based on the economic capital approach). The Group restructuring is not without effect since it will impact the concentration/diversification balances of its activities. Dexia will adapt its management mechanism in 2012 to the new Group configuration.

Economic capital

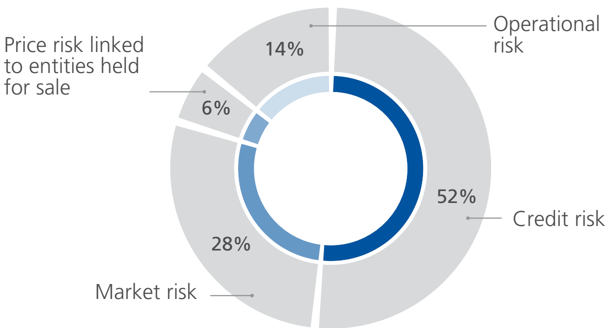
Economic capital is defined as the potential deviation of the Group's economic value in relation to the value expected at a given interval of confidence and time horizon. The economic capital quantification process is organised in three phases: risk identification (definition and mapping updated annually up to a local level), their assessment (essentially on the basis of statistical methodologies) and their aggregation on the basis of an interrisks 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).

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 the Risks and Finance support lines.

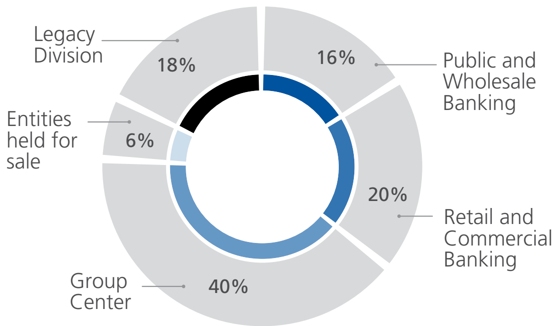
Economic capital by type of risk as at 31 December 2011

The distribution between different categories remains stable despite the redefinition of the Group scope: credit risk represents approximately 52% of economic capital, market risk (which includes interest rate risks, exchange risks and equity risk) 28% and operational risk 14%. The price risk, which for the most part corresponds to economic capital carried by the entities held for sale, represents 6% of economic capital.



Economic capital by business line as at 31 December 2011

The Legacy Division, which includes the bond portfolio in run-off, the Financial Products portfolio, certain nonstrategic public sector loans and off-balance sheet commitments associated with liquidity lines in the United States, consumes 18% of the Group's economic capital. The Public and Wholesale Banking and Retail and Commercial Banking business lines (essentially in Turkey) represent 16% and 20% respectively. The balance consists of 40% allocated to Group Centre (ALM, holdings…) and 6% for activities held for sale.



Financial results

Presentation of the 2011 consolidated financial statements of the Dexia Group

Dexia's 2011 consolidated financial statements have been prepared on a "going-concern" basis and rely on a certain number of assumptions, that are described in the section relating to "Going concern and business continuity" in the chapter entitled "Highlights" in this annual report (pages 16-17).
In presenting Dexia's 2011 consolidated financial statements, the structural measures undertaken by the Group in October 2011 were reflected by the application, for entities likely to be sold in 2012, of the IFRS 5 norm relating to "non-current assets and disposal groups held for sale". Applying that norm, the results achieved by Dexia Banque Internationale à Luxembourg, Dexia Municipal Agency, Dexia Asset Management and RBC Dexia Investor Services and possibly the result associated with the disposal of those entities, were recorded as "net income from discontinued operations". Similarly, the assets and liabilities of those entities are presented in a separate balance-sheet item. The comparative period is restated in the statement of income but not in the balance sheet.
Dexia Bank Belgium was deconsolidated on 1 October 2011. Its result for the first nine months of 2011 and the capital loss on the sale made by Dexia are recorded as "net income from discontinued operations".
The outcome of the DenizBank sale process remains too uncertain to justify application of the IFRS 5 norm in 2011.

Consolidated statement of income

In 2011, the Dexia Group had a **net income Group share** of EUR -11,639 million, of which EUR -6,398 million attributable to Group continuing operations.
At EUR -4,383 million, 2011 **income from continuing operations** was heavily impacted by EUR 3,054 million in impairments on Greek sovereign bonds and assimilated exposure and on related hedging derivatives. EUR 310 million in impairments were also recorded in cost of risk, taking the total impairment to EUR 3,364 million.
In the absence of agreement on the terms of the private sector contribution to the Greek rescue plan [1], Dexia in fact decided, in its 4Q 2011 results, to book an additional impairment on its Greek sovereign bonds and assimilated exposure, taking the total impairment to EUR 2,355 million, or a discount of 75% on the Group's EUR 3.2 billion nominal exposure as at 31 December 2011. EUR 1,009 million in impairments by virtue of the revaluation of derivative interest, rate hedge booked at fair value and cash-flow hedge, in view of the uncertainties weighing on the discounted cash flows from covered bonds leading to an inefficiency of accounting hedges.
The asset disposal programme also impacted income in 2011. Indeed, the Group recorded a EUR 438 million loss on the sale of EUR 11.5 billion in non-strategic bonds and loans. Following the decision announced in May 2011 to accelerate the disposal of non-strategic assets, Dexia also sold the guaranteed assets in the Financial Products portfolio with a loss of EUR 1,928 million.
In June 2011, the Group transferred EUR 17.6 billion nominal in financial assets to "non-current assets and disposal groups held for sale" (IFRS 5) (EUR 14.8 billion excluding Dexia Bank Belgium) resulting in a fair-value adjustment of EUR -1,745 million (EUR -1,487 million excluding Dexia Bank Belgium). The sales of operational entities announced in October 2011 will enable Dexia to exceed the targeted balance-sheet deleveraging and consequently to slow the pace of non-strategic asset disposals. The Group therefore decided, in accordance with accounting rules, to reclassify assets not sold in their original accounting category, and this led to a cancellation of the fair-value adjustment recorded in June [2]. Over the entire year, this led to a net value adjustment of EUR -252 million after taking back EUR 30 million in 3Q 2011 and EUR 1,205 million in 4Q 2011.
Within the framework of implementing the temporary state liquidity guarantee, commission fees of EUR 225 million were recorded by the Group at year-end 2011 and paid to the Belgian, French and Luxembourg states, as their respective portions of the guarantee.
Finally, 2011 income benefits from a gain on the EUR 135 million sale of DenizEmeklilik, the insurance subsidiary of DenizBank in Turkey, to MetLife.
The total impact of these significant elements on the Group's pre-tax income was EUR -6.2 billion.
Beyond these significant elements, annual income was also impacted by the lower result from transformation (EUR -162 million for the Group Center and EUR -96 million for the Legacy Division compared to 2010) and by a EUR -136 million exchange effect on DenizBank income.
Costs were at EUR 1,114 million, down 2% on the financial year 2010, during which, under its transformation plan, Dexia booked EUR 145 million in restructuring costs. In 2011 the cost base also benefited from an exchange effect of EUR 77 million for DenizBank.

(1) This plan, to which Dexia subscribed for all the securities it then held, was successfully implemented during the first two weeks of March 2012. The exchange of the securities will not have any significant impact on the results of the Group, as the value considered as at 31 December 2011 for these securities was close to the estimated value of the new securities to be received in exchange.

(2) With the exception of the residual value of the "frozen AFS reserve" on securities reclassified as loans.

In 2011, **gross operating income** reached EUR -5,497 million. **Cost of risk** is down 10% on 2010 at EUR 551 million. This is explained in particular by the fall in the cost of risk on the Financial Products portfolio from which riskier assets were sold in 2011 (EUR +466 million compared to year-end 2010) as well as a lower level of provisioning for retail and commercial banking activity in Turkey against a background of a general improvement in the economic environment. As mentioned earlier, an impairment of EUR 310 million on Group exposure to Greece is also recorded in the cost of risk.

Other impairments and provisions for legal litigation were up EUR 196 million on year-end 2010. This rise is entirely associated with the impairments on the goodwill of Dexia Crédit Local, Dexia Crediop and Dexia Israel.

Consequently, **pre-tax income from continuing operations** was EUR -6,244 million.

Tax expense was EUR 161 million, impacted by positive and negative one-off items.

Net result from continuing operations amounted to EUR 6,405 million.

Net result from discontinued operations was EUR -5,236 million. This loss is essentially explained by a capital loss of EUR 4.2 billion associated with the sale of Dexia Bank Belgium as well as an expected loss of EUR 1 billion expected on the sale of Dexia Municipal Agency. To recall, the capital loss recorded on the sale of Dexia Bank Belgium includes the results of the bank for the first nine months of 2011, including the EUR 1.3 billion impairment on exposure to Greece.

After taking account of EUR -2 million in non-controlling interests, **net income Group share** was EUR -11,639 million in 2011.

Considering the major losses in 2011, on 22 February 2012 the Board of Directors decided to propose to the Shareholders' Meeting on 9 May 2012 not to pay any dividend in kind or in cash for 2011.

On the other hand, in 2012, the Group does not plan to pay coupons on its hybrid debt unless legally mandatory. It does not intend to exercise any call on Group subordinated debt.

Consolidated balance sheet

As at 31 December 2011, the Group's consolidated balance sheet stood at EUR 413 billion, with EUR 110 billion of assets held for sale. The balance sheet is presented in line with IFRS 5, applied to all entities which are very likely to be sold in 2012, following the Group's announcement of new structural measures in October 2011. The assets concerned have therefore been booked as "non-current assets and disposal groups held for sale" without restatement of the previous periods. Intra-Group transactions between the current activities and the disposal groups held for sale have been offset.

Compared to 31 December 2010, the balance sheet was reduced by EUR 154 billion. This principally reflects:

- the sale of Dexia Bank Belgium, deconsolidated as at 1 October 2011 (EUR -150 billion [(1)]), which explains practically all of the fall in balance-sheet total;
- the sale of non-strategic bonds and loans, including the guaranteed assets of the Financial Products portfolio (EUR -19.7 billion);
- natural asset amortisation;
- the fall of interest rates, which lead to an increase in the negative value of interest-rate derivatives, and therefore to the increase of amounts of cash collateral to be posted, necessitating even greater recourse to external funding;
- the increase of credit and liquidity spreads, which led to a fall in value of securities classified in the available-for-sale reserve, principally those of the PIIGS, which weighed on equity via the result (Greece) or by an even more negative available-for-sale reserve on securities;
- the fall of the euro against the main currencies used by Dexia (USD, GBP, CAD, which represent approximately 2% to 3% of the balance-sheet total), partially offset by the weakness of the Turkish lira, the price of which fell by 19% in 2011.

(1) On the basis figures estimated as at 30 September 2011.

CONSOLIDATED STATEMENT OF INCOME

(in millions of EUR, except where indicated)	2010 as published	2010 restated [(1)]	2011
Income	**5,310**	**1,562**	**(4,383)**
Expenses	(3,703)	(1,136)	(1,114)
Gross operating income	**1,607**	**426**	**(5,497)**
Cost of risk	(641)	(611)	(551)
Other impairments and provisions for legal litigation	(42)	(38)	(196)
Net result before tax from continuing operations	**924**	**(223)**	**(6,244)**
Tax expense	(127)	56	(161)
Net result from continuing operations	**-**	**(167)**	**(6,405)**
Net result from discontinued operations	**-**	**964**	**(5,236)**
Net result	**797**	**797**	**(11,641)**
Non-controlling interests	74	74	(2)
Net result Group share	**723**	**723**	**(11,639)**
Net result Group share from continuing operations	**-**	**(231)**	**(6,398)**
Earnings per share (in EUR)	0.39	0.37 [(2)]	(5.97)
Earnings per share from continuing operations (in EUR)	-	0.12	(3.28)

(1) In accordance with IFRS 5, the comparative information of the discontinued operations is disclosed separately.
(2) 2010 figures were restated to consider the issuance of new ordinary shares, free of charges (bonus shares) distributed to shareholders.

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 - OCI).

Total shareholders' equity of the Dexia Group was negative as at 31 December 2011 (EUR -2.0 billion), after the impact of the net loss of EUR 11.6 billion recorded in 2011 and despite an improvement of EUR 0.7 billion for Other Comprehensive Income.

Core shareholders' equity amounted to EUR 7.6 billion as at 31 December 2011, after the impact of the net loss booked in 2011 as explained above.

Gains and losses not recognised in the statement of income include the fair value of the available-for-sale assets, the "frozen" fair-value adjustment of financial assets reclassified as loans and receivables, the fair value of cash-flow hedge derivatives and the translation reserve. They stood as EUR -9.6 billion as at 31 December 2011. Over the year, they recorded an improvement of EUR 0.7 billion compared to 31 December 2010. Over the first half-year, losses and fair-value adjustments associated with the acceleration of asset disposals led to an improvement of EUR 2 billion in OCI. The trend then reversed in the second half-year under the effect of the reversal of deferred tax assets and of the spread widening of certain sovereign issuers.
The EUR 1.4 billion fall of the available-for-sale reserve reflected a widening of credit spreads on sovereign debt.
Between the end of 2011 and mid-February 2012, this reserve improved by EUR 800 million against a market background more favourable to credit and under the effect of the spread tightening on sovereign debt.
The "frozen" fair-value adjustment of financial assets reclassified as loans and receivables, created within the framework of amendments to IAS 39 and IFRS 7, was EUR -2.4 billion as at 31 December 2011 against EUR -5.3 billion as at 31 December 2010. This sharp improvement resulted from the sale of the guaranteed assets of the Financial Products portfolio combined with natural asset amortisation.
Non-controlling interests were at EUR 1.7 billion at the end of 2011.

Liabilities

In 2011, EUR 116.4 billion of debt was transferred to the item **Liabilities included in disposal groups held for sale**, in application of IFRS 5.
The application of IFRS norms, combined with the deconsolidation of Dexia Bank Belgium, explains the 85% fall of **customer deposits** to EUR 19 billion and the reduction by one half of **debt securities** to EUR 105 billion as at 31 December 2011.
Subordinated debts were EUR 1.7 billion against EUR 3.9 billion as at 31 December 2010.
Liabilities due to banks stood at EUR 106 billion (up EUR 8 billion on 31 December 2010), which is evidence of an increase of loans from central banks resulting from the Group's difficult liquidity situation at the end of 2011.

Assets

As at 31 December 2011, **non-current assets and disposal groups held for sale** were at EUR 110.4 billion, after the transfer to this item of assets and groups of assets the sale of which is very likely in 2012, in application of IFRS 5.
Loans and advances due from banks fell to EUR 46 billion, a negative variation of EUR 8 billion compared to December 2010.
Cash and balances with central banks stood at EUR 4.8 billion.
Loans and advances to customers were reduced by more than a half compared to 2010 (-50.7% or EUR -179 billion) and stood at EUR 174 billion at the end of 2011. This was the result of the deconsolidation of Dexia Bank Belgium, the transfer to "non-current assets and disposal groups held for sale", the balance-sheet reduction policy and natural asset amortisation.
Financial assets at fair value through profit and loss were down EUR 6.6 billion in view of the sale of Dexia Bank Belgium (impact of insurance and more particularly unit-linked insurance contracts) at EUR 2.7 billion.
Financial investments, which include available-for-sale assets, declined to EUR 41 billion for the same reasons.

CONSOLIDATED BALANCE SHEET (in millions of EUR)	31/12/10	31/12/11
TOTAL ASSETS	566,735	412,759
Cash and balances with central banks	3,266	4,847
Loans and advances due from banks	53,379	45,728
Loans and advances to customers	352,307	173,550
Financial assets measured at fair value through profit or loss	9,288	2,690
Financial investments	87,367	40,691
Derivatives	47,077	28,298
Fair-value revaluation of portfolio hedge	4,003	3,020
Investments in associates	171	0
Tangible fixed assets	2,346	736
Intangible assets and goodwill	2,276	1,184
Tax assets	2,847	932
Other assets	2,358	724
Non-current assets and disposal groups held for sale	50	110,359
TOTAL LIABILITIES AND EQUITY	566,735	412,759
Due to banks	98,490	106,384
Customer borrowings and deposits	127,060	19,419
Financial liabilities measured at fair value through profit or loss	20,154	5,200
Derivatives	72,347	56,037
Fair-value revaluation of portfolio hedge	1,979	445
Debt securities	210,473	105,288
Subordinated debts	3,904	1,691
Technical provisions of insurance companies	15,646	0
Provisions and other obligations	1,498	332
Tax liabilities	157	192
Other liabilities	4,299	1,741
Liabilities included in disposal groups held for sale	0	116,350
Total liabilities	556,007	413,079
Subscribed capital	8,442	4,618
Additional paid-in capital	13,618	13,649
Treasury shares	(21)	(4)
Reserves and retained earnings	(3,548)	965
Net income for the period	723	(11,639)
Core shareholders' equity	**19,214**	**7,589**
Gains and losses not recognised in the statement of income	(10,269)	(9,607)
Total shareholders' equity	**8,945**	**(2,018)**
Discretionary participation features of insurance contracts	1,783	1,698
Total equity	10,728	(320)

Activities of the business lines

As Dexia Bank Belgium was sold to the Belgian state and deconsolidated in October 2011, the comments below do not relate to the Retail or to the Public and Wholesale Banking activities of that entity, or Insurance, which was also disposed of within the framework of that sale. Despite the application of the IFRS 5 norm for the entities very likely to be sold in 2012, i.e. Dexia Banque Internationale à Luxembourg, Dexia Municipal Agency, Dexia Asset Management and RBC Dexia Investor Services, the comments below relate to the activities of all entities still consolidated as at 31 December 2011.

Elements of the profitability of business lines are to be found in the Note 3. "Segment reporting" to the consolidated financial statements in this Annual Report (page 126).

Public and Wholesale Banking (1)

2011 was a year of two distinct phases. During the first half of the year, activity was sustained in particular by a dynamic range of value added services to the public sector as well as selective loan production at high margins. The Group was ahead with its commercial and financial objectives, set within the framework defined by the restructuring plan implemented at the end of 2008, which favoured a match between the Group's production and its long-term funding capacities.

The shock caused in the summer by the sovereign crisis slowed production and led to a preference for financing backed by specific resources from the perspective of further increased caution in balance-sheet management.

Against that background, new long-term loan commitments fell by 29% in 2011, to EUR 4.4 billion, a decline observed in all the Group's areas of activity.

In France, new short and long-term commitments to local authorities totalled EUR 5.3 billion in 2011, including EUR 1.3 billion in the distribution of pre-financed programmes (EIB, CDC …) and EUR 4.0 billion in production, including EUR 2.7 billion of short term commitments.

At a **Public Finance** level, 2011 saw a confirmation of the high increase of margins observed in 4Q 2010. Levels of new long-term commitments were controlled in all the markets covered by the Group. In France, where finance alternatives did not materialise and where competition contracted sharply, the Group generated EUR 2.7 billion in long-term loans at clearly increasing margin levels and shorter average maturities than in 2010. Two-thirds of these loans were with local authorities, 15% in the health sector and 11% in the social housing sector.

In 4Q 2011, production was principally backed by specific resources. In particular, an envelope of EUR 3 billion was awarded by the Caisse des Dépôts in October against the background of a shortage of supply of credit to the public sector. Dexia obtained 21% of that envelope, or EUR 628 million, which it placed in a very short time with one hundred and ten clients.

Internationally, production was reduced by one half, at EUR 550 million. It was mostly realised in Spain.

Furthermore, following the logic of assisting its clients over time, EUR 8.9 billion worth of debt management transactions were carried out, including EUR 4.6 billion in France and the remainder principally in Spain and the United Kingdom.

The collection of deposits remained a Group priority. Up EUR 247 million, the net amount of deposits collected over the year was EUR 811 million. Collection was sustained over the first three quarters of the year, most particularly in Germany, where the net amount of deposits collected rose by EUR 613 million over the entire year 2011. In 4Q 2011, significant outflows were observed, against a background of downgrade of Group ratings.

After a relatively lacklustre start to the year, **project finance** activity was sustained during the second and third quarters. New commitments totalled EUR 1.1 billion. In total, Dexia concluded some thirty transactions in 2011, acting as arranger and/or financial adviser. Finance was principally provided in France and was spread over the following sectors: infrastructures (30%), energy (25%), social sector and public-private partnerships (38%), water and waste disposal (3%).

The production of **corporate loans** developed satisfactorily, principally on the basis of the development of factoring and leasing products, including long-term leasing, through the Group's specialist finance subsidiaries. In particular, they were active in the financing of medical equipment for the hospital sector and leasing transactions associated with the environment and market-related public services, for instance the construction of a waste water processing plant in the Rhône-Alpes region.

2012 should be marked by major structural changes for public sector loan activity. For several months the financial crisis had been a source of concern for local authorities. Liquidity and refinancing constraints weighing on banks have in fact led the majority of them to reduce their local public sector finance capacities, or to withdraw totally from the market. The result, over several months, has been an insufficiency of finance to cover the needs of all authorities, a rise in the rates offered, associated with an increase in the cost of access to liquidity, and a reduction of terms for the repayment of new loans. The prospect of an introduction of the new so-called "Basel" norms further limits the ability of banks to finance a sector demanding significant loan volumes, traditionally amortized over long periods.

(1) This comment includes the production of assets on the balance sheet of that refinancing subsidiary, which represent approximately one half of the Public Finance production in France for the year 2011.

More structural solutions are being actively sought however in order to offset the withdrawal of traditional banks. It is against such a background that the transformation of Dexia Crédit Local, historic lender to local authorities is occurring, as well as the introduction, around La Banque Postale and the Caisse des Dépôts, of a new public sector finance pole aimed at "offering local authorities the bank loans necessary for their development" (speech by the French Prime Minister on 7 October 2011). This new mechanism, to which the finishing touches are currently being put, should be operational in the first half of 2012.

Retail and Commercial Banking

Excluding Dexia Bank Belgium, total customer assets in Retail and Commercial Banking amounted to EUR 39 billion as at 31 December 2011, of which EUR 22 billion of deposits and EUR 17 billion of off-balance-sheet assets, including life insurance reserves. Loans were at EUR 22 billion.

In **Turkey**, DenizBank posted a very good commercial performance and continued to expand its customer franchise in 2011. 88 new retail and SME branches were opened during the year to reach a total of 588 domestic branches by the end of December 2011 and 600 in total including the foreign branches. 2,370 ATMs are currently at the disposal of the clientele, of which more than half were set up during the year as part of the collaboration with the Turkish Post (PTT). As at 31 December 2011, DenizBank was serving 5.1 million clients, including the 875,000 new clients acquired in 2011. Deposit gathering was steady in 2011, leading to total outstandings of TRY 26.5 billion (EUR 10.8 billion), up 34% on 2010. This increase was higher than the 13% average sector growth. Loans were up 30% to TRY 30.9 billion (EUR 12.7 billion), mainly driven by business loans. The strong deposit growth resulted in a loan-to-deposit ratio decreasing to 117% in 2011, from 121% at the end of 2010.

In Luxembourg, customer assets amounted to EUR 28 billion as at 31 December 2011, down 13.8% on December 2010. The aggravation of the sovereign crisis in the summer, as well as the uncertainties surrounding the Dexia Group, resulted in significant outflows in deposits, mainly in October. Outstanding loans increased slightly (+3.1%), at EUR 9.3 billion. Since the announcement of the signing of a memorandum of understanding between Dexia, Precision Capital and the Grand Duchy of Luxembourg for the sale of Dexia Banque Internationale à Luxembourg on 20 December 2011, the flows have stabilised, with a slight growth in December.

Asset Management and Services

With **Assets under management** (AuM) amounting to EUR 78 billion as at the end of December 2011, Dexia Asset Management managed to limit AuM losses to less than 10% (i.e. EUR 8.4 billion) compared to the end of 2010. The negative market effect accounted for EUR 2.4 billion, while net outflows stood at EUR 6.0 billion. These outflows were, in the first place, concentrated on retail bond funds which, in an uncertain environment, are generally most impacted by factors such as competition from deposits and high quality bond issuance.

However, Dexia Asset Management's investment solution approach paid off well, as testified by the overall good resilience of the mandates and advisory business over the year.

At the end of 2011, assets under management remained well diversified between different asset classes: asset allocation strategies (36%), fixed income (28%), equities (19%), money market (11%) and alternative investments (6%). SRI solutions represented 23% of total assets.

2011 was an asymmetric year for **Investor Services**. After a dynamic start, activity slowed in the second part of the year, due to the underperformance of the equity markets and despite good underlying growth in client outstandings. All in all, assets under administration were roughly stable, at EUR 2,066 billion. The number of shareholder accounts followed a similar trend.

Legacy Portfolio Management Division

The Legacy Division groups together the bond portfolio in run-off, the Financial Products portfolio, a portfolio of "non-strategic" loans to the public sector and off-balance commitments associated with liquidity lines in the United States (Stand-by Bond Purchase Agreements).

As at 31 December 2011, the commitments of the Legacy Portfolio Management Division amounted to EUR 95.1 billion (including off-balance-sheet commitments). Balance-sheet commitments amounted to EUR 89.7 billion, down EUR 44.6 billion on year-end 2010, principally as a consequence of asset disposals and the sale of Dexia Bank Belgium. The Legacy funding profile is comparable from one year to the next, with the short-term funding ratio slightly falling from 43.0% to 41.3% between December 2010 and December 2011.

During the first five months of 2011, the Dexia Group continued with its voluntary asset disposal policy, in line with the undertakings made to the European Commission, in order to reduce the Group's short-term funding requirement and to limit its risk profile. Over that period, the loss rate on disposals remained in line with that observed in previous years, at a level close to 1.5%.

On 27 May 2011, the Dexia Group announced an acceleration of the pace of asset disposals with regard to EUR 17.6 billion of non-strategic loans and bonds as well as the guaranteed Financial Products portfolio. This decision is reflected by a reclassification at fair value under IFRS 5 of assets expected to be sold in the 2Q 2011 results. The Group rapidly completed the sale of the guaranteed assets of its Financial Products portfolio (EUR 6.4 billion). This disposal improved considerably the Group's risk profile and had a positive impact on its solvency ratios due to a EUR 11.7 billion reduction of weighted risks.

As from October, in response to the rapid deterioration of the economic environment, Dexia announced a set of structural measures including the sale of certain of its operational entities. The sale of Dexia Bank Belgium, finalised on 20 October 2011, resulted in a significant reduction of the Legacy Division, by EUR 18.7 billion. As a consequence of those decisions, the Group does not plan to continue actively with its asset disposal programme, as planned entity disposals will enable the targeted balance-sheet reduction to be reached. As a consequence and in accordance to the accounting rules, the Group reclassified the Legacy assets not sold to their original accounting category in December 2011.

In 2011 Dexia sold EUR 24.6 billion in assets, including EUR 6.9 billion sold by Dexia Bank Belgium. The sales concern EUR 6.4 billion in Financial Products assets, EUR 16.4 billion in bonds (Core and Legacy Divisions) and EUR 1.8 billion in loans. Excluding Financial Products, these bond disposals principally related to banking exposures, ABS/MBS and sovereign or public exposures. The Group endeavoured to reduce its risk profile by selling notably EUR 4.5 billion in assets with the aim of de-risking. The average rating for assets sold at "A". The Group concentrated its sale efforts on bonds in non-euro currencies, sales of assets denominated in USD representing 37% of sales volume. In a challenging market, the Group was able to keep its loss rate at limited levels on bond sales, namely 2.1%. Sales of loans remained dynamic throughout the year, in particular loans in Japan and Mexico. The loss rate on loans was 5.2% and reflects an effort to reduce portfolio risk, particularly through the sale of Mexican assets.

As at 31 December 2011, the bond portfolio in run-off amounted to EUR 75.2 billion. Sales did not significantly reduce the average quality of the portfolio, which remains 88% investment grade, nor its diversification profile by asset class, sector, country or currency. Over the year, rating migrations are explained by the impact of the sale of Dexia Bank Belgium. The deterioration of European sovereign ratings particularly in Italy and Greece, and related downgrades, also resulted in significant rating migrations. Despite the reduction of the total amount of the portfolio and the sale of riskier assets, the level of portfolio provisioning rose to EUR 2.6 billion, in view of impairments recorded on Greek sovereign and assimilated exposure.

Following the sale of assets guaranteed by the Belgian and French states, the Financial Products portfolio was reduced to EUR 5.5 billion at year-end 2011. The portfolio now remains 99% investment grade, as lower quality assets have been sold. It is funded around EUR 3.7 billion by guaranteed investment contracts (GICs) collateralised by USD 5.0 billion of US Treasury bonds and similar notes.

Dexia also manages a portfolio of non-strategic loans to the public sector, originated in countries where the Group has ceased commercial activity, particularly Switzerland, Scandinavia, Central and Eastern Europe, Australia and Mexico, for a total of EUR 9.4 billion as at 31 December 2011. This portfolio also contains commitments related to liquidity lines in the United States (Stand-by Bond Purchase Agreements) for a total amount of USD 6.0 billion as at 31 December 2011, of which USD 0.1 billion were drawn on that date. Under its deleverage policy, Dexia disposed of EUR 1.8 billion in loans in 2011 and reduced its off-balance-sheet commitments by EUR 13.8 billion over the year, through the proactive management of SBPA. In particular, in 2011 Dexia sold all of its portfolio of Japanese loans and a significant proportion of its exposures in Mexico.

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Consolidated financial statements as at 31 December 2011

Consolidated balance sheet

ASSETS (in millions of EUR)		Note	31/12/10	31/12/11
I.	Cash and balances with central banks	7.2.	3,266	4,847
II.	Loans and advances due from banks	7.3.	53,379	45,728
III.	Loans and advances to customers	7.4.	352,307	173,550
IV.	Financial assets measured at fair value through profit or loss	7.5.	9,288	2,690
V.	Financial investments	7.6.	87,367	40,691
VI.	Derivatives	9.1.	47,077	28,298
VII.	Fair value revaluation of portfolio hedge		4,003	3,020
VIII.	Investments in associates	7.8.	171	0
IX.	Tangible fixed assets	7.9.	2,346	736
X.	Intangible assets and goodwill	7.10.	2,276	1,184
XI.	Tax assets	7.11. & 9.2.	2,847	932
XII.	Other assets	7.12.	2,358	724
XIII.	Non-current assets and disposal groups held for sale	7.13. & 9.4.	50	110,359
TOTAL ASSETS			**566,735**	**412,759**

The notes on pages 108 to 214 are an integral part of these consolidated financial statements.

Management report

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LIABILITIES (in millions of EUR)		Note	31/12/10	31/12/11
I.	Due to banks	8.1.	98,490	106,384
II.	Customer borrowings and deposits	8.2.	127,060	19,419
III.	Financial liabilities measured at fair value through profit or loss	8.3.	20,154	5,200
IV.	Derivatives	9.1.	72,347	56,037
V.	Fair value revaluation of portfolio hedge		1,979	445
VI.	Debt securities	8.4.	210,473	105,288
VII.	Subordinated debts	8.5.	3,904	1,691
VIII.	Technical provisions of insurance companies	9.11.	15,646	0
IX.	Provisions and other obligations	8.6.	1,498	332
X.	Tax liabilities	8.7. & 9.2.	157	192
XI.	Other liabilities	8.8.	4,299	1,741
XII.	Liabilities included in disposal groups held for sale	8.9. & 9.4.	0	116,350
TOTAL LIABILITIES			**556,007**	**413,079**

EQUITY (in millions of EUR)		Note	31/12/10	31/12/11
XIV.	Subscribed capital	9.5.	8,442	4,618
XV.	Additional paid-in capital		13,618	13,649
XVI.	Treasury shares		(21)	(4)
XVII.	Reserves and retained earnings		(3,548)	965
XVIII.	Net income for the period		723	(11,639)
CORE SHAREHOLDERS' EQUITY			**19,214**	**7,589**
XIX.	Gains and losses not recognised in the statement of income		(10,269)	(9,607)
	a) Available-for-sale reserve on securities		*(3,927)*	*(5,279)*
	b) "Frozen" fair value adjustment of financial assets reclassified to Loans and Receivables		*(5,320)*	*(2,378)*
	c) Other comprehensive income from assets held for sale		*0*	*(238)*
	d) Other reserves		*(1,022)*	*(1,712)*
TOTAL SHAREHOLDERS' EQUITY			**8,945**	**(2,018)**
XX.	Non-controlling interests		1,783	1,698
TOTAL EQUITY			**10,728**	**(320)**
TOTAL LIABILITIES AND EQUITY			**566,735**	**412,759**

The notes on pages 108 to 214 are an integral part of these consolidated financial statements.

Consolidated statement of income

(in millions of EUR)		Note	31/12/10 (1)	31/12/11
I.	Interest income	11.1.	23,375	23,917
II.	Interest expense	11.1.	(22,090)	(23,174)
III.	Dividend income	11.2.	12	7
IV.	Net income from financial instruments at fair value through profit or loss	11.3.	(102)	(56)
V.	Net income on investments	11.4.	43	(5,226)
VI.	Fee and commission income	11.5.	422	437
VII.	Fee and commission expense	11.5.	(107)	(342)
VIII.	Premiums and technical income from insurance activities		40	41
IX.	Technical expense from insurance activities		(26)	(29)
X.	Other net income	11.6.	(5)	42
INCOME			**1,562**	**(4,383)**
XI.	Staff expense	11.7.	(716)	(722)
XII.	General and administrative expense	11.8.	(293)	(279)
XIII.	Depreciation & amortisation	11.9.	(127)	(113)
EXPENSES			**(1,136)**	**(1,114)**
GROSS OPERATING INCOME			**426**	**(5,497)**
XIV.	Impairment on loans and provisions for credit commitments	11.10.	(611)	(551)
XV.	Impairment on tangible and intangible assets	11.11.	0	(6)
XVI.	Impairment on goodwill	11.12.	0	(183)
XVII.	Provisions for legal litigations	11.13.	(38)	(7)
NET RESULT BEFORE TAX FROM CONTINUING OPERATIONS			**(223)**	**(6,244)**
XVIII.	Tax expense	11.14.	56	(161)
NET RESULT FROM CONTINUING OPERATIONS			**(167)**	**(6,405)**
XIX.	**NET RESULT FROM DISCONTINUED OPERATIONS**	9.4.	**964**	**(5,236)**
NET RESULT			**797**	**(11,641)**
	Attributable to non-controlling interests		74	(2)
	Attributable to equity holders of the parent		723	(11,639)
NET RESULT FROM CONTINUING OPERATIONS			**(167)**	**(6,405)**
	Attributable to non-controlling interests		64	(7)
	Attributable to equity holders of the parent		(231)	(6,398)
(in EUR)				
	Earnings per share	11.15.		
	- basic		0.37 (2)	(5.97)
	- diluted		0.37 (2)	(5.97)
	Earnings per share from continuing operations	11.15.		
	- basic		(0.12)	(3.28)
	- diluted		(0.12)	(3.28)

(1) Following the announcement of the restructuration of the Group, in accordance with IFRS 5, the comparative information of the discontinued operations is disclosed separately.

(2) Figures as at 31 December 2010 were restated to consider the issuance of new ordinary shares, free of charge (bonus shares), distributed to shareholders.

The notes on pages 108 to 214 are an integral part of these consolidated financial statements.

Consolidated statement of changes 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 2009	**8,089**	**13,618**	**(25)**	**(4,194)**	**1,010**	**18,498**
Movements of the period						
- Issuance of subscribed capital	353			(355)		(2)
- Trading activities on treasury shares			4			4
- Transfers to reserves and retained earnings				1,010	(1,010)	0
- Share based payments: value of employee services				3		3
- Variation of scope of consolidation				(13)		(13)
- Other movements				1		1
- Net income for the period					723	723
AS AT 31 DECEMBER 2010	**8,442**	**13,618**	**(21)**	**(3,548)**	**723**	**19,214**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	**Gains and losses not recognised in the statement of income**				
(in millions of EUR)	**Available-for-sale reserve on securities (AFS)**	**"Frozen" fair value adjustment of financial assets reclassified to Loans and Receivables**	**Derivatives (CFH & FX Invt)**	**Cumulative translation adjustments (CTA)**	**Total gains and losses Group share**
AS AT 31 DECEMBER 2009	**(1,510)**	**(5,574)**	**(702)**	**(531)**	**(8,317)**
Movements of the period					
- Net change in fair value through equity – Available-for-sale investments	(2,089)				(2,089)
- Derecognition of deferred tax previously recorded		(525)			(525)
- Transfers to income of available-for-sale reserve amounts due to impairments	28	215			243
- Transfers to income of available for sale reserve amounts due to disposals	(267)	281			14
- Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended		625			625
- Net change in fair value through equity – Cash flow hedges			83		83
- Net change in cash flow hedge reserve due to transfers to income			(4)		(4)
- Translation adjustments	(89)	(342)	(38)	170	(299)
AS AT 31 DECEMBER 2010	**(3,927)**	**(5,320)**	**(661)**	**(361)**	**(10,269)**

NON-CONTROLLING INTERESTS (in millions of EUR)	Core equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31 DECEMBER 2009	**1,813**	**(7)**	**1,806**
Movements of the period			
- Increase of capital	5		5
- Dividends	(32)		(32)
- Net income for the period	74		74
- Net change in fair value through equity		(98)	(98)
- Transfers to income of available-for-sale reserve amounts due to disposals		20	20
- Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended		4	4
- Translation adjustments	(1)	7	6
- Variation of scope of consolidation	(1)		(1)
- Other movements		(1)	(1)
AS AT 31 DECEMBER 2010	**1,858**	**(75)**	**1,783**

Core shareholders' equity	19,214
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(10,269)
Non-controlling interests	1,783
TOTAL EQUITY AS AT 31 DECEMBER 2010	**10,728**

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 2010	**8,442**	**13,618**	**(21)**	**(3,548)**	**723**	**19,214**
Movements of the period						
- Issuance of subscribed capital				(1)		(1)
- Transfers to reserves and retained earnings	(3,824) (1)	31		4,516	(723)	0
- Variation of scope of consolidation			17			17
- Other movements				(2)		(2)
- Net income for the period					(11,639)	(11,639)
AS AT 31 DECEMBER 2011	**4,618**	**13,649**	**(4)**	**965**	**(11,639)**	**7,589**

(1) This amount represents the capital reduction of EUR 4,067 million by the appropriation of the loss incurred and the increase of capital of EUR 243 million by the incorporation of reserves and the issuance, representing that capital increase, of bonus shares to be distributed to shareholders. These decisions were approved by the Extraordinary Shareholders' Meeting of 11 May 2011.

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in millions of EUR)	Gains and losses not recognised in the statement of income						
	Related to non-current assets held for sale	**Available-for-sale reserve on securities (AFS)**	**"Frozen" fair value adjustment of financial assets reclassified to Loans and Receivables**	**Derivatives (CFH & FX Invt)**	**Associates (AFS, CFH)**	**Cumulative translation adjustments (CTA)**	**Total gains and losses Group share**
AS AT 31 DECEMBER 2010	**0**	**(3,927)**	**(5,320)**	**(661)**	**0**	**(361)**	**(10,269)**
Movements of the period							
- Net change in fair value through equity	(79)	(4,907)					(4,986)
- Derecognition of deferred tax assets	(7)	(838)	(160)	(130)			(1,135)
- Transfers to income of available-for-sale reserve amounts due to impairments		2,157	28				2,185
- Transfers to income of available-for-sale reserve amounts due to disposals	1,196	228	497				1,921
- Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended			380				380
- Net change in fair value through equity – Cash flow hedge reserve				(289)			(289)
- Net change in cash flow hedge reserve due to transfers to income				64			64
- Transfers	(1,450)	202	1,157	117	3	(29)	0
- Net changes in other comprehensive income of associates					(3)		(3)
- Translation adjustments	(4)	2	41	20		(432)	(373)
- Variation of scope of consolidation	106	1,804	999	(1)		(11)	2,897
- Other movements				1			1
AS AT 31 DECEMBER 2011	**(238)**	**(5,279)**	**(2,378)**	**(879)**	**0**	**(833)**	**(9,607)**

NON-CONTROLLING INTERESTS (in millions of EUR)	**Core equity**	**Gains and losses not recognised in the statement of income**	**Non-controlling interests**
AS AT 31 DECEMBER 2010	**1,858**	**(75)**	**1,783**
Movements of the period			
- Increase of capital	7		7
- Dividends	(26)		(26)
- Net income for the period	(2)		(2)
- Net change in fair value through equity		(52)	(52)
- Transfers to income of available-for-sale reserve amounts due to disposals		5	5
- Transfers to income of available-for-sale reserve amounts due to impairments		1	1
- Amortisation of net fair value on reclassified portfolio in application of IAS 39 amended		1	1
- Translation adjustments		(3)	(3)
- Variation of scope of consolidation	(18)	2	(16)
AS AT 31 DECEMBER 2011	**1,819**	**(121)**	**1,698**

Core shareholders' equity	7,589
Gains and losses not recognised in the statement of income attributable to equity holders of the parent	(9,607)
Non-controlling interests	1,698
TOTAL EQUITY AS AT 31 DECEMBER 2011	**(320)**

The notes on pages 108 to 214 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(In millions of EUR)	31/12/10			31/12/11		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
RESULT RECOGNISED IN THE STATEMENT OF INCOME			**797**			**(11,641)**
Unrealised gains (losses) on available-for-sale financial investments	(3,401)	902	(2,499)	(728)	(667)	(1,395)
Unrealised gains (losses) on "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables	1,048	(779)	269	3,527	(583)	2,944
Gains (losses) on cash flow hedges	54	(20)	34	(171)	(47)	(218)
Cumulative translation adjustments	176		176	(478)		(478)
Other comprehensive income from disposal groups held for sale				(389)	152	(237)
OTHER COMPREHENSIVE INCOME	(2,123)	103	(2,020)	1,761	(1,145)	616
TOTAL COMPREHENSIVE INCOME			**(1,223)**			**(11,025)**
Attributable to equity holders of the parent			(1,229)			(10,977)
Attributable to non-controlling interests			6			(48)
TOTAL COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS				**(4,116)**	**(1,458)**	**(5,574)**
Attributable to equity holders of the parent						(5,520)
Attributable to non-controlling interests						(54)

The notes on pages 108 to 214 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in millions of EUR)	31/12/10	31/12/11
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	797	(11,641)
Adjustment for:		
- Depreciation, amortisation and other impairment	347	720
- Impairment on bonds, equities, loans and other assets	347	3,895
- Net (gains) or losses on investments	(235)	2,863
- Charges for provisions (mainly insurance provision)	2,000	1,217
- Unrealised (gains) or losses	(8)	133
- Income from associates	(5)	(7)
- Dividends from associates	3	5
- Deferred taxes	41	(54)
- Other adjustments	3	0
Changes in operating assets and liabilities	(3,530)	6,693
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(240)**	**3,824**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(535)	(577)
Sale of fixed assets	284	112
Acquisitions of unconsolidated equity shares	(1,069)	(480)
Sales of unconsolidated equity shares	1,937	938
Acquisitions of subsidiaries and of business units	(49)	0
Sales of subsidiaries and of business units	(47)	1,759
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**521**	**1,752**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	0	5
Issuance of subordinated debts	1	254
Reimbursement of subordinated debts	(335)	(278)
Purchase of treasury shares	(32)	0
Dividends paid	0	(26)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(366)**	**(45)**
NET CASH PROVIDED	**(85)**	**5,531**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**14,167**	**14,724**
Cash flow from operating activities	(240)	3,824
Cash flow from investing activities	521	1,752
Cash flow from financing activities	(366)	(45)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	642	67
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**14,724**	**20,322**
ADDITIONAL INFORMATION		
Income tax paid	(159)	(135)
Dividends received	85	76
Interest received	48,346	44,419
Interest paid	(45,411)	(42,090)

Net cash inflows from discontinued operations are disclosed in note 9.4. “Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations”.

The notes on pages 108 to 214 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting principles and rules governing the consolidated financial statements

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GENERAL INFORMATION

Dexia is a European banking group which, in 2011, carried out its activities principally in Belgium, Luxembourg, France and Turkey in the fields of retail and commercial banking, public and wholesale banking, asset management and investor services.

Since December 2008, the Group has considerably reduced its risk profile and refocused its commercial franchises on its historical business lines and markets, in line with the restructuring plan validated by the European Commission. Eager to consolidate and to strengthen its commercial franchises, Dexia has refocused its activity portfolio on the local bank, grasping opportunities for growth in retail banking in Turkey. In the field of public banking, the Group chose to remain a selective, profitable and recognised specialist, offering a diversified range of products. This plan was implemented in line with the objectives fixed until mid-2011.

As a consequence of the aggravation of the sovereign crisis in the euro-zone and more generally the hardening of the macroeconomic environment, Dexia was confronted by renewed pressure on its liquidity during the summer of 2011. Against that background, the Group acted promptly and, in October 2011, undertook to make in-depth changes to its structure, including:

- the implementation of a funding guarantee scheme involving the Belgian, French and Luxembourg States;
- the sale of Dexia Bank Belgium to the Belgian State, finalised on 20 October 2011;
- an agreement with the Caisse des Dépôts, La Banque Postale and the French State with regard to local public sector finance;
- the disposal of certain of the Group's operational subsidiaries, particularly Dexia Banque Internationale à Luxembourg, DenizBank, Dexia Asset Management and RBC Dexia Investor Services.

The parent company of the Group is Dexia SA, which is a limited liability company and is incorporated and domiciled in Belgium. Its registered office is located at: Place Rogier 11 – B-1210 Brussels (Belgium).

Dexia is listed on the NYSE Euronext Stock Exchange in Brussels and also on the Luxembourg Stock Exchange. The shares are also traded on NYSE Euronext Paris.

These financial statements were authorised for issue by the Board of Directors on 20 March 2012.

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:

- IASB, International Accounting Standards Board;
- IFRIC, International Financial Reporting Interpretations Committee;
- IFRS, International Financial Reporting Standards.

1.1. BASIS OF ACCOUNTING

1.1.1. General

Dexia's consolidated financial statements are prepared in accordance with the IFRS 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 2011, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

Our accounting principles include mainly elements where an IFRS text allows the possibility of choice.

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

Dexia's 2011 consolidated financial statements have been prepared on a "going concern" basis (see part "Going concern and business plan" of the chapter Highlights in the Management report) and rely on a certain number of assumptions, including:

• The approval by the European Commission of a new plan including notably a guarantee from the Belgian, French and Luxembourg States;

• The granting by the Belgian, French and Luxembourg states of a guarantee for an amount of EUR 90 billion. The principle of such guarantee was announced in October 2011 and reflected in the authorising legislation of the French, Belgian and Luxembourg States. Moreover, according to the conditions of article 15 (f) of the guarantee agreement concluded on 16 December 2011 between the Belgian, French and Luxembourg States, Dexia SA, Dexia Credit Local and the States undertook to negotiate in good faith the renewal of the guarantee agreement, which could include an increase in the total guaranteed amount up to EUR 90 billion;

• A financial remuneration of the States, either enabling the Group to generate a positive result or one allocated to strengthen the Group's equity; the remuneration under the guarantee will be one of the significant elements likely to influence the Group's profitability; and

• The support from the States, with regard to the Group's liquidity situation under the guarantees granted, for the proper implementation of the in-depth restructuring measures announced in October 2011.

In the absence of additional corrective measures, the non-realisation of one or several of the above mentioned assumptions could impair the "going concern" status of Dexia SA and challenge the Group's liquidity and solvency situation. These assumptions rely on certain external factors beyond the control of Dexia. Their realisation remains therefore uncertain and will depend, amongst others, on the decision of the European Commission.

1.1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

Judgements are made principally in the following areas:

• classification of financial instruments into the appropriate category "loans and receivables", "held to maturity", "available-for-sale", "held for trading" and "fair value option" for measurement purposes based on instrument's characteristic and Dexia's intention (see 1.6.);

• financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc (see 1.7.);

• determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.7.);

• determination on whether Dexia controls the investee, including SPE's (see 1.3.);

• identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see 1.17.);

• the appropriateness of designating derivatives as hedging instruments (see 1.12., 1.13.);

• existence of a present obligation with probable outflows in the context of litigations (see 1.24.);

• identification of impairment triggers (see 1.6.5.).

These judgements are entered in the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:

• determination of the recoverable amount of impaired financial assets and fair value less costs to sell for non-current assets and disposal groups held for sale (see 1.6.5., 1.17.);

• the measurement of hedge effectiveness in hedging relations (see 1.12., 1.13.);

• determination of the market value correction to adjust for market value and model uncertainty (see 1.7.);

• determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see 1.15., 1.16.);

• measurement of liabilities for insurance contracts (see 1.10.);

• actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.23., 8.6.);

• estimate of future taxable profit for the recognition and measurement of deferred tax assets (see 1.22.);

• estimate of the recoverable amount of cash-generating units for goodwill impairment (see 1.18.2.).

We draw the attention on the points included in note 9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations and note 12.2. Credit-risk exposure which include judgements and estimates having a material impact on the financial statements of 2011.

1.2. CHANGES IN ACCOUNTING POLICIES SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT DEXIA GROUP

The overview of the texts below is made until the reporting date of 31 December 2011.

1.2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2011

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from 1 January 2011.

- "Improvements to IFRSs" (issued by IASB in May 2010), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2011 and the impact mainly relates to disclosures.
- IAS 24 "Related Party Disclosures". This standard supersedes IAS 24 "Related Party Disclosures" (as revised in 2003) and this amendment does not significantly impact Dexia.
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirements". This amendment does not impact Dexia.
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters". This amendment has no impact on Dexia, which is not a first-time adopter anymore.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" applicable as from 1 January 2011. This interpretation has no impact on Dexia.
- Amendment to IAS 32 "Financial instruments: presentation: classification of rights issue". This amendment does not impact Dexia.

1.2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2011

- Amendment to IFRS 7 "IFRS Disclosures – Transfers of Financial Assets". This amendment will impact Dexia by requiring more detailed disclosures on transferred assets.

1.2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

- Amendments to IAS 32 "Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities" clarify the application of the offsetting rules of financial instruments and remove certain aspects of diversity in application. The amended IAS 32 will be applicable as from 1 January 2014 and could impact Dexia depending on the offsetting conditions.
- Amendments to IFRS 7 "Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities" require additional disclosures of recognised financial instruments that are set off and of recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amended IFRS 7 will be applicable as from 1 January 2013 and will expand the disclosures of Dexia regarding offsetting of financial instruments in the annual and interim reporting.
- Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures" defer the mandatory effective date of IFRS 9 to 1 January 2015 and require modified disclosures on transition from IAS 39 to IFRS 9 which vary upon the date of transition. The amendments also require reclassification disclosures to allow reconciliations between the measurement categories in accordance with IAS 39 and IFRS 9 and individual line items in the financial statements or classes of financial instruments. This amendment will impact Dexia.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation has no impact on Dexia.
- Amendments to IAS 19 "Employee Benefits" principally changes the recognition and measurement of post employment defined benefit plans (e.g. removal of corridor mechanism) and enhances the disclosure requirements for these plans. The amended IAS 19 will be applicable as from 1 January 2013 and will impact Dexia. Under this amendment, Dexia will report the net defined benefit liability or asset on its balance sheet. Dexia will no longer be allowed to apply the corridor approach because under the amended standard the full amount of actuarial gains or losses is recognised directly in Other Comprehensive Income. The net interest on the net defined benefit liability will be calculated by using as a discount rate the interest rate on high quality corporate bonds. Finally, taxes payable by the plan on contributions relating to service before the reporting date or on benefits resulting from that service will be included in the measurement of defined benefit obligations. This impact will have limited impact on Dexia as the companies having the main pension plans impacted by this change have been sold in 2011 (Dexia Bank group) or is expected to be sold in 2012 (Dexia BIL Luxembourg).
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability. This amendment will be applicable as from 1 January 2013 and will impact Dexia's presentation of other comprehensive income.
- IFRS 13 "Fair Value Measurement" describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. IFRS 13 will be applicable as from 1 January 2013 and will impact Dexia on how fair value is measured.
- A "package of five" new and revised standards on the accounting treatment and disclosure requirements of interests in other entities will be applicable as from 1 January 2013. This publication comprises the following:

– IFRS 10 "Consolidated Financial Statements" introduces one single consolidation model for all entities, based on control and regardless the nature of the investee. Dexia does not expect a material impact of this standard on its financial reporting.

– IFRS 11 "Joint Arrangements" will no longer admit the proportionate consolidation method when accounting for jointly controlled entities. Only the equity method will be allowed for Dexia's joint ventures. The main impact would have been the way of recording RBC-DIS, but this company is expected to be sold in 2012.

– IFRS 12 "Disclosures of Interests in Other Entities" will require enhanced disclosures about Dexia's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in which Dexia has an involvement.

– Revised IAS 27 "Separate Financial Statements" continues to be a standard dealing solely with separate financial statements: the existing guidance is unchanged.

– Revised IAS 28 "Investments in Associates and Joint Ventures" is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

1.2.4. Changes in presentation

Following the announcement of the disposal process of certain of the group's operating entities, Dexia decided to report separately within its equity the "Other comprehensive income from disposal groups held for sale" for the period. As entities sold or expected to be sold in 2012 represent segments of activities, the use of "Discontinued operations (net of tax)" line in the income statement has been added and used to record the cumulative result, net of tax, of the entities included in the segment. When necessary, if the fair value less cost to sell is lower than the carrying amount, the loss is also recorded in this publication line.

1.3. CONSOLIDATION

1.3.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Dexia, the liabilities incurred by Dexia to former owners of the acquiree and the equity interests issued by Dexia in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by Dexia in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in profit or loss.

When a business combination is achieved in stages, Dexia's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Dexia obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

1.3.2. Subsidiaries

Subsidiaries are those entities over whose financial and operating policies Dexia, directly or indirectly, may exercise control. Subsidiaries are fully consolidated as of the date on which effective control is transferred to Dexia and are no longer consolidated as of the date on which Dexia's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia's companies have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia.

Changes in the Dexia's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When Dexia loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary at the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.3.3. 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 combining their share of the assets, liabilities, income and expenses on a line-by-line basis. The same consolidation treatment as applied to subsidiaries is applied to intercompany transactions. Where necessary, the accounting policies of the jointly controlled entities have been amended to ensure consistency with the policies adopted by Dexia.

1.3.4. Associates

Investments in associates are initially measured at cost and accounted for using the equity method. Associates are investments in which 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 of associates, whereas the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets increased with related goodwill.

Gains on transactions between Dexia and its "equity method investments" are eliminated to the extent of Dexia's interest. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia has incurred or guaranteed legal or constructive 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.

1.3.5. Special purpose entities (SPEs)

An SPE shall be consolidated when the substance of the relationship between Dexia and the SPE indicates that the SPE is controlled by Dexia.

Control may arise through the predetermination of the activities of the SPE (operating on 'autopilot') or otherwise. The following circumstances require judgement and may indicate a relationship in which Dexia controls an SPE (which it should consequently consolidate):

- The activities of the SPE are being conducted on behalf of Dexia according to its specific business needs;
- Dexia has the decision-making powers or delegated these powers to obtain the majority of the benefits of the activities of the SPE;
- Dexia has the right to obtain the majority of the benefits of the SPE and may be exposed to its risks; or
- Dexia retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset (and consequently, the net amount only is 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

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 the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures 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 disposal.

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; except for the foreign exchange impact related to fair value adjustments on available-for-sale bonds, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.6. FINANCIAL ASSETS AND LIABILITIES

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its investments at initial recognition. However, under certain conditions, financial assets could subsequently be reclassified.

1.6.1. Recognition and derecognition of financial instruments

Dexia recognises and derecognises financial assets held for trading on trade date. For these financial assets, Dexia recognises in the statement of income and as of the trade date, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia recognises these unrealised gains and losses under "Net income from financial instruments at fair value through profit or loss".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia.

Dexia recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia derecognises financial liabilities only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

1.6.2. Loans and advances due from banks and customers

Dexia classifies non-derivative financial assets with fixed or determinable payments that are not quoted on an active market into this category (labelled by IAS 39 as Loans and Receivables – L&R) except for:

- those that Dexia intends to sell immediately or in the near term, which are classified as held for trading, and those that Dexia, upon initial recognition, designates as being at fair value through profit or loss;
- those that Dexia, upon initial recognition, designates as available-for-sale; or
- those for which Dexia might not substantially recover all of its initial investment, other than because of credit deterioration, such L&R then being classified as available-for-sale.

Dexia recognises interest-bearing loans and advances initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is calculated using the effective interest rate method and recorded under "Net interest income".

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

1.6.3. Financial instruments measured at fair value through profit or loss

1.6.3.1. Loans and securities held for trading

Dexia reports loans held for trading purposes in the line "Financial assets held for trading" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net income from financial instruments at fair value through profit or loss". 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 margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Dexia initially recognises trading securities at fair value and subsequently re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net income from financial instruments at fair value through profit or loss". Interest earned is recorded under "Interest income", and dividends received under "Dividend income".

1.6.3.2. Liabilities held for trading

Liabilities held for trading are subject to the same accounting rules as those for "loans and securities held for trading".

1.6.3.3. Loans and securities designated at fair value through profit or loss (FVO)

In some cases and if appropriately documented, Dexia can designate a financial asset, a financial liability or a group of financial instruments as "at fair value through profit or loss" where:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- 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;
- an instrument contains a non-closely related embedded derivative:
  - that significantly modifies the cash flows that otherwise would be required by the contract; or
  - for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

1.6.3.4. Liabilities designated at fair value through profit or loss (FVO)

For subsequent measurement, these financial liabilities are subject to the same accounting principles as described earlier under the heading "Financial instruments measured at fair value through profit or loss".

1.6.3.5. Derivatives – Trading portfolio

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of derivatives are the currency and the interest-rate derivatives. Dexia, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All changes in fair value are recognised in the statement of income.

Dexia reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Dexia treats certain derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income.

1.6.4. Financial investments

1.6.4.1. Held-to-maturity

Dexia classifies the interest-bearing financial assets with fixed maturity quoted in an active market as held-to-maturity (HTM) when management has both the intent and the ability to hold the assets to maturity.

Dexia recognises such interest-bearing financial assets initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is recognised based on the effective interest rate method and recorded under "Net interest income".

1.6.4.2. Available-for-sale

Dexia classifies financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as available-for-sale (AFS).

Dexia recognises financial assets initially at fair value plus transaction costs. Interest is recognised based on the effective interest-rate method and recorded under "Net interest income". Dexia recognises dividend income from equities under "Dividend income".

Dexia subsequently re-measures available-for-sale financial assets at fair value (cf. I.7 Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised within equity under the heading "Gains and losses not recognised in the statement of income". When securities are disposed of, or impaired, Dexia recycles the related accumulated fair value adjustments in the statement of income as "Net income on investments".

1.6.5. 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 as a result of one or more events occurring after initial recognition and evidencing (a) a decline in the expected cash flows and (b) the impact on the estimated future cash flows that can be reliably estimated.

1.6.5.1. Financial assets valued at amortised cost

Dexia first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Determination of the impairment

• Specific impairments – If there is objective evidence that loans or other receivables or financial assets classified as held-to-maturity are impaired, the amount of the impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated recoverable amount, being the present value of expected cash flows, including judgements on the amounts recoverable from guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below). Assets with small balances that share similar risk characteristics follow the principles as described below.

• Collective impairments – Collective impairments cover losses incurred where there is no specific impairment but objective evidence of losses in segments of the portfolio or other lending-related commitments at the balance-sheet date. Dexia estimates them based upon the 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, consistently with the "incurred-loss" model. Assumptions are made to define the way inherent losses are modelled and to determine the required parameters, based on historical experience.

Accounting treatment of the impairment

Dexia recognises changes in the amount of impairment losses in the statement of income and reports them as "Impairment on loans and provisions for credit commitments". The impairment losses are reversed through the statement of income if the increase in fair value relates objectively to an event occurring after the impairment was recognised.

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the statement of income under the heading "Impairment on loans and provisions for credit commitments" and the net loss is recorded under the same heading. Subsequent recoveries are also accounted for under this heading.

1.6.5.2. Reclassified financial assets

In rare circumstances, Dexia can reclassify financial assets initially classified as held for trading or available-for-sale into held-to-maturity or loans and receivables categories. In such circumstances, the fair value at the date of transfer becomes the new amortised cost of those financial assets. Any fair value adjustment previously recognised under "Other comprehensive income" is "frozen" and amortised on the residual maturity of the instrument. Regarding the calculation of impairment, reclassified financial assets are governed by the same estimates, judgements and accounting principles as financial assets initially valued at amortised cost. If there is objective evidence that reclassified financial assets are impaired, Dexia calculates the amount of the impairment on reclassified assets as the difference between the net carrying amount of the asset and the net present value of the expected cash-flows discounted at the recalculated effective yield at the time of reclassification. Any unamortised part of the frozen AFS reserve is recycled in the statement of income and reported under the heading "Impairment on loans and provisions for credit commitments" as a part of the impairment.

1.6.5.3. Available-for-sale assets

Dexia recognises the impairment of available-for-sale assets on an individual basis if there is objective evidence of impairment as a result of one or more events occurring after initial recognition.

Determination of the impairment

• Equities – For equities quoted in an active market, any significant decline in their price (more than 50% at reporting date) or a prolonged decline (5 years) compared to the acquisition price is considered as an objective evidence of impairment. In addition, management can decide to recognise impairment losses should other objective evidence be available.

• Interest-bearing financial instruments – In the case of interest bearing financial instruments, impairment is triggered based on the same criteria as applied to individually impaired financial assets valued at amortised cost (see 1.6.5.1.).

Accounting treatment of the impairment

When AFS financial assets are impaired, the total AFS reserve is recycled and these impairment losses are reported by Dexia in the statement of income as "Net income on investments". Additional decline in fair value is recorded under the same heading for equity securities.

When an impairment loss has been recognised on interest-bearing financial instruments, any subsequent decline in fair value is recognised in "Net income on investments" if there is objective evidence of impairment. In all other cases, changes in fair value are recognised in "Other comprehensive income". Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.

1.6.5.4. Off-balance sheet exposures

Dexia usually converts off-balance sheet exposures such as credit substitutes (e.g. guarantees and standby letters of credit) and loan commitments 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. Dexia classifies loan commitments as impaired if the credit worthiness of the client has deteriorated to such an extent as to make the repayment of any loan and associated interest payments doubtful.

1.6.6. Borrowings

Dexia recognises borrowings initially at fair value, being generally their issue proceeds, net of any transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Dexia recognises any difference between their initial carrying amount and the redemption value in the statement of income over the period of the borrowings using the effective interest rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts rather than their legal form.

1.7. 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 profit or loss, AFS and disclosures) can be summarised as follows:

1.7.1. Financial instruments measured at fair-value (Trading, FVO, AFS, derivatives)

1.7.1.1. 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.

1.7.1.2. 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, 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 active 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 activity level 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 CDS/credit spread and cash/CDS basis. 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 cash/CDS component is added to the credit component to obtain the bond's spread.

1.7.2. Financial instruments measured at amortised cost (valuations in IFRS disclosures on fair value)

1.7.2.1. 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.

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

1.7.3.1. Loans and Receivables, including mortgage 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.

1.8. 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 initial carrying value (including transaction costs) for financial instruments not valued at fair value through P&L.

Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability and are included in 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 interest that was used to discount the future cash flows for measuring the recoverable amount.

1.9. FEE AND COMMISSION INCOME AND EXPENSE

Commissions and fees arising from most of Dexia's activities are recognised on an accrual basis over the life of the underlying transaction.

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 when the significant act 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 all underlying conditions are met and thus acquired.

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.

1.10. INSURANCE AND REINSURANCE ACTIVITIES

1.10.1. 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 the technical provisions for contracts that fall under IFRS 4 and investment contracts with discretionary participation features (DPF).

A contract that complies with the conditions of an insurance contract remains an insurance contract until all rights and obligations cease to exist or expire. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

A contract can start out 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 from insurance activities" or under "Technical expense from insurance activities", whereas losses and changes in provisions for credit enhancement activities, which are similar to banking activities, are reported under "Impairment on loans and provision for credit commitments".

All other items arising from insurance activities are classified according to their nature in the balance sheet, except for technical provisions, which are identified under a separate heading.
Dexia's insurance activities are mainly performed by Dexia Insurance Belgium (DIB) for life and non-life products.

1.10.1.1. DIB activities: life and non-life

DIB insurance products are recorded under Local GAAP. DIB comprises principally the Belgian and Luxembourg entities, which are governed by Local GAAP, if they are qualified as such under IFRS 4. However, provisions for catastrophes and equalisations are reversed.
The Life Insurance portfolio features:
- Insurance contracts, including reinsurance contracts, and the accepted reinsurance treaties, with the exception of the in-house-defined employee benefit plans;
- Financial instruments issued with a discretionary profit-sharing (a discretionary participation feature, DPF);
- Unit-linked (UL) contracts stipulating that the policyholder can switch at all times, at no expenses, to an investment product with a guaranteed interest rate and a probable profit-sharing.

1.10.1.2. Classification

Classification is done policy by policy, whereas, for group insurances, classification is done at employer level.
The non-life insurance portfolio features include only insurance contracts that contain significant insurance risk.

1.10.1.3. Shadow accounting

Insurers are permitted, but not required, to change their accounting policies so that a recognised but unrealised gain or loss on an asset affects those measurements in the same way as 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 will limit the application of shadow accounting, if under legal and/or contract conditions, the realisation of gains on an insurer's assets has a direct effect on the measurement of some or all of its DPF insurance contracts and investment contracts with discretionary participation features.

1.10.1.4. Shadow-loss adjustment

To determine the need for a shadow-loss adjustment, Dexia first has to determine whether 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 the total liabilities, then the deficiency should decrease the unrealised gains recorded in equity and increase the liabilities through a shadow premium deficiency adjustment.
This requires the liability adequacy test (see 1.9.1.9. Liability Adequacy Test, below) to be performed after all (if any) shadow adjustments. Should there be insufficient unrealised capital gains left in equity to accommodate the shadow loss adjustment, the additional liability increase should be charged to the statement of income.

1.10.1.5. Discretionary participation feature (DPF)

Discretionary participation feature is a contractual right to receive, as a supplement to the 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 DPF in a separate line of the equity.
Proportional calculation is performed on the basis of the carried reserves and by separated management of the assets.

1.10.1.6. 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 to the insurance component; accounting policies for financial instruments are applied to 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.

1.10.1.7. 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 IAS 39 requirement, Dexia does not 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 IAS 39 requirement does apply to any put option or cash surrender option embedded in an insurance contract if the surrender value varies in response to a 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.

1.10.1.8. DPF in financial instruments

If the issuer classifies part of, or the 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.
At each reporting date, Dexia checks as to whether this minimum requirement has been met: if it has not, the corresponding liabilities are adjusted accordingly.

1.10.1.9. Liability Adequacy Tests

An insurer applies a liability adequacy test (LAT) to 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 all individual life and non-life insurance portfolios) shows that the carrying amount of its insurance liabilities (less the 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.
If an adequacy test of the life obligations imposed by the local authorities is available, it will show whether or not the insurance liabilities are sufficient.
If this test is not available, a test such as the one described below will be carried out in order to examine if the current value of the future cash flows is covered by the concordant technical provision. Should this prove not to be the case, the entire deficiency would be recognised in profit or loss.
For life insurance liabilities set up where no local LAT test is imposed by the authorities, an IFRS LAT test will be carried out using the following parameters:

- premiums: collected premiums plus contractually provided future premiums;
- interest rate for actualisation cash flows: average OLO on 10 year during the last (consecutive) year until the 15th before closing;
- mortality table: Assuralia experience table;
- costs : calculation based on the latest 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. Taking into account lapses, death and the expiry period the annual delta is stipulated as being somewhere between the tariff costs and the real assigned costs. Deltas are then actualised to the LAT-rate.

For non-life insurance, the LAT that examines whether the premium and claim provisions are sufficient to settle definitively the opened claim files and the claims that will occur within the contractual duration of the contracts to open and to settle definitively.
All products are subject to LAT. The test is subdivided into two parts. Dexia first examines whether the built-up reserves for claim files already opened are sufficient, then makes an estimation of the expected loss burden for the insurance portfolios and examines whether the unearned premium reserves are sufficient.
Regarding reserves for the files already opened, Dexia performs run-off calculations, using estimates for the claims-handling expenses.

1.10.2. 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.

1.11. NETWORK COSTS

This heading records the commission paid to intermediaries associated by exclusive sales mandate for drumming up business.

1.12. HEDGING DERIVATIVES

Hedging derivatives are categorised as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

Dexia designates derivatives as hedging instruments if certain criteria are met:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- the hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the 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.

Dexia records changes in the fair value of derivatives that are designated, and qualify, as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that is attributable to that specific hedged risk.
If the hedge no longer meets the criteria for a fair value hedge, Dexia amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the statement of income over the remaining life of the hedged or hedging instrument if shorter by an adjustment of the yield of the hedged item.
Dexia recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash

flow hedges, in "Other comprehensive income" under the heading "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in the fair value of the hedging instrument is recognised in the statement of income. 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.

1.13. HEDGE OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO

As explained in 1.1.1. General, Dexia makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Dexia manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

Dexia performs a global analysis of interest-rate risk exposure. It consists in 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 is monitored on an activity-by-activity basis.

Dexia applies the same methodology to select which assets and/or liabilities will be entered into the hedge of interest rate risk exposure of the portfolio. Assets and liabilities are included 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. Demand deposits and savings accounts may be included in the portfolio based on behavioural study for estimating expected maturity date. Dexia may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale assets or loan portfolios.

On the basis of this gap analysis, which is realised on a net basis, Dexia defines, at inception, the risk exposure to be hedged, the length of the time-bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Dexia recognises the hedging items at fair value with adjustments accounted for in the statement of income.

Dexia reports hedged interest rate risk revaluation of elements carried at amortised cost on the balance sheet under the line "Fair value revaluation of portfolio hedges".

1.14. DAY ONE PROFIT OR LOSS

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:

- the transaction price and the quoted market price; in cases where the transaction is quoted; or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment in cases where the transaction is not quoted.

If Dexia considers the main parameters of the model as observable and if Risk management validates the model, the day one profit or loss will be recognised immediately in the statement of income.

If Dexia does not consider the main parameters as observable or if Risk management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, Dexia will recognise the remaining portion of day one profit or loss in the statement of income.

In cases of early termination, the remaining portion of day one profit or loss will be recognised in the statement of income. In cases of partial early termination, Dexia will recognise in the statement of income the part of the day one profit or loss relating to the partial early termination.

1.15. TANGIBLE FIXED ASSETS

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured.

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 useful 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 & 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;
- Fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually the Group determines the recoverable amount of the cash generating unit or group of cash generating units to which the asset belongs. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included under "Net income on investments".

Investment properties are those properties held to earn rentals or for capital appreciation. Dexia may also partly use such 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 will be considered as 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 under "Other net income".

1.16. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The 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 amortisation period is usually between three and five years, except for core business applications, for which the amortisation period is can be up to 10 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. 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 under "Net income on investments".

1.17. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

If the carrying amount of a non-current asset (or disposal group) will be recovered principally through a sale transaction, rather than through continuing use, it is classified as "held for sale".

Dexia measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. When a disposal group is classified in held for sale , items of Other Comprehensive Income are isolated in a separate publication line of the equity These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for previous period is performed.

The disposal groups held for sale consist mostly of financial assets and liabilities as the group is active in the financial activities. If the disposal group's fair value less costs to sell is lower than its carrying amount after impairing the non-current assets that are in the measurement scope of IFRS 5, the difference is allocated on the other assets of the disposal group, including financial assets, and is accounted for in result of the period. In order to recognise in the result of the period the total loss relating to the assets classified in loans, the frozen AFS reserve related to the loans that were reclassified from AFS in 2008 has been recycled.

In accordance with IFRS 5 however, changes in the fair value of available for sale financial assets and translation adjustment accumulated in equity relating to disposal groups held for sale are only recycled in the income statement on disposal. Such recycling is thus not recognised on the date the disposal group is classified as held for sale. It may therefore happens that the result on sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and that the carrying amount includes negative OCI, like AFS reserves and/or Cumulative Translation Adjustments, that will be recorded in the following accounting period when the disposal is realised.

If a non-current asset ceases to be classified as held for sale, due to change in market conditions, impossibility to sell it by lack of counterparties or other reasons, it will be restated in its original portfolio at the value at which it would have been recognised if it had never been classified as held for sale. In this case, the difference between the fair value less cost to sell and the value if no reclassification had taken place is reversed in result of the period. For AFS bonds reclassified in Loans, the frozen reserve will not be reconstituted.

1.18. GOODWILL

1.18.1. Measurement of goodwill

Goodwill is as an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between

- The sum of the following elements:

– Consideration transferred,

– Amount of any non-controlling interests in the acquiree, and

– Fair value of the acquirer's previously held equity interest in the acquiree (if any) and is

• Net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.
If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in profit or loss as a bargain purchase gain.
Variations in the percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

1.18.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Dexia allocates goodwill to cash-generating units (CGUs) or groups of such units.
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 CGU or group of cash-generating units to which it has been allocated is lower than the carrying value.
The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is the higher). The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU.
The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.
For subsidiaries operating in economically mature and financially stable markets, the discount rate used is the Cost of Equity of Dexia defined under a dividend discount model. For subsidiaries operating in emerging markets, a specific discount rate is applied on a case-by-case basis.

1.19. OTHER ASSETS

Other assets mainly include accrued income (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standard less any allowance for impairment if applicable or following the applicable standard. Plan assets are recognised in accordance with IAS 19 requirements.

1.20. LEASES

A finance lease is one 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.

1.20.1. Dexia is the lessee

Dexia grants operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the statement of income on a straight-line basis over the lease term.
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 as the the present value of the minimum lease payments or the fair value (whichever is the lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to Dexia. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

1.20.1. Dexia is the lessor

Dexia grants both operating and finance leases.
Revenue from operating leases is recognised in the statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.
For finance leases, Dexia recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.
The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.21. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is entered under "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 off-balance sheet items and the corresponding loans recorded as "loans and advances due from banks" or "loans and advances to customers".
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 not derecognised but, rather recorded in the financial statements in the same heading.
Securities borrowed are not recognised in the financial statements.
If they are sold to third parties, the gain or loss is entered under "Net income from financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

1.22. DEFERRED INCOME TAX

Deferred income tax is recognised 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 the depreciation of property, plant & equipment, the 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, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.
The rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.
Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.
Deferred tax liability is provided on taxable 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 the fair value remeasurement of available-for-sale investments and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.23. EMPLOYEE BENEFITS

1.23.1. Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

1.23.2. Post-employment benefits

If Dexia has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Dexia and its employees.
In some cases, Dexia provides post-retirement health care benefits to its retirees.

1.23.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, which have terms to maturity approximating to the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate.
Pension costs are determined based on the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to built up the final obligation. 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 amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e. the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods), as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore an asset may arise where a plan has been overfunded and are recorded separately if those assets are held by a Group entity.
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.
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 compliance with IAS 19.

1.23.2.2. 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, Dexia's obligations are limited to the contributions that Dexia agrees to pay into the fund on behalf of its employees.

1.23.2.3. Post-employment medical care

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.

1.23.3. Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.
Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the statement of income.
Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. 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.

1.23.4. Termination benefits

A termination benefit provision is only recorded when Dexia is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases Dexia has a detailed formal plan and no realistic possibility of withdrawal.

1.23.5. Share-based payment

Dexia offers equity-settled share based payments like stock options plans (SOPs) and employee share purchase plans (ESPPs) and cash-settled share-based payments.
The fair value of equity-settled plans is measured at grant date by reference to the fair value of the underlying equity instrument based on valuation techniques and on market data and takes into account market-based vesting conditions. The impact of other vesting conditions is reflected in the accounts via an adjustment of the number of equity instruments included in the measurement. The fair value, recognised as a remuneration expense, is credited against equity.
In cash-settled share-based payments, the services received and the liability incurred, to pay for those services, are measured at the fair value of the liability. This fair value is measured at the grant date and at each reporting date until settled. The fair value is recognised as a remuneration expense with a corresponding increase in liabilities.

1.24. PROVISIONS

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.
Provisions are recognised 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.

Provisions on loan commitments are recognised when there is uncertainty about the creditworthiness of the counterparty.

1.25. SHARE CAPITAL AND TREASURY SHARES

1.25.1. 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.

1.25.2. Dividends on Dexia's ordinary shares

Dexia recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

1.25.3. Preferred shares

Dexia classifies preferred shares that are non-redeemable and upon which dividends are declared at the discretion of the directors as equity.

1.25.4. Treasury shares

Where Dexia or its subsidiaries purchase Dexia's share capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, 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.

1.25.5. Insurance discretionary participation features

Dexia classifies any unrealised gains and losses relating to assets classified as available-for-sale and backing insurance contracts with discretionary participation feature by the Group as follows:
- as a liability in respect of the return guaranteed to the contract holders;
- as a separate component of equity to the extent of that feature.

1.26. FIDUCIARY ACTIVITIES

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these financial statements in cases where Dexia acts in a fiduciary capacity such as nominee, trustee or agent.

1.27. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity of less than 3 months maturity included within cash and balances with central banks, interbank loans and advances, financial assets available-for-sale.

1.28. EARNINGS PER SHARE

The "Basic earnings per share" are calculated by dividing the 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 the convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

2. Significant changes in scope of consolidation and list of main subsidiaries and affiliated enterprises of the Dexia Group

2.1. Significant changes in scope of consolidation

As at 31 December 2010

Following its sale in April 2010, Dexia Epargne Pension left the scope of consolidation. Its results of the first three months have been consolidated.
Dexia sold its 51% stake in Adinfo. Adinfo's results for the first six months of 2010 have been consolidated.

As at 31 December 2011

In the framework of the structural measures announced in October 2011, Dexia Bank Belgium group (except its stake in Dexia Asset Management) was sold to the Belgian state represented by the SFPI (Société fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij) for an amount of EUR 4 billion and an earn-out mechanism in favour of Dexia SA in the event of a resale within a period of five years.
The transaction generated a capital loss of EUR 3.3 billion.
Dexia Bank Belgium group is no longer consolidated since the 1st October 2011. Its results for the first nine months 2011 were presented together with the result of the sale in the "Net result from discontinued operations".
Following the closing of its sale to the Central European investment group Penta Investments, Dexia banka Slovensko (DBS) left the scope of consolidation as at 1st January 2011.
The impact of the sale of DBS was recorded in 2010, together with the reversal of provision regarding the litigation with Ritro Finance.
The final impact of the transaction on Dexia's financial statements will be assessed at the time of the final judgement regarding Ritro Finance.
The sale to MetLife of DenizEmeklilik, the life insurance and pension subsidiary of DenizBank, resulted in a capital gain of EUR 135 million before tax. DenizEmeklilik was deconsolidated as from 1st October onwards.
The sale agreement included a 15-year exclusive agreement for the distribution of MetLife's life, pension, personal accident and unemployment insurance products and solutions through DenizBank's branch network. The agency agreement entailed a profit-sharing mechanism whereby part of the future profits generated from the sales of DenizEmeklilik products through DenizBank branches over the next 15 years will be distributed to DenizBank.
We also refer to the note 9.4. "Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations".

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 Participation Belgique SA	Place Rogier 11, B-1210 Bruxelles	100	fully
Dexia Participation Luxembourg SA	69, route d'Esch, L-2953 Luxembourg	100	fully
Group DenizBank AŞ	Büyükdere Cad. No: 106, T-34394 Esentepe/Istanbul	99.85	fully
Group Dexia Nederland NV	Piet Heinkade 55, NL-1019 GM Amsterdam	100	fully

(1) Complete list available on request.

Name	Head office	% of capital held	Consolidation method
DEXIA BANQUE INTERNATIONALE À LUXEMBOURG SA: MAIN SUBSIDIARIES			
Dexia Asset Management Luxembourg SA (*)	136, route d'Arlon, L-1150 Luxembourg	100 (1)	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			
Dexia CLF Banque	1, Passerelle des Reflets, Tour Dexia, La Défense 2, F-92919 La Défense	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, F-92919 La Défense	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 Israel Bank	19 Ha'arbaha st., "Hatihon" building, Tel Aviv 61200. P.O.B. 7091	65.99	fully
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82, D-10969 Berlin	100	fully
Dexia Kommunalkredit Bank AG	Fischhof 3 - A-1010 Vienne - Austria	100	fully
Dexia Kommunalkredit Bank Polska	ul Sienna 39 - 00-121 Warschau - Poland	100	fully
Dexia Municipal Agency SA (*)	1, Passerelle des Reflets, Tour Dexia, La Défense 2, F-92919 La Défense	100	fully
Dexia Sabadell Banco Local	Paseo de las 12 Estrellas 4, Campo de las Naciones E-28042 Madrid	60	fully
Dexia Sofaxis	Route de Créton, F-18110 Vasselay	100	fully
FSA Global Funding Ltd	PO Box 1093GT, Boundery Hall, Cricket Square – Grand Cayman Cayman Islands	100	fully

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

(*) Subsidiaries which have been transferred to disposal groups held for sale, following the restructuration of Dexia Group, have been indicated with an asterisk.

3. Segment reporting

A segment is a distinguishable component of Dexia that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment which is subject to risks and returns that are different from those of the 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.

In accordance with the European Commission decision of February 2010, Dexia classifies its portfolios in run-off in a Legacy Portfolio Management Division, alongside the Core Division which is composed of the Retail and Commercial Banking (RCB), Public and Wholesale Banking (PWB), Asset Management and Services (AMS) and Group Center business lines.

The Legacy Portfolio Management Division remains on the balance sheet in a separate unit which qualifies as non core, with a clearly identified and allocated funding. The State guaranteed funding is allocated to this division, meaning that the core division is no more impacted by the funding guaranteed by the States.

Interests allocated from the Group Center to the other core business lines and to the Legacy Division are now related to the allocated equity which is:

(i) the economic equity in the core business lines;
(ii) the normative equity in the Legacy Portfolio Management Division. The normative equity is 12.5% of the weighted risks.

Return on allocated equity measures the performance of each core business line.

Participations sold are reported in Group Center. According to this, 2010 is restated.
Following the restructuration of the Group and of the subsequent application of IFRS 5, disposal groups held for sale and discontinued activities are stated in a separate line of the balance sheet and of the statement of income. As another consequence of the restructuration of the Group, the business lines will be reviewed in the coming months.

BUSINESS REPORTING	31/12/10			31/12/11		
(in millions of EUR)	**Assets**	o/w investments in associates	**Liabilities**	**Assets**	o/w investments in associates	**Liabilities**
Core division	**432,461**	**171**	**550,996**	**224,723**	**0**	**293,079**
Retail and Commercial Banking	54,162	52	88,043	12,654		10,872
Public and Wholesale Banking	214,250	86	25,857	115,974		6,861
Asset Management and Services	29,468	8	29,576	0		0
Asset Management	*332*	*0*	*116*	*0*		*0*
Investor Services	*9,700*	*0*	*9,588*	*0*		*0*
Insurance	*19,436*	*8*	*19,872*	*0*		*0*
Group Center	134,581	25	407,519	96,095		275,346
Legacy portfolio management division	**134,274**	**0**	**5,011**	**77,677**	**0**	**3,650**
Disposal groups held for sale				**110,359**		**116,350**
Equity			**10,728**			**(320)**
TOTAL	**566,735**	**171**	**566,735**	**412,759**		**412,759**

Some amounts may not add up due to roundings off.
Figures as at 31 December 2010 have been restated following the sale of Dexia banka Slovensko.

(in millions of EUR)	Income	o/w net interest income	Net income before tax of continuing operations
AS AT 31 DECEMBER 2010 (1)			
Core division	**1,407**	**1,147**	**228**
Retail and Commercial Banking	915	614	232
Public and Wholesale Banking	281	56	45
Asset Management and Services	0	0	0
Asset Management	*0*	*0*	*0*
Investor Services	*0*	*0*	*0*
Insurance	*0*	*0*	*0*
Group Center	211	477	(49)
Legacy portfolio management division	**155**	**140**	**(451)**
TOTAL	**1,562**	**1,287**	**(223)**
Net income before tax of continuing operations			(223)
Taxes			56
Discontinued operations (net of tax)			964
Non-controlling interests			74
Net income-Group share			**723**

(1) Figures as at 31 December 2010 have been restated according to the presentation of the income statement required by IFRS 5.

Some amounts may not add up due to roundings off.

(in millions of EUR)	Income	o/w net interest income	Net income before tax of continuing operations
AS AT 31 DECEMBER 2011			
Core division	**1,185**	**865**	**(142)**
Retail and Commercial Banking	893	564	258
Public and Wholesale Banking	218	53	(100)
Asset Management and Services	0	0	0
Asset Management	*0*	*0*	*0*
Investor Services	*0*	*0*	*0*
Insurance	*0*	*0*	*0*
Group Center	74	248	(299)
Legacy portfolio management division	**(5,569)**	**(122)**	**(6,102)**
TOTAL	**(4,383)**	**743**	**(6,244)**
Net income before tax of continuing operations			(6,244)
Taxes			(161)
Discontinued operations (net of tax)			(5,236)
Non-controlling interests			(2)
Net income-Group share			**(11,639)**

Some amounts may not add up due to roundings off.

OTHER SEGMENT INFORMATION (in millions of EUR)	31/12/10				31/12/11 – continuing operations			
	Capital expenditures	Depreciation and amortisation	Impairments (1)	Other non-cash expenses (2)	Capital expenditures	Depreciation and amortisation	Impairments (1)	Other non-cash expenses (2)
Core division	**(368)**	**(120)**	**(102)**	**(138)**	**(142)**	**(113)**	**(299)**	**1**
Retail and Commercial Banking	(84)	(72)	(145)	(5)	(61)	(64)	(74)	1
Public and Wholesale Banking	(254)	(19)	83	4	(68)	0	(64)	1
Asset Management and Services	0	0	0	(6)	0	0	0	1
Asset Management	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Investor Services	*0*	*0*	*0*	*(6)*	*0*	*0*	*0*	*0*
Insurance	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Group Center	(30)	(28)	(39)	(131)	(13)	(49)	(161)	(2)
Legacy portfolio management division	**(1)**	**(7)**	**(509)**	**(2)**	**0**	**0**	**(441)**	**2**
TOTAL	**(369)**	**(127)**	**(611)**	**(139)**	**(142)**	**(113)**	**(740)**	**2**

(1) Includes impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments, impairments on goodwill.
Amounts were restated following the application of IFRS 5.
(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 and provisions for legal litigations.

Some amounts may not add up due to roundings off.

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	Ireland	Turkey	United States	Other	Total
AS AT 31 DECEMBER 2010							
Income	(7)	(25)	117	979	90	408	1,562
AS AT 31 DECEMBER 2011							
Income	(256)	(2,095)	(892)	1,069	(2,224)	15	(4,383)

Geographic information is done based on booking centers, being the country of the company having recorded the transaction and not the country of the customers.

4. Significant items included in the statement of income

Reported amounts are significant and/or unusual transactions and not only large transactions. The amounts mentioned are before tax and year-to-date.

The worsening of the European debt crisis, the increasing tensions on the Group's liquidity and the willingness to preserve the commercial franchises led Dexia to revise deeply its restructuration plan and more precisely: to sell Dexia Bank Belgium to the Belgian state, to negotiate an agreement with French authorities in relation to the financing of local authorities in France and to launch the disposal process of some of the Group's operating entities.

Accounting-wise, those decisions implied the application of the IFRS 5 standard for the entities qualified as discontinued operations (Dexia BIL (excluding agreed carve-out assets), Dexia Asset Management, RBC Dexia, Dexia Municipal Agency and Dexia Bank Belgium for its results attributable to Dexia Group). The result of the discontinued operations was presented in a separate line of the statement of income.

The results of the continuing operations have been heavily marked by the following major facts:

- The impairment on the Greek sovereign or assimilated bonds for EUR -2.9 billion in *V. Net income on investments*, EUR -0.1 billion in *IV. Net income from financial instruments at fair value through profit or loss* and for EUR -0.3 billion in *XIV. Impairment on loans and provisions for credit commitments*. Bonds were impaired for around 75% of their nominal value and the effects of the discontinuation of hedge accounting for the bonds were fully taken in 2011.
- The acceleration of the financial restructuring of the Group decided end May 2011 led to losses recorded in *V. Net income on investments* for EUR -1.9 billion on the deleveraging of the Financial Products and for EUR -0.3 billion on the anticipated divestments of other bonds and loans.
- The asset disposal of EUR 11.5 billion non-strategic bonds and loans brought about EUR -0.4 billion losses in *V. Net income on investments.*
- A charge of EUR -279 million was recognised in *II. Interest expense* for the retribution of the Belgian, French and Luxembourg states for the guarantee they gave in 2008 for Dexia's financing and another EUR -47 million interest charge was recognised for the guarantee received from the Belgian and French states for Financial Products' portfolio and the related GIC's liabilities. In addition, EUR -225 million upfront commission was paid for the setting up of the new States guarantees granted in December 2011. It has been recognised in *VII. Fee and commission expense*.
- Credit value adjustments on swaps with the Italian State were recorded for EUR -60 million in *IV. Net income from financial instruments at fair value through profit or loss*.
- The sale of DenizEmeklilik, the insurance subsidiary of DenizBank generated a capital gain of EUR 135 million in *V. Net income on investments*.
- The restructuration costs for the Belgian staff of Dexia SA negatively impacted *XI. Staff expense* for an amount of EUR -54.3 million.
- *XIV. Impairment on loans and provisions for credit commitments* includes EUR -92 million (USD -127 million) in relation with Financial Products portfolio and also a reversal of provisions for an amount of EUR 20 million due to the sale of three Lehman claims.
- The goodwill on Dexia Crediop, Dexia Crédit Local and Dexia Israel Bank were impaired for amounts of respectively EUR -131 million, EUR -40 million and EUR -12 million in *XVI. Impairment on goodwill*.
- *XVIII. Tax expense* included the carry back in Dexia Crédit Local (EUR +133 million) compensated by impairments on deferred tax assets (EUR -132 million).

Net result from discontinued operations included the loss of EUR -4.2 billion associated with the sale of Dexia Bank Belgium, the contribution to result and the fair value remeasurement of the disposal groups held for sale with mainly Dexia Municipal Agency and RBC-DIS for respectively EUR -963 million and EUR -142 million. We also refer to the note 9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations.

5. Post-balance-sheet events

In the framework of the structural measures undertaken by the Dexia Group in autumn 2011, in line with the negotiation agreement drawn up on 20 October 2011 by Caisse des Dépôts, La Banque Postale and Dexia, the principles of an overall agreement involving also the French State and aimed at securing the financing of the French local public sector have been agreed on 10 February 2012.
The arrangements, which have been defined in common, are structured around two lines:

- the setting-up of a joint venture between La Banque Postale and Caisse des Dépôts, as foreseen in the original negotiation agreement, which will commercialise new financing to local authorities;
- the creation of a new credit establishment held by the French State (31.7%), Caisse des Dépôts (31.7%), Dexia Crédit Local (31.7%) and La Banque Postale (4.9%). This new credit establishment will be the parent company of Dexia Municipal Agency (DMA), a "*société de crédit foncier*" dedicated to the financing of the local public sector, which will be fully owned, and will run it. It will also manage the industrial platform placed at the disposal of Dexia Municipal

Agency and of some activities of the joint venture and of the Dexia Group. The eligible loans granted by the joint venture will be refinanced by Dexia Municipal Agency.
The project is part of the restructuring plan that will be presented by the Belgian, French and Luxembourg States to the European Commission by the end of March 2012.
It has been approved by the Board of Directors of Dexia SA and will be submitted for the approval of the European Commission and the competent supervisory authorities. It will also be submitted to the staff representatives for their opinion.
It has been provided for that Dexia will extend to Dexia Municipal Agency some legal and financial guarantees and will benefit from a partial counter-guarantee from the French State on sensitive loans as stated in the Group's press release of 20 October 2011.
This project will enable the Dexia Group to further reduce its balance sheet and liquidity requirement (by EUR 12 billion), while keeping its industrial tool intact.
The sale price of 100% in Dexia Municipal Agency amounts to EUR 380 million and has been considered for the remeasurement to fair value less costs to sell in the figures 2011 as presented in note 9.4. "Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations".

Following the restructuring plan of the Dexia Group, Dexia Bank Belgium ("DBB") launched on 20 February a tender offer on the instruments "Dexia Funding Luxembourg EUR 500,000,000 Fixed Rate/Floating Rate Perpetual Non-cumulative Guaranteed Securities" (ISIN: XS0273230572) issued by Dexia Funding Luxembourg SA ("DFL") and guaranteed by Dexia SA/NV under the terms and conditions set out or referred to in the prospectus dated 31 October 2006 (the "DFL Securities").
Dexia Bank Belgium offered to buy the instruments at a price of 25% of their nominal value.
This transaction was a success with investors participating for an amount of EUR 459,212,000, being a participation rate of 91.84%.
Furthermore, Dexia agreed to purchase from DBB the DFL Securities tendered in, and acquired by DBB pursuant to, the Offer. In turn, DBB agreed to reimburse the existing EUR 500,000,000 subordinated loan granted by DFL to DBB (the "Subordinated Loan") and financed by the issue of the DFL Securities, by the equivalent of the aggregate nominal value of the DFL Securities tendered in, and acquired by DBB pursuant to, the Offer.
As a result of these transactions, Dexia will acquire the DFL Securities tendered in the Offer and the Group's exposure to DBB under the Subordinated Loan will be reduced by the equivalent of the aggregate nominal value of the DFL Securities so acquired. The net result of these operations will have no impact on the liquidity of the Dexia Group. The Subordinated Loan to DBB will remain outstanding for the balance of its EUR 500,000,000 principal amount not reimbursed pursuant to these transactions.
The Group does not intend to resell the DFL Securities so acquired and expects, subject to obtaining the relevant shareholder and regulatory approvals, to merge DFL into Dexia SA/NV later this year and, in the case of such merger, to cancel the DFL Securities so acquired by Dexia SA/NV. Upon such merger becoming effective, Dexia SA/NV would be the sole obligor under the remaining DFL Securities that have not been tendered in, and acquired by Dexia SA following, the Offer.

On 2 March 2012, Dexia Credit Local launched an offer to purchase for cash any and all of the EUR 700,000,000 Fixed to Floating Rate Undated Deeply Subordinated Notes issued on 18 November 2005 (ISIN: FR0010251421) at the purchase price (expressed as a percentage of the nominal amount) of 24%.
A total amount of EUR 643,750,000 was brought to the offer by investors, i.e. 92% of the nominal amount of the issue. This transaction enables the Dexia Group to improve its core Tier 1 ratio by 59 basis points (0.59%).

Considering the financial situation in Greece, a first rescue plan was put in place in July 2011 but turned out to be insufficient for a return to budget equilibrium.
This situation led to the introduction of a second rescue plan, involving a large discount on Greek sovereign securities held by the private lenders, represented by the International Institute of Finance (IIF). This second plan, to which Dexia subscribed for all the securities it then held, was successfully implemented during the first two weeks of March 2012. The exchange of the securities will not have any significant impact in the accounts of the Group, as the value considered as at 31 December 2011 for these securities was close to the estimated value of the new securities to be received in exchange.

On 21 March 2012, the Belgian, French and Luxembourg states submitted to the European Commission a plan (see part "Going concern and business plan" of the chapter Highlights in the Management report) in accordance with their undertakings towards the Dexia Group.

This plan includes all disposals of operational entities as well as the presentation of the activities remaining in the scope of the Group. It also includes a definitive guarantee of EUR 90 billion enabling to cover the Group's funding requirement over the long term. Compensation for that guarantee should be sufficiently low to enable the Group restructuration to be completed.

6. Litigations

We refer here to the chapter Risk management – part "Legal risk" – presented in the Management report on page 80.

7. Notes on the assets of the consolidated balance sheet

(in millions of EUR – some amounts may not add due to roundings off)

Following the announcement of the restructuration of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute in the detailed lines of the statement of income and their net result was reported separately in a specific dedicated line.
As a consequence of this, in the disclosures presenting an evolution of balance sheet items in relation with amounts in the statement of income, the figures as at 1 January 2011 of the sold subgroup Dexia Bank Belgium were reported in "Change of consolidation scope" and the figures as at 1 January 2011 of the subsidiaries held for sale were disclosed in "Transfers in disposal groups held for sale".

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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

	31/12/10	31/12/11
Cash and balances with central banks	3,264	4,847
Loans and advances due from banks	8,534	3,196
Financial assets available for sale	2,926	3,464
Non current assets held for sale	0	8,816
TOTAL	**14,724**	**20,323**

B. OF WHICH RESTRICTED CASH

	31/12/10	31/12/11
Mandatory reserves (1)	1,897	4,711
of continuing operations		*1,655*
of discontinued operations		*3,055*
TOTAL	**1,897**	**4,711**

(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

	31/12/10	31/12/11
Cash in hand	767	249
Balances with central banks other than mandatory reserve deposits	600	2,942
Mandatory reserve deposits	1,899	1,655
TOTAL	3,266	4,847
of which included in cash and cash equivalents	3,264	4,847

7.3. Loans and advances due from banks

A. ANALYSIS BY NATURE

	31/12/10	31/12/11
Nostro accounts and cash collaterals	34,157	36,772
Reverse repurchase agreements	6,307	489
Loans and other advances	8,354	5,385
Debt instruments	4,577	3,072
Impaired loans	13	0
Impaired debt instruments	22	26
Less:		
Specific impairment on impaired loans or impaired debt instruments	(25)	(5)
Collective impairment	(26)	(11)
TOTAL	53,379	45,728
of which included in cash and cash equivalents	8,534	3,196

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 (IAS 39 AMENDED)

See note 7.7.

7.4. Loans and advances to customers

A. ANALYSIS BY COUNTERPART

	31/12/10	31/12/11
Public sector	180,415	96,766
Other	170,834	76,351
Impaired loans	2,715	1,347
Impaired debt instruments	2,839	1,015
Less:		
Specific impairment on impaired loans or impaired debt instruments (1)	(3,214)	(1,385)
Collective impairment (2)	(1,282)	(543)
TOTAL	**352,307**	**173,550**
of which included in finance lease	5,302	2,293

(1) 31 Dec. 2010: of which EUR 1,679 million relating to Financial Products; 31 Dec. 2011: of which EUR 455 million relating to Financial Products.
(2) 31 Dec. 2010: of which EUR 327 million relating to Financial Products.

B. ANALYSIS BY NATURE

	31/12/10	31/12/11
Cash collaterals	3,883	145
Reverse repurchase agreements	1,428	0
Loans and other advances	264,300	112,356
of which bills and own acceptances	*150*	*99*
of which finance leases	*5,302*	*2,293*
of which securitised loans	*19,893*	*666*
of which consumer credits	*4,128*	*2,205*
of which mortgage loans	*19,425*	*6,104*
of which term loans	*180,103*	*98,689*
of which current accounts	*6,444*	*265*
of which other loans and advances	*28,856*	*2,036*
Debt instruments	81,637	60,616
Impaired loans	2,715	1,347
Impaired debt instruments	2,839	1,015
Less:		
Specific impairment on impaired loans or impaired debt instruments (1)	(3,214)	(1,385)
Collective impairment (2)	(1,282)	(543)
TOTAL	**352,307**	**173,550**

(1) 31 Dec. 2010: of which EUR 1,679 million relating to Financial Products; 31 Dec. 2011: of which EUR 455 million relating to Financial Products.
(2) 31 Dec. 2010: of which EUR 327 million relating to Financial Products.

C. ANALYSIS OF QUALITY
See note 7.15. Quality of financial assets

D. ANALYSIS BY MATURITY AND INTEREST RATE
See notes 12.4., 12.5. and 12.6.

E. ANALYSIS OF THE FAIR VALUE
See note 12.1.

F. RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39 AMENDED)
See note 7.7.

7.5. Financial assets measured at fair value through profit or loss

	31/12/10	31/12/11
Financial assets held for trading	5,347	2,541
Financial assets designated at fair value	3,941	148
TOTAL	**9,288**	**2,690**

7.5.1. FINANCIAL ASSETS HELD FOR TRADING

A. ANALYSIS BY COUNTERPART

	31/12/10	31/12/11
Public sector	572	162
Banks	545	30
Other	4,229	2,350
TOTAL	**5,347**	**2,541**

B. ANALYSIS BY NATURE

	31/12/10	31/12/11
Loans	214	0
Bonds issued by public bodies	506	162
Other bonds and fixed-income instruments	4,491	2,340
Equity and variable-income instruments	136	39
TOTAL	**5,347**	**2,541**

C. TREASURY BILLS AND OTHER ELIGIBLE BILLS FOR REFINANCING TO THE CENTRAL BANKS

	31/12/10	31/12/11
Treasury bills and other eligible bills for refinancing to the central banks	35	0

D. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS WITH OTHER BANKS

	31/12/10	31/12/11
	Fair value	Fair value
Included in bonds issued by public bodies	53	
Included in other bonds and fixed-income instruments	5	

E. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4., 12.5. and 12.6.

F. ANALYSIS OF THE FAIR VALUE

See note 12.1.

G. RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39 AMENDED)

See note 7.7.

7.5.2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

A. ANALYSIS BY COUNTERPART

	31/12/10	31/12/11
Public sector	111	6
Banks	31	0
Other	3,799	142
TOTAL	**3,941**	**148**

B. ANALYSIS BY NATURE

	31/12/10	31/12/11
Loans	43	16
Bonds issued by public bodies	36	0
Other bonds and fixed-income instruments	285	132
Equity and variable-income instruments	34	0
Unit-linked products Insurance – bonds and loans	459	0
Unit-linked products Insurance – equity and variable-income instruments	3,085	0
TOTAL	**3,941**	**148**

Financial assets on public sector are disclosed in bonds issued by public bodies and also partially in loans and in unit-linked products.

C. TREASURY BILLS AND OTHER ELIGIBLE BILLS FOR REFINANCING TO THE CENTRAL BANKS

Nil.

D. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS WITH OTHER BANKS

Nil.

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 for unit-linked products (branch 23), the return of the unit-linked product belongs totally to its policy holder;

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.

The methodology followed to determine the fair value of financial assets designated at fair value is presented in note 1. Accounting principles and rules governing the consolidated financial statements – subsection 1.7. Fair value of financial instruments.

7.6. Financial investments

A. ANALYSIS BY COUNTERPART

	31/12/10	31/12/11
Public sector	43,059	20,333
Banks	28,669	12,927
Others	15,195	6,370
Impaired financial investments	1,166	4,169
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**88,089**	**43,799**
Less:		
Impairments (specific or collective)	(722)	(3,108)
TOTAL	**87,367**	**40,691**
of which included in cash and cash equivalents	2,926	3,464

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

	Available-for-sale		Held to maturity		Total	
	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Loans	42	0	0	0	42	0
Bonds issued by public bodies	38,323	19,073	881	765	39,204	19,838
Other bonds and fixed-income instruments	45,470	22,990	565	439	46,036	23,429
Equity and variable-income instruments	2,806	532	0	0	2,806	532
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENT	**86,643**	**42,595**	**1,446**	**1,204**	**88,089**	**43,799**
Impairments (specific or collective)	(722)	(2,954)	0	(153)	(722)	(3,108)
TOTAL FINANCIAL INVESTMENTS	**85,921**	**39,640**	**1,446**	**1,051**	**87,367**	**40,691**

E. CONVERTIBLE BONDS INCLUDED IN THE AVAILABLE-FOR-SALE PORTFOLIO (POSITION GREATER THAN EUR 50 MILLION)

Nil.

F. TRANSFERS BETWEEN PORTFOLIOS

Nil.

G. ANALYSIS OF THE FAIR VALUE

See note 12.1.

H. RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39 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 at 1 October 2008 (scope of entities consolidated as at 31 Dec. 2010)	6,591	2,704	90,784
Carrying amount of assets reclassified at 1 January 2009 (scope of entities consolidated as at 31 Dec. 2010)			874
Carrying amount of assets reclassified at 1 October 2008 (scope of entities consolidated as at 31 Dec. 2011)	3,784	2,704	75,393
Carrying amount of assets reclassified at 31 Dec. 2010 (A)	3,801	342	75,759
Fair value of assets reclassified at 31 Dec. 2010 (B)	3,513	324	74,557
CUMULATED AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(288)**	**(18)**	**n.a.**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(1,202)**
Premium/Discount amortisation in P&L during the year	18	20	n.a.
Premium/Discount amortisation of "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables during the year	n.a.	n.a.	816
Carrying amount of assets reclassified at 31 Dec. 2011 (A)	2,407	189	60,740
Fair value of assets reclassified at 31 Dec. 2011 (B)	2,070	173	59,047
CUMULATED AMOUNT NOT TAKEN IN INCOME (1)&(2) DUE TO RECLASSIFICATION (B)-(A)	**(337)**	**(16)**	**n.a.**
CUMULATED AMOUNT NOT TAKEN IN AFS RESERVE (3) DUE TO RECLASSIFICATION (B)-(A)	**n.a.**	**n.a.**	**(1,693)**
Premium/Discount amortisation in P&L during the year	30	6	n.a.
Premium/Discount amortisation of "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables during the year	n.a.	n.a.	380

Impacts of reclassifications of 2008 and 2009 on equity and results

The carrying amount of assets reclassified is impacted by the change in scope in 2011, mainly by the sale of Dexia Bank Belgium group.
In addition, the deleveraging of the financial products as well as the anticipated divestments of portfolio explain the reduction of carring amounts of assets reclassified at 31 Dec. 2011.

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 amortisation on the result of the period is shown in the line "Premium/Discount amortisation in P&L during the year".
The difference between the "Carrying amount of reclassified assets" and the fair value represents the cumulated changes in fair value as from reclassification date and also includes the cumulated amortisation of the premium discount since reclassification. The difference was negative for trading assets reclassified as spreads continue to increase due to the impact of the sovereign debt crisis in the euro zone.

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.

The impact on the result regarding the "cost of risk" is the net of allocation and use of collective impairment and specific impairments. The figures mentionned below take into account the impact on cost of risk of entities considered as discontinued operations. In 2011, impact on cost of risk of the group DBB is not taken into consideration as the amounts of assets reclassified in 2011 are not in consolidated accounts anymore. Due to the reclassification, the cost of risk was estimated lower of EUR 13 million in 2010. In 2011, a collective impairment charge of EUR 79 million was recorded. Impact on specific impairments is considered not significant.

The decrease of the carrying amount of the reclassified assets comes mainly from the acceleration of the disposal of non-strategic assets, as announced in May 2011 and from the change in consolidation scope (disposal of Dexia Bank Belgium).
In comparison with 2010, the increase of the difference between the carrying amount of reclassified asset and its fair value mainly reflects the increase of the accounting carrying amount of 380 million of the period (amortisation premium/discount) and the changes due to variations of credit and liquidity spreads on the markets.

Impact on interest margin

For assets transferred from AFS to L&R, the amortisation of the premium discount on the bond is compensated by the amortisation 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 on the interest margin of the amortisation of the negative mark-to-market of previous periods amounted EUR 38 million in 2010 and EUR 36 million in 2011.

7.8. Investments in associates

A. CARRYING VALUE

	2010	2011
CARRYING VALUE AS AT 1 JAN.	**171**	**171**
- Transfers in disposal groups held for sale	0	(50)
- Acquisitions	1	0
- Disposals	(4)	0
- Change in scope of consolidation (out)	0	(121)
- Share of result before tax	6	0
- Dividend paid	(3)	0
CARRYING VALUE AS AT 31 DEC.	**171**	**0**

B. POSITIVE GOODWILL INCLUDED IN CARRYING VALUE

	2010	2011
ACQUISITION COST AS AT 1 JAN.	**33**	**33**
- Transfers in disposal groups held for sale	0	(33)
ACQUISITION COST AS AT 31 DEC. (A)	**33**	**0**
ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT AS AT 1 JAN.	**(6)**	**(6)**
- Transfers in disposal groups held for sale	0	6
ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT AS AT 31 DEC. (B)	**(6)**	**0**
NET CARRYING AMOUNT AS AT 31 DEC. (A)+(B)	**27**	**0**

C. LIST OF MAJOR ASSOCIATES

Associates	2010 Book value	2010 Fair value of investment	2011 Book value	2011 Fair value of investment	Website
SLF Finances SA	63	63			*www.slf.be*
Popular Banca Privada	49	64			*www.popularbancaprivada.es*
TOTAL	**112**	**127**			

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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 (1)		
ACQUISITION COST AS AT 1 JAN. 2010	**2,041**	**3**	**1,124**	**78**	**141**	**1,112**	**4,499**
- Acquisitions	173	0	92	10	81	13	369
- Subsequent expenditures	6	0	0	0	0	45	51
- Disposals	(254)	0	(17)	0	(28)	(35)	(334)
- Change in scope of consolidation (out)	(13)	0	(6)	0	(2)	0	(21)
- Transfers and cancellations	(18)	0	(231)	0	0	53	(198)
- Translation adjustments	4	0	9	3	0	5	20
- Other	0	0	0	0	1	0	1
ACQUISITION COST AS AT 31 DEC. 2010 (A)	**1,938**	**3**	**971**	**90**	**194**	**1,192**	**4,387**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 2010	**(632)**	**(1)**	**(845)**	**(50)**	**(44)**	**(531)**	**(2,103)**
- Depreciation booked	(72)	0	(76)	(9)	(32)	(22)	(211)
- Impairment booked	0	0	0	0	0	(1)	(1)
- Write-back	0	0	0	0	0	1	1
- Disposals	6	0	12	0	14	28	60
- Change in scope of consolidation (out)	9	0	5	0	1	0	16
- Transfers and cancellations	32	0	231	0	0	(55)	208
- Translation adjustments	(1)	0	(5)	(2)	0	(2)	(10)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DEC. 2010 (B)	**(658)**	**(1)**	**(678)**	**(59)**	**(62)**	**(583)**	**(2,041)**
NET BOOK VALUE AS AT 31 DEC. 2010 (A)+(B)	**1,280**	**2**	**293**	**31**	**132**	**608**	**2,346**

(1) Mainly cars.

	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 [1]		
ACQUISITION COST AS AT 1 JAN. 2011	1,938	3	971	90	194	1,192	4,387
- Transfers in disposal groups held for sale	(451)	0	(156)	0	(4)	(99)	(710)
- Acquisitions	1	0	58	18	65	1	143
- Disposals	(1)	0	(8)	0	(41)	0	(50)
- Change in scope of consolidation (out)	(1,060)	(3)	(511)	0	0	(979)	(2,553)
- Transfers and cancellations	0	0	(50)	24	0	0	(26)
- Translation adjustments	(4)	0	(27)	(15)	0	(18)	(64)
- Other	0	0	0	2	7	0	9
ACQUISITION COST AS AT 31 DEC. 2011 (A)	423	1	277	119	221	95	1,137
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 1 JAN. 2011	(658)	(1)	(678)	(59)	(62)	(583)	(2,041)
- Transfers in disposal groups held for sale	212	0	133	0	1	16	362
- Depreciation booked	(8)	0	(29)	(15)	(31)	(1)	(84)
- Impairment booked	0	0	(2)	0	0	0	(2)
- Disposals	1	0	7	0	18	0	26
- Change in scope of consolidation (out)	387	0	383	0	0	514	1,284
- Transfers and cancellations	0	0	30	(4)	0	0	26
- Translation adjustments	1	0	10	10	0	9	30
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31 DEC. 2011 (B)	(65)	(1)	(146)	(68)	(74)	(46)	(399)
NET BOOK VALUE AS AT 31 DEC. 2011 (A)+(B)	358	0	131	51	147	49	736

(1) Mainly cars.

B. FAIR VALUE OF INVESTMENT PROPERTY

	31/12/10	31/12/11
Fair value subject to an independent valuation	59	49
Fair value not subject to an independent valuation	578	0
TOTAL	637	49

C. EXPENDITURES CAPITALISED FOR THE CONSTRUCTION OF PROPERTY, PLANT AND EQUIPMENT

Nil.

D. CONTRACTUAL OBLIGATIONS RELATING TO INVESTMENT PROPERTY AT THE END OF THE PERIOD

Nil.

E. CONTRACTUAL OBLIGATIONS RELATING TO PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE PERIOD

Nil.

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7.10. Intangible assets and goodwill

	Positive goodwill [(1)]	Internally developed software	Other intangible assets [(2)]	Total
ACQUISITION COST AS AT 1 JAN. 2010	**1,926**	**800**	**628**	**3,353**
- Acquisitions	28	75	68	171
- Disposals	0	(4)	2	(2)
- Change in scope of consolidation (in)	1	3	0	4
- Change in scope of consolidation (out)	0	(10)	(1)	(11)
- Transfers and cancellations	0	(11)	(50)	(61)
- Translation adjustments	54	9	12	75
ACQUISITION COST AS AT 31 DEC. 2010 (A)	**2,007**	**860**	**660**	**3,528**
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JAN. 2010	**(186)**	**(583)**	**(408)**	**(1,176)**
- Booked	0	(64)	(73)	(137)
- Change in scope of consolidation (out)	0	7	1	8
- Disposals	0	0	2	2
- Transfers and cancellations	0	11	50	61
- Translation adjustments	(2)	(3)	(5)	(10)
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DEC. 2010 (B)	**(188)**	**(631)**	**(433)**	**(1,252)**
NET BOOK VALUE AS AT 31 DEC. 2010 (A)+(B)	**1,820**	**229**	**227**	**2,276**

(1) Accumulated amortisation of positive goodwill represent an amount of EUR -177 million as at 31 Dec. 2010. This amount was booked before the application of IFRS.
(2) Other intangible assets include purchased software and intangible assets identified for a net amount of EUR 98 million in the purchase of DenizBank group. These will be amortised at the latest end 2016.

	Positive goodwill [(1)]	Internally developed software	Other intangible assets [(2)]	Total
ACQUISITION COST AS AT 1 JAN. 2011	**2,007**	**860**	**660**	**3,528**
- Transfers in disposal groups held for sale	(371)	(171)	(139)	(681)
- Acquisitions	0	12	33	45
- Disposals	0	(68)	(10)	(78)
- Change in scope of consolidation (out)	(139)	(478)	(98)	(715)
- Transfers and cancellations	0	6	(6)	0
- Translation adjustments	(190)	0	(44)	(234)
ACQUISITION COST AS AT 31 DEC. 2011 (A)	**1,307**	**161**	**396**	**1,864**
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 1 JAN. 2011	**(188)**	**(631)**	**(433)**	**(1,252)**
- Transfers in disposal groups held for sale	75	81	82	238
- Booked	(183)	(17)	(47)	(247)
- Change in scope of consolidation (out)	31	374	71	476
- Disposals	0	68	12	80
- Transfers and cancellations	0	(1)	1	0
- Translation adjustments	0	0	26	26
ACCUMULATED AMORTISATION AND IMPAIRMENT AS AT 31 DEC. 2011 (B)	**(265)**	**(126)**	**(288)**	**(679)**
NET BOOK VALUE AS AT 31 DEC. 2011 (A)+(B)	**1,042**	**35**	**108**	**1,184**

(1) Accumulated amortisation of positive goodwill represent an amount of EUR -80 million as at 31 Dec. 2011. This amount was booked before the application of IFRS.
(2) Other intangible assets include purchased software and intangible assets identified for a net amount of EUR 59 million in the purchase of DenizBank group. These will be amortised at the latest end 2016.

POSITIVE GOODWILL (amounts larger than EUR 100 million)	31/12/10	31/12/11
DenizBank	1,173	983
Group RBC Dexia	203	0 (1)
Crediop	131	0 (2)
DIB	104	0 (3)

(1) The goodwill on the group RBC Dexia, which is transferred in disposal groups held for sale as at December 2011, has been taken into result as a consequence of the adjustment of the carrying amount of the disposal groups to fair value less costs to sell. – see note 9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations.
(2) See note 11.12. Impairment on goodwill.
(3) DIB left the scope of consolidation – see note 2. Significant changes in scope of consolidation and list of main subsidiaries and affiliated enterprises of the Dexia Group.

The evaluation of the recoverable amount of a cash-generating unit (CGU) requires incorporating the cash outflows associated with the funding.
If a subsidiary is only active on a single CGU, the entire goodwill is allocated to this CGU. If a subsidiary is active on several CGUs, the goodwill is allocated to CGUs based on the cash flows attributable to each one at the date of acquisition. If one activity is highly integrated, a CGU may include several legal entities or related CGU from different legal entities (Asset management is considered as one CGU, as well as Investor services).
Impairment on goodwill under IAS 36 is recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cash flow – DCF – analysis) and the fair value (transaction multiples for comparable businesses, share price data for listed companies with comparable businesses) less costs to sell.
The DCF method is based on a number of assumptions in terms of future revenues and expenses for each business unit. These parameters are based on financial planning as approved by management, extrapolated over a sustainable growth period and then in perpetuity based on long term growth rates thereafter.
The tests take into account the cost of capital based on a risk-free rate plus risk premium specific to the CGU. The key parameters which are sensitive to the assumptions made are therefore the cost/income ratio, the long term growth rate and the cost of capital.
The last significant remaining goodwill is on the DenizBank group, which is one cash generating unit. This goodwill is recorded in TRY and its carrying amount changes with the evolution of the TRY, with compensation in the Cumulative Translation Adjustment (CTA). The general principle surrounding the long term plan is that Turkey will converge to West European standards by 2026. The actual high growth rate in revenues will decrease to 3% in 2025, with a cost/income ratio that will decrease from 54% to 52%. Cost of risk will slightly decline and tax will remain stable at 20%.
The need of capital is based on the respect of the Capital Adequacy Ratio, and mainly on Risk Weighted Assets (RWA). Evolution of RWA is linked to the revenues. The discount rate of 14.4% in 2012 is based on the average of costs of equity calculated by brokers and Turkish banking institutions (JP Morgan, Morgan Stanley, Oyak Bank, Sekerbank…) and will converge to West European standards of 11% by 2026. The NPV of cash flows gives a value of more than EUR 3.5 billion.
The carrying amount of the CGU Deniz to be tested for impairment amounts EUR 2,823 million and is composed of the following elements (in millions of EUR):

Core equity of Deniz (goodwill included)	3,628
OCI – CTA	(786)
OCI – Others	(18)
Carrying amount of CGU	2,823

In case of sale, as required by the IFRS, the amount of OCI has to be recycled in profit and loss. This recycling has no impact on total equity or on total comprehensive income.

7.11. Tax assets

	31/12/10	31/12/11
Current taxes	136	223
Deferred tax assets (see note 9.2.)	2,710	708
TOTAL	**2,847**	**932**

Deferred tax assets (DTA) are constituted for an amount of EUR 0,63 billion (2,03 billion in 2010) by DTA coming from negative available-for-sale reserves on bonds and "frozen" fair value adjustment of financial assets reclassified to Loans and Receivables and by DTA on cash flow hedges reserves for EUR 0.08 billion (0.13 billion in 2010).

7.12. Other assets

	31/12/10	31/12/11
Other assets	2,094	724
Other assets specific to insurance companies	264	0
TOTAL	**2,358**	**724**

A. OTHER ASSETS

Analysis by nature	31/12/10	31/12/11
Accrued income	123	10
Deferred expenses	60	38
Other accounts receivables	1,044	363
Plan assets (1)	17	3
Inventories	5	6
Operational taxes	73	35
Other assets	772	269
TOTAL	**2,094**	**724**

(1) See note 8.6.I. Provisions and other obligations – reconciliation with financial statements.

B. OTHER ASSETS SPECIFIC TO INSURANCE COMPANIES

Analysis by nature (acquisition costs and share of reinsurers)	31/12/10	31/12/11
Share of the reinsurers in the technical reserves	77	
Receivables resulting from direct insurance transactions	47	
Premiums still to be issued	50	
Deferred acquisition costs	2	
Other insurance assets	89	
TOTAL	**264**	**0**

7.13. Non-current assets and disposal groups held for sale

	31/12/10	31/12/11
Assets of subsidiaries held for sale [1]	0	110,240
Tangible and intangible assets held for sale	50	40
Other assets	1	78
TOTAL	**50**	**110,359**

(1) We refer to note 9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations, point C.

7.14. Leasing

7.14.1. DEXIA AS LESSOR

A. FINANCE LEASE

Gross investment in finance leases:	**31/12/10**	**31/12/11**
Not later than 1 year	1,206	358
Later than 1 year and not later than 5 years	2,385	788
Later than 5 years	2,642	1,265
SUBTOTAL (A)	**6,233**	**2,412**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASES (B)	**862**	**70**
NET INVESTMENT IN FINANCE LEASES (A)-(B)	**5,371**	**2,342**

The net investment in finance leases:	**31/12/10**	**31/12/11**
Not later than 1 year	1,011	323
Later than 1 year and not later than 5 years	1,993	754
Later than 5 years	2,367	1,265
TOTAL	**5,371**	**2,342**

	31/12/10	31/12/11
Amount of uncollectible finance lease receivables included in the provision for loan losses at the end of the period	131	62
Estimated fair value of finance lease	5,171	2,466
Accumulated allowance for uncollectible minimum lease payments receivable	62	32

B. OPERATING LEASE

Future net minimum lease receivables under non-cancellable operating leases are as follows:	**31/12/10**	**31/12/11**
Not later than 1 year	45	38
Later than 1 year and not later than 5 years	93	59
Later than 5 years	36	2
TOTAL	**174**	**99**
Amount of contingent rents recognised in statement of income during the period	1	2

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7.14.2. DEXIA AS LESSEE

The figures present the information related to the continued activities, for both periods.

A. FINANCE LEASE

Minimum lease payments	31/12/10	31/12/11
Not later than 1 year	8	12
Later than 1 year and not later than 5 years	14	16
Later than 5 years	2	1
TOTAL	24	28

Present value of finance lease liabilities	31/12/10	31/12/11
Not later than 1 year	7	11
Later than 1 year and not later than 5 years	12	14
Later than 5 years	2	1
TOTAL	21	26

	31/12/10	31/12/11
Contractual future minimum lease payments (A)	24	28
Correction due to discount rate (B)	(3)	(2)
PRESENT VALUE OF THE FUTURE MINIMUM LEASE PAYMENTS (A)+(B)	21	26

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating leases are as follows:	31/12/10	31/12/11
Not later than 1 year	64	76
Later than 1 year and not later than 5 years	212	217
Later than 5 years	181	223
TOTAL [1]	457	516

(1) Mainly lease payments for buildings, cars and IT equipment.

Amount of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date	2	1

Lease and sublease payments recognised as an expense during the period:		
- minimum lease payments	142	131
- sublease payments	(2)	0
TOTAL	140	131

7.15. Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/10	31/12/11
Normal loans and advances due from banks	53,395	45,719
Normal loans and advances to customers	351,249	173,117
Normal investments held to maturity	1,446	970
Normal financial assets available for sale	85,477	38,660
of which fixed-income instruments	*83,042*	*38,302*
of which equity instruments	*2,435*	*358*
Collective impairment on not specifically impaired loans (-)	(1,308)	(555)
TOTAL	**490,259**	**257,910**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Total (B)+(C)	
	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Impaired loans and advances due from banks	35	26	(25)	(5)	10	21
Impaired loans and advances to customers	5,554	2,362	(3,214)	(1,385)	2,340	977
Impaired investments held to maturity	0	234	0	(153)	0	81
Impaired financial assets available for sale	1,166	3,935	(722)	(2,954)	444	980
of which fixed-income instruments	*794*	*3,761*	*(571)*	*(2,875)*	*222*	*886*
of which equity instruments	*372*	*174*	*(151)*	*(79)*	*221*	*95*
TOTAL	**6,755**	**6,557**	**(3,961)**	**(4,497)**	**2,794**	**2,060**

Normal + impaired	Gross amount (A)+(B)		Specific loan loss allowance (C)		Total (A)+(B)+(C)	
	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Loans and advances due from banks	53,430	45,745	(25)	(5)	53,405	45,739
Loans and advances to customers	356,803	175,479	(3,214)	(1,385)	353,589	174,093
Investments held to maturity	1,446	1,204	0	(153)	1,446	1,051
Financial assets available for sale	86,643	42,595	(722)	(2,954)	85,921	39,640
of which fixed-income instruments	*83,836*	*42,063*	*(571)*	*(2,875)*	*83,265*	*39,187*
of which equity instruments	*2,806*	*532*	*(151)*	*(79)*	*2,656*	*453*
Collective impairment on not impaired loans (-)	(1,308)	(555)	0	0	(1,308)	(555)
TOTAL	**497,014**	**264,468**	**(3,961)**	**(4,497)**	**493,053**	**259,970**

8. Notes on the liabilities of the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuration of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute in the detailed lines of the statement of income and their net result was reported separately in a specific dedicated line.
As a consequence of this, in the disclosures presenting an evolution of balance sheet items in relation with amounts in the statement of income, the figures as at 1 January 2011 of the sold subgroup Dexia Bank Belgium were reported in "Changes of consolidation scope" and the figures as at 1 January 2011 of the subsidiaries held for sale were disclosed in "Transfers in disposal groups held for sale".

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8.1. Due to banks

A. ANALYSIS BY NATURE

	31/12/10	31/12/11
On demand	6,999	595
Term	7,624	1,639
Repurchase activity	34,873	17,423
Central banks	25,520	27,315
Other borrowings (1)	23,474	59,413
TOTAL	**98,490**	**106,384**

(1) 31/12/2011: the amount included EUR 18 billion from the ELA and EUR 5.6 billion from the European Investment Bank.

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

	31/12/10	31/12/11
Demand deposits	32,257	1,900
Savings deposits	37,990	6,544
Term deposits	26,892	8,345
Other customer deposits	7,863	82
TOTAL CUSTOMER DEPOSITS	**105,001**	**16,870**
Repurchase activity	19,161	38
Other borrowings	2,898	2,511
TOTAL CUSTOMER BORROWINGS	**22,058**	**2,550**
TOTAL	**127,060**	**19,419**

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

	31/12/10	31/12/11
Financial liabilities held for trading	763	0
Financial liabilities designated at fair value	19,390	5,200
TOTAL	20,154	5,200

8.3.1. FINANCIAL LIABILITIES HELD FOR TRADING

A. ANALYSIS BY NATURE

	31/12/10	31/12/11
Bonds issued by public bodies	457	0
Other bonds	235	0
Equity instruments	71	0
TOTAL	763	0

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

	31/12/10	31/12/11
Non-subordinated liabilities	15,588	5,200
Subordinated liabilities (1)	332	0
Unit-linked products	3,471	0
TOTAL	19,390	5,200

(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. and 12.2.H. for own credit risk

The "Fair Value Option" (FVO), for financial liabilities is mainly used in the following situations.
1) By the insurance business for unit-linked contracts (branch 23).
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.

8.4. Debt securities

A. ANALYSIS BY NATURE

	31/12/10	31/12/11
Certificates of deposit (1)	16,077	23,424
Customer savings certificates	12,430	33
Convertible debts (2)	1	0
Non-convertible bonds	181,964	81,831
TOTAL	**210,473**	**105,288**

(1) 31/12/2011: the amount included EUR 21.6 billion issued by Dexia Crédit Local with the States' Guarantee.
(2) The list of convertible debts is available on request.

B. ANALYSIS BY MATURITY AND INTEREST RATE

See notes 12.4., 12.5. and 12.6.

C. ANALYSIS OF THE FAIR VALUE

See note 12.1.

8.5. Subordinated debts

A. ANALYSIS BY NATURE

Non-convertible subordinated debt	31/12/10	31/12/11
Loan capital perpetual subordinated notes	877	0
Other	2,795	1,691
TOTAL	**3,672**	**1,691**

List available on request.

	31/12/10	31/12/11
Hybrid capital and redeemable preference shares	232	0

Dexia Banque Internationale à Luxembourg has issued on 6 July 2001 an hybrid capital instrument perpetual of EUR 225 million, refunding possible quarterly as from 6 July 2011. This instrument in now classified in Liabilities included in disposal groups held for sale.

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

	31/12/10	31/12/11
Litigation claims [(1)]	250	125
Restructuring	189	75
Long-term defined benefit plans	702	41
Other postretirement obligations	56	2
Other long-term employee benefits	41	4
Provision for off-balance-sheet credit commitments [(2)]	142	77
Onerous contracts	35	3
Other provisions (non insurance) [(3)]	84	5
TOTAL	1,498	332

(1) We refer here to the chapter Risk management – part Legal risk – presented in the Management report on page 80.
(2) Of which EUR 100 million and EUR 56 million relating to Dexia Nederland (Legio Lease Provision) for 2010 and 2011 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.

B. ANALYSIS OF MOVEMENTS

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2010	329	160	778	152	52	109	1,581
Exchange difference	13	0	1	2	0	3	19
Additional provisions	184	96	124	8	1	25	438
Unused amounts reversed	(188)	(32)	(18)	(10)	(9)	(41)	(298)
Utilised during the year	(15)	(34)	(84)	(10)	(9)	(14)	(166)
Changes in scope of consolidation (out)	0	(1)	(6)	0	0	(1)	(8)
Transfers	(73)	0	3	0	0	2	(68)
Other movements	(1)	0	0	0	0	0	(1)
AS AT 31 DECEMBER 2010	250	189	798	142	35	84	1,498

	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2011	250	189	798	142	35	84	1,498
Transfer in disposal groups held for sale	(37)	(39)	(133)	0	0	(11)	(220)
Exchange difference	2	(2)	0	(2)	0	0	(2)
Additional provisions	60	55	4	13	0	6	138
Unused amounts reversed	(20)	(32)	(7)	(4)	0	(1)	(64)
Utilised during the year	(42)	(4)	(4)	(47)	0	(2)	(99)
Changes in scope of consolidation (out)	(89)	(92)	(614)	(24)	(35)	(70)	(924)
Transfers	0	0	2	0	3	0	5
AS AT 31 DECEMBER 2011	124	75	46	78	3	6	332

C. ANALYSIS BY MATURITY

See note 12.6.

D. PROVISIONS FOR PENSIONS AND OTHER LONG TERM BENEFITS

a.	Change in benefit obligation	31/12/10	31/12/11
1.	Benefit obligation as at beginning of year	2,001	2,088
2.	Transfer in liabilities included in disposal groups held for sale	0	(345)
3.	Current service cost	86	10
4.	Interest cost	97	9
5.	Plan participants' contributions	5	1
6.	Amendments	(1)	0
7.	Actuarial (gains)/losses	9	3
8.	Benefits paid	(92)	(8)
9.	Premiums paid	(4)	(1)
10.	Acquisitions/divestitures	(11)	(1,536)
11.	Plan curtailments	(1)	0
12.	Plan settlements	(11)	(1)
13.	Exchange rate changes	10	0
14.	BENEFIT OBLIGATION AS AT END OF YEAR	2,088	220

b.	Change in plan assets	31/12/10	31/12/11
1.	Fair value of plan assets as at beginning of year	1,237	1,284
2.	Transfer in disposal groups held for sale	0	(191)
3.	Expected return on plan assets	61	6
4.	Actuarial gains/(losses) on plan assets	(16)	(4)
5.	Employer contributions	100	15
6.	Member contributions	5	1
7.	Benefits paid	(91)	(8)
8.	Premiums paid	(4)	(1)
9.	Plan settlements	(11)	(1)
10.	Acquisitions/divestitures	(7)	(940)
11.	Exchange rate changes	10	0
12.	FAIR VALUE OF PLAN ASSETS AS AT END OF YEAR	1,284	161

c.	Amounts recognised in the balance sheet	31/12/10	31/12/11
1.	Present value of funded obligations	1,455	210
2.	Fair value of plan assets	1,284	161
3.	Deficit/(surplus) for funded plans	171	49
4.	Present value of unfunded obligations	633	9
5.	Unrecognised net actuarial gains/(losses)	(39)	(20)
6.	Effect of paragraph 58(b) limit	12	4
7.	NET LIABILITY/(ASSET)	777	42
Amounts in the balance sheet			
1.	Liabilities	797	47
2.	Assets	(20)	(5)
3.	NET LIABILITY/(ASSET)	777	42

d.	Components of pension cost	31/12/10	31/12/11
Amounts recognised in statement of income			
1.	Current service cost	86	10
2.	Interest cost	96	9
3.	Expected return on plan assets	(61)	(6)
4.	Amortisation of past service cost incl. §58(a)	(1)	0
5.	Effect of paragraph 58(b) limit	2	0
6.	Curtailment (gain)/loss recognised	4	0
7.	Settlement (gain)/loss recognised	0	(1)
8.	TOTAL PENSION COST RECOGNISED IN THE STATEMENT OF INCOME	126	12
Actual return on assets			
Actual return on plan assets		45	2
Actual return on reimbursement assets		0	0

e.	Balance-sheet reconciliation	31/12/10	31/12/11
1.	Balance-sheet liability/(asset) as at beginning of year	758	777
2.	Transfer in disposal groups held for sale	0	(146)
3.	Pension expense recognised in statement of income in the financial year	126	12
4.	Employer contributions made in the financial year	71	14
5.	Benefits paid directly by company in the financial year	29	1
6.	Net transfer in/(out) (including the effect of any business combinations/divestitures)	(7)	(586)
7.	BALANCE SHEET LIABILITY/(ASSET) AS AT END OF YEAR (1)+(2)+(3)-(4)-(5)+(6)	777	42

f.	Plan assets	Percentage of plan assets	
Asset category		31/12/10	31/12/11
1.	Equity securities	12.30%	8.85%
2.	Debt securities	84.98%	90.31%
3.	Real estate	0.32%	0.07%
4.	Other [1]	2.40%	0.78%

(1) Includes qualifying insurance policies.

g.	History of experience gains and losses	31/12/08	31/12/09	31/12/10	31/12/11
1.	Difference between the actual and expected return on plan assets				
	a. Amount	(141)	47	(16)	(4)
	b. Percentage of plan assets	-11.00%	4.00%	-1.00%	-2.61%
2.	Experience gains (-) and losses on plan liabilities				
	a. Amount	(5)	(18)	(28)	3
	b. Percentage of present value of plan liabilities	0.00%	-1.00%	-1.00%	1.61%

h. Range of assumptions to determine pension expense

	31/12/10					
	Discount Rate	**Inflation**	**Expected return on assets**	**Expected return on bonds**	**Expected return on shares**	**Salary Increase Rate**
Europe	3.25% – 4.50%	2.00%	3.75% – 5.55%	2.25% – 4.25%	5.75% – 7.38%	2.50% – 5.00%
Switzerland	2.75%	0.80%	3.50%	2.75%	6.60%	1.50%
United Kingdom	5.30%	3.70%	6.46%	4.10%	8.30%	5.10%

	31/12/11					
	Discount Rate	**Inflation**	**Expected return on assets**	**Expected return on bonds**	**Expected return on shares**	**Salary Increase Rate**
Europe	3.25% – 4.57%	2.00%	3.00% – 5.11%	2.75% – 4.25%	5.75% – 7.25%	2.50% – 5.00%
Switzerland	2.75%	0.80%	2.75%	2.75%	5.75%	1.50%
United Kingdom	N/A	N/A	N/A	N/A	N/A	N/A

Comment on assumptions:

1) Interest rates and discount rates at year-end remained stable in comparison with 2010.

2) 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	**2010**	**2011**
Outstanding liability relating to defined benefit plans	702	41
Outstanding liability relating to other postretirement obligations	56	2
Outstanding liability relating to other long-term employee benefits	41	4
Total outstanding liability reported in the financial statements (1)	**799**	**47**
Total liability calculated by actuaries	**797**	**47**
TOTAL LIABILITY RELATING TO INSIGNIFICANT PLANS	**(2)**	**0**
Outstanding asset reported in the financial statements (2)	**17**	**3**
Total assets analysed by actuaries	**20**	**5**
TOTAL ASSETS RELATING TO INSIGNIFICANT PLANS	**(3)**	**(2)**

(1) See note 8.6.A.
(2) See note 7.12.A.

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 16.2 million for 2011 compared to EUR 16.3 million for 2010.

8.7. Tax liabilities

Analysis by nature	31/12/10	31/12/11
Current income tax	123	59
Deferred tax liabilities (see note 9.2.)	33	132
TOTAL	**157**	**192**

8.8. Other liabilities

	31/12/10	31/12/11
Other liabilities (except relating to insurance activities)	4,102	1,741
Other liabilities specific to insurance activities	197	0
TOTAL	**4,299**	**1,741**

A. OTHER LIABILITIES (EXCEPT RELATING TO INSURANCE ACTIVITIES)

	31/12/10	31/12/11
Accrued costs	287	141
Deferred income	408	97
Subsidies	94	92
Other accounts payable	1,925	526
Other granted amounts received	1	1
Salaries and social charges (payable)	299	53
Shareholder dividends payable	101	92
Operational taxes	174	62
Other liabilities	813	676 (1)
TOTAL	**4,102**	**1,741**

(1) On 16 December 2011, Dexia SA and Dexia Crédit Local signed an autonomous guarantee agreement with the Belgian, French and Luxembourg governments. It is intended to temporarily facilitate the renewal of existing financing and to enable Dexia Group to meet its commitments over the very short term. The agreement calls for payment to the governments of a set-up commission of EUR 225 million due on 6 January 2012.

B. LIABILITIES SPECIFIC TO INSURANCE ACTIVITIES

	31/12/10	31/12/11
Debts for deposits from assignees	64	
Debts resulting from direct insurance transactions	120	
Debts resulting from reinsurance transactions	13	
TOTAL	**197**	**0**

8.9. Liabilities included in disposal groups held for sale

	31/12/10	31/12/11
Liabilities of subsidiaries held for sale (1)	0	116,350
TOTAL	**0**	**116,350**

(1) We refer to note 9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations.

9. Other notes on the consolidated balance sheet

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuration of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute in the detailed lines of the statement of income and their net result was reported separately in a specific dedicated line.
As a consequence of this, in the disclosures presenting an evolution of balance sheet items in relation with amounts in the statement of income, the figures as at 1 January 2011 of the sold subgroup Dexia Bank Belgium were reported in "Changes of consolidation scope" and the figures as at 1 January 2011 of the subsidiaries held for sale were disclosed in "Transfers in disposal groups held for sale".

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9.1. Derivatives

A. ANALYSIS BY NATURE

	31/12/10		31/12/11 – continuing operations	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	32,575	34,878	20,221	23,293
Derivatives designated as fair value hedges	7,806	26,658	5,575	26,538
Derivatives designated as cash flow hedges	512	1,170	357	1,073
Derivatives of portfolio hedge	6,183	9,641	2,145	5,133
Derivatives designated as hedge of a net investment in foreign operations	1	1		
TOTAL	**47,077**	**72,347**	**28,298**	**56,037**

B. DETAIL OF DERIVATIVES HELD FOR TRADING

	31/12/10				31/12/11 – continuing operations			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**82,326**	**83,045**	**2,830**	**3,159**	**32,991**	**33,353**	**1,565**	**1,229**
FX forward	40,575	40,728	434	381	5,601	5,618	39	91
FX future	81	82	1	2				
Cross currency swap	28,083	28,656	2,344	2,729	6,619	6,475	1,424	761
FX option	2,367	2,368	49	47	2,729	2,713	84	81
FX forward rate agreement	1,427	1,441						
Other currency derivatives (FX)	9,793	9,770	2	0	18,041	18,546	18	297
Interest-rate derivatives	**816,589**	**839,022**	**27,000**	**29,252**	**204,813**	**203,954**	**17,778**	**21,849**
Options-Caps-Floors-Collars-Swaptions	102,918	123,233	1,312	1,628	2,186	1,075	208	49
IRS	630,168	630,921	25,603	27,581	202,529	202,734	17,569	21,800
FRA	59,734	60,559	41	41				
Interest future	23,769	24,227	15	1	98	98		
Other interest-rate derivatives		82	29	1		47	1	
Equity derivatives	**4,691**	**5,800**	**336**	**404**	**180**	**190**	**4**	**4**
Equity forward	9	45	14	6				
Equity future	78	12						
Equity option	1,263	2,121	110	131	36	44	2	1
Warrant	56	225	2	7				
Other equity derivatives	3,285	3,397	210	260	143	146	2	3
Credit derivatives	**22,520**	**16,686**	**2,405**	**2,059**	**6,336**	**1,793**	**875**	**211**
Credit default swap	18,794	12,960	2,119	1,667	6,336	1,793	875	211
Total return swap	3,726	3,726	286	392				
Commodity derivatives	**10**	**1**	**4**	**4**	**4**	**4**		
TOTAL	**926,136**	**944,554**	**32,575**	**34,878**	**244,323**	**239,293**	**20,221**	**23,293**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES

	31/12/10				31/12/11 – continuing operations			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**28,321**	**30,150**	**2,073**	**5,539**	**11,323**	**13,436**	**489**	**5,199**
Cross currency swap	28,321	30,150	2,073	5,539	11,323	13,436	489	5,199
Interest-rate derivatives	**192,547**	**192,325**	**5,343**	**20,979**	**133,474**	**133,438**	**4,966**	**21,314**
Options-Caps-Floors-Collars-Swaptions	325	232		7	291	189		8
IRS	192,222	192,093	5,343	20,972	133,184	133,249	4,966	21,306
Equity derivatives	**6,888**	**7,345**	**389**	**140**	**2,750**	**2,637**	**120**	**25**
Equity option	91	619	51	27	91		54	
Other equity derivatives	6,797	6,726	338	113	2,659	2,637	66	25
Commodity derivatives	**20**	**20**						
TOTAL	**227,776**	**229,840**	**7,806**	**26,658**	**147,547**	**149,510**	**5,575**	**26,538**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

	31/12/10				31/12/11 – continuing operations			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**2,043**	**2,075**	**125**	**359**	**2,123**	**2,062**	**104**	**234**
FX forward	670	670			350	263	90	31
Cross currency swap	1,373	1,405	125	359	1,773	1,800	14	204
Interest-rate derivatives	**25,602**	**25,611**	**386**	**810**	**13,429**	**13,445**	**253**	**838**
IRS	25,602	25,611	386	810	13,429	13,445	253	838
TOTAL	**27,645**	**27,686**	**512**	**1,170**	**15,552**	**15,507**	**357**	**1,073**

E. DETAIL OF DERIVATIVES OF PORTFOLIO HEDGE (1)

	31/12/10				31/12/11 – continuing operations			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**227**	**163**	**2**	**11**				
Interest-rate derivatives	**311,798**	**311,789**	**6,181**	**9,630**	**124,675**	**124,698**	**2,145**	**5,133**
TOTAL	**312,025**	**311,952**	**6,183**	**9,641**	**124,675**	**124,698**	**2,145**	**5,133**

(1) Used only in a fair value hedge strategy.

F. DETAIL OF DERIVATIVES DESIGNATED AS HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

	31/12/10				31/12/11 – continuing operations			
	Notional Amount		Assets	Liabilities	Notional Amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
FX forward	469	468	1	1				

9.2. Deferred taxes

A. ANALYSIS

	31/12/10	31/12/11 Continuing operations	31/12/11 Disposal groups held for sale
NET DEFERRED INCOME TAX ASSETS/(LIABILITIES)	2,677	576	473
Deferred income tax liabilities	(33)	(133)	(64)
Deferred income tax assets	5,700	6,452	548
Deferred tax	5,667	6,319	484
Unrecognised deferred tax assets	(2,990)	(5,743)	(11)

B. MOVEMENTS FOR CONTINUING OPERATIONS

	2010	2011
AS AT 1 JAN.	2,688	2,677
Movements of the year:		
- Transfer in disposal groups held for sale		(300)
- Amounts recognised in the statement of income	(27)	(388)
- Items directly computed by equity	(10)	(487)
- Changes in consolidation scope	(12)	(913)
- Exchange differences	109	(21)
- Other movements	(70)	8
AS AT 31 DEC.	2,677	576

Deferred tax coming from assets of the balance sheet	31/12/10		31/12/11	
	Total	o/w impact in result	Total	o/w impact in result
Cash, loans and loan loss provisions	(2,800)	(1,255)	(1,414)	(656)
Securities	2,000	174	1,623	(263)
Derivatives	(3,718)	(1,994)	205	56
Tangible and intangible fixed assets	(200)	(9)	(45)	(8)
Other assets specific to insurance companies	(1)	(1)		
Other	31	10	3	(19)
TOTAL	(4,688)	(3,074)	372	(889)

Deferred tax coming from liabilities of the balance sheet	31/12/10		31/12/11	
	Total	o/w impact in result	Total	o/w impact in result
Derivatives	6,756	2,912	1,594	594
Borrowings, deposits and issuance of debt securities	1,285	344	1,312	592
Provisions	84	(18)	82	68
Pensions	108	(4)	18	(1)
Other liabilities specific to insurance companies	3	7		
Legal tax free provisions	(105)	9	(283)	(214)
Other	151	112	15	35
TOTAL	8,282	3,362	2,737	1,074

Deferred tax coming from other elements	31/12/10		31/12/11	
	Total	o/w impact in result	Total	o/w impact in result
Tax losses carried forward	2,153	369	3,270	1,324
Tax credit carried forward	1	(17)	1	1
Entities with special tax status	(82)	28	(60)	22
TOTAL	**2,073**	**380**	**3,211**	**1,347**
TOTAL DEFERRED TAX	**5,667**		**6,319**	

C. EXPIRY DATE OF UNRECOGNISED DEFERRED TAX ASSETS

	31/12/10				
Nature	Less than 1 year	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference				(1,206)	(1,206)
Tax losses carried forward	(4)	(131)	(1,457)	(190)	(1,782)
Tax credit carried forward		(1)			(1)
TOTAL	**(4)**	**(132)**	**(1,457)**	**(1,396)**	**(2,990)**

	31/12/11 – Continuing operations				
Nature	Less than 1 year	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference				(2,486)	(2,486)
Tax losses carried forward	(627)	(1,362)	(769)	(497)	(3,255)
Tax credit carried forward		(1)			(1)
TOTAL	**(627)**	**(1,363)**	**(769)**	**(2,983)**	**(5,743)**

9.3. 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	
	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11	31/12/10	31/12/11
Loans (3)			1,529	2	7		235		69	35
Interest income (4)			57	44			11	1	1	1
Deposits (3)	8		3,388	4,451	72	1	114	26	1,271	226
Interest expense (4)			(60)	(98)	(3)		(1)		(6)	(6)
Net commission (4)			34	33			22	(1)	(7)	(7)
Guarantees issued and commitments provided by the Group			415	2,714	1		124	21	2,281	683
Guarantees and commitments received by the Group			534				92		30	

(1) Key management includes the Board of Directors and the Management Board
(2) We refer here to the main shareholders of Dexia (2010-2011): 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 described in 9.3 D.
(3) Transactions with related parties are concluded at general market conditions.
(4) Figures include the contribution of DBB-DIB group for the full year 2010 and for the first nine months 2011.

The reason of the variation of the figures 2011 in comparison with 2010 is the sale of the group DBB.

No provisions were recorded on loans given to related parties.

Dexia group sold its holding in Dexia Bank Belgium and its subsidiaires – with the exception of Dexia Asset Management – to the Belgian state (represented by the Société Fédérale de Participations et d'Investissements/Federale Participatie- en Investeringsmaatschappij) for an amount of EUR 4 billion and an earn-out mecahnism in favour of Dexia SA in the event of a potential resale within five years. (see also point C. Relations with Dexia Bank Belgium group and note 9.4. *Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations).*

B. KEY MANAGEMENT COMPENSATIONS

	31/12/10	31/12/11
Short-term benefits	6	9
Post-employment benefits	1	2
Termination benefits	1	0

Details per person are reported in the Compensation report on page 39 of the annual report.
Short-term benefits include the salaries, variable compensation and other advantages. Payment of variable compensation is subject to some conditions and is partially deferred as explained in the Compensation report on pages 43 to 45.
Post-employment benefits: service cost calculated in accordance with IAS 19.

C. RELATIONS WITH DEXIA BANK BELGIUM GROUP

Notwithstanding the sale of Dexia Bank Belgium to the Belgian state, financing granted by Dexia Bank Belgium to Dexia's entities still exist.

The sale price of EUR 4 billion was principally allocated to the early repayment of loans granted by Dexia Bank Belgium to Dexia SA and Dexia Credit Local. In accordance with the terms of the sale agreement, the financing given by Dexia Bank Belgium will be gradually reduced.

As at 31 December 2011, the relations between Dexia Bank Belgium and the Dexia's group entites amounted to EUR 44 billion of which EUR 10 billion were unsecured.

D. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

Guarantee mechanism in favour of Dexia's financing

2011 Temporary Guarantee Agreement
On 16 December 2011, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("DCL") entered into a First Demand Guarantee Agreement pursuant to the Belgian royal decree of 18 October 2011 granting a State guarantee for certain loans of Dexia SA and Dexia Crédit Local SA, the French amending finance law no. 2011-1416 of 2 November 2011, and the Luxembourg regulation of 14 October 2011 authorising the Government to grant a financial guarantee in the framework of the orderly restructuring of the Dexia banking group.

Pursuant to this Temporary Guarantee Agreement, the three States guarantee severally, but not jointly, the performance by Dexia and DCL of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued (with a maturity of up to three years) between 21 December 2011 and 31 May 2012 (this initial deadline being possibly extended one or several times with the consent of the Parties and of the European Commission).

Each of the States guarantees these 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.
The Guarantee commitment by the States pursuant to the Temporary Guarantee Agreement may not exceed a maximum ceiling of EUR 45 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations at any moment during the term of this Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.
Furthermore, the three States, Dexia and DCL have entered into a "Supplemental Agreement" supplementing the Temporary Guarantee Agreement on the obligation to collateralise the issue of guaranteed obligations, subject to exceptions, as well as on allocation priorities of the proceeds of such guaranteed obligations. This Supplemental Agreement specifies collateral valuation principles and exceptions to the obligation to provide assets as collateral. It provides the allocation of the proceeds of guaranteed notes first to the repayment of unsecured lending granted by Dexia Bank Belgium to Dexia and DCL and of ELA (Emergency Liquidity Assistance) lending granted by Banque de France to DCL. Finally, it provides that Dexia Bank Belgium shall subscribe for guaranteed securities and financial instruments issued by DCL in an amount eligible as collateral of EUR 12 billion.

The three States, Dexia and DCL have entered into a "Supplemental Agreement on Alert Mechanics" with a view to, among other things, supplement the Temporary Guarantee Agreement on information to be provided to the States on the liquidity position of Dexia. This supplemental agreement provides, among other things, the weekly delivery of a consolidated financing plan including Dexia, DCL, and DCL subsidiaries, covering a month period.
The three States, Dexia and DCL have entered into an "Operational Memorandum" and a "Reporting Protocol" supplementing the Temporary Guarantee Agreement on operational and reporting arrangements. Finally, the three States, Dexia and DCL have entered into a "Collateral Management Protocol" governing the custody and valuation of the collateral to be provided in respect of collateralised guaranteed obligations.
On 21 December 2011, the European Commission authorised this guarantee mechanism on a temporary basis for a period until 31 may 2012, until the Commission has adopted a final decision within the frame of a new State aid investigation procedure, on the basis, among other things, of a new plan to be submitted by the three State Guarantors within a three-month period expiring on 21 March 2012.
Pursuant to the Guarantee, Dexia shall pay the following guarantee fee to the States:
(i) an upfront commission equal to 0.50% of the EUR 45 billion ceiling, i.e. EUR 225,000,000;
(ii) a monthly fee, calculated as follows, on the amount of guaranteed fundings outstanding comprising, depending on the maturity of the guaranteed obligation,
- a fixed or variable amount,
- increased by a supplement depending on Dexia and/or DCL's rating in relation to fundings having an initial maturity of less than 12 months, and
- decreased by a deduction in case of collateralisation of the States guarantee commitment.

The basis fee shall be equal to:
(a) for all fundings having an initial maturity of strictly less than three months, 120 basis points on an annual basis;
(b) for all fundings having an initial maturity equal to or of more than three months and less than 12 months, 50 basis points on an annual basis;
(c) for all fundings having an initial maturity equal to or of twelve to thirty-six months, this remuneration shall be a variable amount equal to the ratio resulting from the following formula:
40 basis points x (1 + (1/2 x A/B) + (1/2 x C/D)), i.e. circa 120 basis points based on the quotes as at end December 2011 where
- A is the median of the senior CDS 5 years spreads of DCL,
- B is the median iTraxx Europe Senior Financials 5 years index,
- C is the median of the CDS 5 years spreads of all member states of the European Union, and
- D is the median senior CDS 5 years spreads of the Kingdom of Belgium.

The medians are calculated on the period of three years ending on the last day of the month which precedes the issuance date of the relevant guaranteed obligations.
The supplement depending on Dexia and/or DCL's rating will be equal to 20 to 40 basis points and applies to fundings having an initial maturity of less than 12 months.
Any possible deduction in the event of collateralisation will depend on the nature and the value assigned to the assets provided as collateral.
As at 31 December 2011, the total outstanding amount of repayment obligations guaranteed by the States pursuant to the 2011 Temporary Guarantee Agreement was EUR 21.6 billion and in 2011, Dexia paid a total remuneration of EUR 225 million to the States for this guarantee.

2008 Guarantee Agreement
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 obligations arise from certain financings 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 2010. 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 equal to or of more 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 guaranteed obligations exceeds certain thresholds (by 50 bps on the portion of guaranteed obligations between EUR 60 billion and EUR 70 billion, 65 bps on the portion of guaranteed obli-

gations between EUR 70 billion and EUR 80 billion, and 80 bps on the portion of guaranteed obligations above EUR 80 billion).

As at 30 June 2010, Dexia has fully exited the States' guarantee liquidity framework. All outstanding instruments issued pursuant to the 2008 Guarantee Agreement, as amended, before 30 June 2010 will continue to benefit from such guarantee in accordance with their terms and conditions.

As at 31 December 2011, the total outstanding amount of repayment obligations guaranteed by the States pursuant to the 2008 Guarantee Agreement, as amended, was EUR 23.3 billion and in 2011, Dexia paid a total remuneration of EUR 290 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 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 SA ("DCL") entered into a put agreement which gave FSAM the right to "put" to Dexia and/or DCL certain assets (the Put Portfolio 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 each agreed 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 guarantee of the States pursuant to an asset default or the insolvency of Dexia was set to expire in 2035, while the guarantee pursuant to a liquidity or collateral default would expire on 31 October 2011.
- The guarantee arrangement obligated Dexia to cover a first loss tranche of USD 4.5 billion, with Dexia having the right to have the States make payments to FSAM under their guarantee if losses exceeded the USD 4.5 billion first loss tranche. The States would then have the right to recover from Dexia SA any amounts paid under their guarantee as described below.
- Dexia was required to 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 Put Portfolio Assets held by FSAM 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 Put Portfolio Assets held by FSAM over a 6 month-period.

With the consent of the Belgian and French States, FSAM sold to DCL during 2011 all the remaining Put Portfolio Assets. DCL subsequently sold substantially all of the Put Portfolio Assets to third parties. Losses incurred by Dexia in the sales of Put Portfolio Assets to third parties did not count toward the USD 4.5 billion first loss tranche. Only payments by Dexia SA or DCL to FSAM for assets put to those entities by FSAM upon a trigger event would count towards the USD 4.5 billion first loss tranche. As at 31 December 2011, there were no longer any Put Portfolio Assets held by FSAM that can be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) require the States to make a payment to FSAM. In addition, Dexia no longer owes the States any guarantee fee since there is no longer any outstanding nominal amount of Put Portfolio Assets held by FSAM.

The guarantee by the Belgian and French States on the Put Portfolio Assets, however, technically remains outstanding. The States are thus still entitled to recover from Dexia any amounts 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 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 were 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 issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be compensated, through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The agreements require that the re-issuance of the existing warrants for a new period of 5 years is 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 (500 bps per annum for a period of two years, compounded on the guarantee commission). Since all Put Portfolio Assets held by FSAM and that could be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) could require the States to make a payment to FSAM, were sold by the Dexia Group to third parties in 2011, the Belgian and French States have agreed to waive the annual re-issue of the warrants for the year 2012. The warrants issued to the Belgian and French States at the general meeting of shareholders of 11 May 2011, however, remain outstanding for the remainder of their 5-year term.

This guarantee was approved by the European Commission on 13 March 2009.

As at 31 December 2011, Dexia recognised EUR 47 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, as last updated by the Special Board Report of 18 March 2011 relating to the re-issue of the warrants, both available on the website of Dexia (*www.dexia.com*).

9.4. Acquisitions and disposals of consolidated companies – disposal groups held for sale – discontinued operations

A. MAIN ACQUISITIONS

Year 2010

On May 31, 2010 RBC Dexia Investor Services completed its acquisition and transfer of the Unione di Banche Italiane scpa ("UBI Banca") Group's depository bank business.
Under the terms of the agreement, RBC Dexia will provide depositary and fund administration services to UBI Pramerica, UBI Banca's subsidiary and Italy's third largest fund manager. Certain correspondent bank agreements which relate to the provision of paying agent services in Italy for Luxembourg SICAVs and Dublin UCITS were also included in the transaction, subject to client consent.
The value of the transaction was EUR 93 million. The impact for Dexia is only 50% as RBC Dexia Inverstor Services is proportionally consolidated.

The impact on total assets is not significant.

Year 2011

There were no significant acquisitions in 2011.

B. MAIN DISPOSALS

Year 2010

On 30 April 2010, Dexia Epargne Pension has been sold to BNP Paribas Assurance. DEP offers life insurance products in France.
On 6 September 2010, the 51% stake in the group Adinfo has been sold to Network Research Belgium. Adinfo is a group active in IT services for Belgian local authorities.

Year 2011

In the framework of the restructural measures announced in October 2011, Dexia Bank Belgium group (except its stake in Dexia Asset Management) was sold to the Belgian state represented by the SFPI (Société fédérale de Participations et d'Investissement/Federale Participatie- en Investeringsmaatschappij) for an amount of EUR 4 billion and an earn-out mechanism in favour of Dexia SA in the event of a resale within a period of five years.
Dexia Bank Belgium group is no longer consolidated since the 1st October 2011. Its results for the first nine months 2011 are presented together with the loss of the sale in the "Net result from discontinued operations".
Following the closing of its sale to the Central European investment group Penta Investments, Dexia banka Slovensko (DBS) left the scope of consolidation as at 1st January 2011.
Following the agreement with MetLife, DenizEmeklilik is no longer consolidated since the 1st October 2011.

The assets and liabilities disposed were as follows:	2010 Group Adinfo	2010 Dexia Epargne Pension	2011 Dexia banka Slovensko	2011 DBB-DIB group	2011 Deniz-Emeklilik
Cash and cash equivalents		66	90	2,313	51
Loans and advances due from banks	13	1	70	16,017	
Loans and advances to customers		369	1,851	88,895	
Financial assets measured at fair value through profit and loss		1,769	40	5,037	30
Financial investments		2,147	396	29,938	14
Derivatives				24,124	
Fair value reevaluation of portfolio hedge				3,013	
Tax assets	3	5	16	1,357	
Other assets	25	42	36	5,057	9
Intercompany accounts – net assets less liabilities			(501)	42,998	
Due to banks	(2)	(86)	(196)	(28,784)	
Customer borrowings and deposits			(1,662)	(97,061)	
Financial liabilities measured at fair value through profit and loss			(8)	(11,521)	(30)
Derivatives			(16)	(37,398)	
Fair value reevaluation of portfolio hedge				(13)	
Debt securities			(32)	(18,236)	
Subordinated debts		(108)		(1,718)	
Technical provisions of insurance companies		(4,224)		(16,825)	(38)
Other liabilities	(15)	(23)	(9)	(3,122)	(3)
NET ASSETS	**24**	**(42)**	**75**	**4,072**	**34**
Proceeds from sale (in cash)	26		43	4,000	180
Less: cost of the transaction			(2)	(12)	(4)
Less: cash and cash equivalents in the subsidiary sold			(90)	(2,313)	(51)
NET CASH INFLOW ON SALE	**26**	**(*)**	**(49)**	**1,675**	**125**

(*) In accordance with sales contract, the sales conditions cannot be disclosed.

C. ASSETS AND LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE

Year 2010
There are no assets and liabilities transferred to disposal groups held for sale as at 31 December 2010.

Year 2011
In the context of the reorganisation of the group announced in October 2011, Dexia decided to sell most of its subsidiaries. According to IFRS 5, a non current asset or a group of assets and liabilities from a disposal group can be recorded as held for sale only if the following conditions are met:
- the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); and
- its sale is highly probable; and
- the sale is expected to take place within 12 months.

The entities included in the table are respecting those conditions as at 31 December 2011. DenizBank is not respecting the condition of highly probable sale within 12 months and is therefore not classified as a disposal group held for sale.
Non-current assets and assets of the disposal groups are reported in one single line in the assets, liabilities of the disposal groups are reported in one single line in the liabilities, and the Other Comprehensive Income (OCI) relating to those disposal groups are reported in one single line in the Gains and losses not recognised in the statement of income.
Amounts reported in the table are the contribution of the entities to the consolidated accounts of Dexia, after elimination of intercompany accounts. Those intercompany accounts (assets and liabilities) are reported in the line "Intercompany accounts – net assets less liabilities". It must be noted that when the entities will be sold, the impact on the Dexia total balance sheet will depend on intercompany accounts existing at that date. If Dexia has still balances, those balances will no longer be eliminated and the total Dexia balance sheet will be increased by this amount. According to IFRS 5, prior period figures are not adjusted.

The assets and liabilities from disposal groups held for sale contribute to Dexia consolidated accounts as follows:

	Dexia BIL (1)	RBC-DIS	Dexia Asset Management	Dexia Municipal Agency	TOTAL
Cash and cash equivalents	1,202	5,322	29	2,263	8,816
Loans and advances due from banks	1,528	184		1,140	2,852
Loans and advances to customers	9,171	389		73,502	83,061
Financial assets measured at fair value through profit and loss	97				97
Financial investments	691	1,405	249	1,118	3,463
Derivatives	1,434	155		10,191	11,780
Fair value reevaluation of portfolio hedge	29			875	904
Tax assets	291	24	24	219	559
Other assets	486	244	111	(622)	219
Intercompany accounts – net liabilities less assets	7,721	2,026	(1)	(2,778)	6,968
Due to banks	(5,118)	(182)		(5,198)	(10,498)
Customer borrowings and deposits	(9,481)	(8,478)			(17,958)
Financial liabilities measured at fair value through profit and loss	(2,997)				(2,997)
Derivatives	(1,872)	(147)		(9,839)	(11,859)
Fair value reevaluation of portfolio hedge	(68)			(2,340)	(2,408)
Debt securities	(963)			(68,107)	(69,070)
Subordinated debts	(802)				(802)
Technical provisions of insurance companies	(1)				(1)
Other liabilities	(448)	(146)	(112)	(51)	(757)
NET ASSETS	**899**	**796**	**301**	**374**	**2,369**

(1) Except subsidiaries Dexia Lettre de Gage, Parfipar and the Legacy portfolio of Dexia BIL.

D. DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.
IFRS 5 requires the presentation of a single amount in the statement of comprehensive income or in the statement of income comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

As a consequence, the result of Dexia Bank Belgium, including Dexia Insurance, was presented in the line "Net result from discontinued operations" for 2010 and for 9 months in 2011.
The other entities, representing major business lines of activities of the Group, are still held as at 31 December 2011 and are therefore consolidated for the whole year 2011.

The restatement of 2010 has no impact on the net result of the year 2010. The net assets of a disposal group is the group equity as at 31 December 2011, including Other Comprehensive amounts (mainly negative Available-for-sale reserve amounts). If the difference between the net assets and the fair value less cost to sell is negative, a loss is recognised in the result of the period in "Net result from discontinued operations". If the difference is positive, the gain is reported until the completion of the sale and the derecognition of the disposal group assets and liabilities. At the closing of the sale, the OCI of the disposal group is recycled into the result of the period.
Until the sale of the disposal group, results of the period are consolidated and reported in the line "Net result from discontinued operations", and an impairment test is performed to adjust the difference between net assets and fair value less cost to sell taking into consideration the evolution of the conditions of the market or of the contract if negotiations have already taken place.

Net result from discontinued operations

31/12/10	DBB-DIB group	Dexia BIL [(1)]	RBC-DIS	Dexia Asset Management	Dexia Municipal Agency	TOTAL
Income	2,377	453	390	200	268	3,687
Expenses	(1,593)	(357)	(330)	(131)	(96)	(2,506)
Impairment and provisions	(21)	(8)	(1)		(4)	(34)
Result before tax	**764**	**88**	**59**	**68**	**168**	**1,147**
Attributable income tax expense	**(82)**	**(21)**	**(14)**	**(11)**	**(55)**	**(184)**
Net result of discontinued operations	**682**	**67**	**45**	**57**	**112**	**964**
Attributable to non-controlling interests						10
Attributable to equity holders of the parent						954
Earnings per share from discontinued operations (in EUR)						
- basic						0.49
- diluted						0.49

(1) Except subsidiaries Dexia Lettre de Gage, Parfipar and the Legacy portfolio of Dexia BIL.

31/12/11	DBB-DIB group	Dexia BIL (1)	RBC-DIS	Dexia Asset Manage-ment	Dexia Municipal Agency	TOTAL
Income	23	401	428	177	255	1,285
Expenses	(1,135)	(326)	(352)	(127)	(93)	(2,033)
Impairment and provisions	(93)	(41)	(6)	1	(1)	(140)
Result before tax	**(1,205)**	**34**	**71**	**50**	**162**	**(888)**
Attributable income tax expense	**287**	**(8)**	**(16)**	**(13)**	**(57)**	**193**
Discontinued operations net of tax	**(918)**	**25**	**55**	**38**	**105**	**(695)**
Loss on remeasurement to fair value less costs to sell			(197)		(1,100)	(1,297)
Result on disposal	(3,261)					(3,261)
Attributable income tax expense	(15)				33	18
Net result of discontinued operations	**(4,194)**	**25**	**(142)**	**38**	**(963)**	**(5,236)**
Attributable to non-controlling interests						5
Attributable to equity holders of the parent						(5,241)
Earnings per share from discontinued operations (in EUR)						
- basic						(2.69)
- diluted						(2.69)

(1) Except subsidiaries Dexia Lettre de Gage, Parfipar and the legacy portfolio of Dexia BIL.

Cash flows from discontinued operations

	31/12/10	31/12/11
Net cash inflows from operating activities	222	1,377
Net cash inflows from investing activities	305	(2,240)
Net cash inflows from financing activities	(353)	(324)
NET CASH INFLOWS	**174**	**(1,187)**

Segment of discontinued operations

The group DBB-DIB belonged mainly to the segments *Retail and Commercial Banking* and *Asset Management and services* (Insurance); BIL to the segment *Retail and Commercial Banking*; RBC-DIS and Dexia Asset Management to *Asset Management and Services* (Investor Services and Asset Management) and Dexia Municipal Agency to *Public and Wholesale Banking*.

9.5. Equity

By category of share	2010	2011
Number of shares authorised and not issued	1,767,244,371	1,948,984,474
Number of shares issued and fully paid	1,846,406,344	1,948,984,474
Value per share	**no nominal value**	**no nominal value**
Outstanding as at 1 Jan.	1,762,478,783	1,846,406,344
Number of shares issued (1)	83,927,561	102,578,130
Outstanding as at 31 Dec.	1,846,406,344	1,948,984,474
Number of treasury shares	307,548	324,633
Number of shares reserved for issue under stock options and contracts for the sale of share	307,548	324,633

(1) Issuance of bonus shares.

See 9.3.D Warrants granted to the Belgian and the French states.
See 9.6 Stock option plan.

9.6. Share-based payments

Stock Option Plans settled in Dexia shares	31/12/10	31/12/11
	Number of Options	Number of Options
Outstanding at the beginning of the period	71,242,716	70,960,487
Expired during the period	(3,548,469)	(10,428,518)
Adjustment (1)	3,266,240	3,942,118
Outstanding at the end of the period	70,960,487	64,474,087
Exercisable at the end of the period	59,776,398	60,942,463

(1) In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the resolution passed by the extraordinary Shareholders' Meeting held on 12 May 2010 and on 11 May 2011, the exercise price for warrants was reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

31/12/10				31/12/11			
Range of exercise prices (EUR) (1)	Number of outstanding options	Weighted-average options exercise price (EUR)	Weighted-average remaining contractual life (year)	Range of exercise prices (EUR) (1)	Number of outstanding options	Weighted-average options exercise price (EUR)	Weighted-average remaining contractual life (year)
9.63	7,378,529	0.00	7.50	9.12 – 10.27	7,553,684	9.12	6.50
10.47 – 10.85	8,069,375	10.85	2.56	10.28 – 10.73	8,065,490	10.28	1.56
11.34 – 13.04	18,363,514	12.60	3.86	10.74 – 12.35	17,852,138	11.95	2.88
16.45 – 17.05	5,499,997	17.05	1.00	12.36 – 16.29	0	0.00	
17.21 – 17.37	10,339,793	17.21	4.50	16.30 – 16.46	9,991,281	16.30	3.50
17.77 – 20.28	10,530,954	17.82	5.42	16.47 – 19.21	10,128,349	16.87	4.51
22.19	10,778,325	22.19	6.50	19.21 – 21.02	10,883,145	21.02	5.50

(1) In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the resolution passed by the extraordinary Shareholders' Meeting held on 12 May 2010 and on 11 May 2011, the exercise price for warrants was reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

	31/12/10	31/12/11
Equity-settled arrangements	3	0
Cash-settled arrangements (1)	3	(1)
Arrangements with settlement alternatives		
TOTAL EXPENSES	**6**	**(1)**
Liabilities for cash-settled arrangements	3	0
Liabilities for arrangements with settlement alternatives		
TOTAL LIABILITIES	**3**	**0**

(1) The Board of Directors decided to apply principles enabling variable compensation to be linked to long-term performances. To do so, the payment of variable compensation is deferred and subject to certain conditions to be met over several years (see pages 42-43).

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9.7. Non-controlling interests – Core equity

AS AT 1 JAN. 2010	**1,813**
- Increase of capital	5
- Dividends	(32)
- Net income for the period	74
- Translation adjustments	(1)
- Variation of scope of consolidation	(1)
AS AT 31 DECEMBER 2010 (1)	**1,858**
AS AT 1 JAN. 2011	**1,858**
- Increase of capital	7
- Dividends	(26)
- Net income for the period	(2)
- Variation of scope of consolidation	(18)
AS AT 31 DECEMBER 2011 (1)	**1,819**

(1) This amount includes:
- the undated deeply subordinated non-cumulative Notes for EUR 700 million, issued by DCL and booked for EUR 700 million;
- the undated subordinated non-cumulative Notes for EUR 500 million, issued by Dexia Funding Luxembourg and booked for EUR 498 million;
- the remaining part is mostly composed of non-controlling interests in Dexia Crediop and Dexia Sabadell.

9.8. Management of capital

The information regarding management of capital is presented in the Management report on pages 86 to 89.

9.9. Exchange rates

		31/12/10		31/12/11	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.3118	1.4388	1.2708	1.3415
Canadian dollar	CAD	1.3346	1.3675	1.3220	1.3798
Swiss franc	CHF	1.2490	1.3700	1.2169	1.2318
Koruna (Czech republic)	CZK	25.0425	25.2419	25.5118	24.5628
Danish krone	DKK	7.4531	7.4477	7.4327	7.4495
EURO	EUR	1.0000	1.0000	1.0000	1.0000
Pound sterling	GBP	0.8573	0.8570	0.8359	0.8698
Hong Kong dollar	HKD	10.4144	10.2718	10.0801	10.8954
Forint	HUF	278.3240	276.2157	313.9378	280.2999
Shekel	ILS	4.7457	4.9283	4.9645	5.0079
Yen	JPY	108.7690	115.2675	100.1382	111.3213
Mexican peso	MXN	16.5478	16.7025	18.0986	17.4227
Norwegian krone	NOK	7.8065	8.0048	7.7570	7.7812
New Zealand dollar	NZD	1.7245	1.8343	1.6721	1.7511
Swedish krona	SEK	8.9795	9.4884	8.8999	8.9948
Singapore dollar	SGD	1.7174	1.7955	1.6828	1.7530
Turkish lira	TRY	2.0551	1.9880	2.4531	2.3500
US dollar	USD	1.3399	1.3221	1.2978	1.4001

9.10. Compensation of the Auditor

We refer here to the table presented in the Management report on page 55.

9.11. Insurance contracts

Following the sale of the group Dexia Insurance Belgium (subsidiary of Dexia Bank Belgium) and of the Turkish insurance subsidiary DenizEmeklilik, the note insurance contracts lost relevance for 2011. Figures as at 31 December 2010 are reminded hereunder, like published in Dexia's Annual Report 2010.

	31/12/10		
	Life contracts	**Non-life contracts**	**Total**
Gross reserves [1]	14,797	848	15,645
Gross reserves – share of reinsurers [2]	12	66	78
Premiums and contributions received	2,440	478	2,918
Claims incurred and changes in technical reserves – part of reinsurers	44	18	62
Premiums transferred to reinsurers	(109)	(38)	(147)
Claims incurred	(852)	(283)	(1,135)
Change in technical reserves	(2,331)	(58)	(2,389)

(1) Liabilities VIII. Technical provisions of insurance companies.
(2) See note 7.12. Other assets, table B.

A. LIFE CONTRACTS

A.1. Income and expenses

Premium income

	31/12/10				
	Insurance contracts		**Investment contracts with DPF [1]**		**Total**
	Individual	**Group**	**Individual**	**Group**	
Gross premiums written	288	372	1,741	39	2,440
Premiums ceded to reinsurers	(5)	(103)	(1)	0	(109)
Change in gross unearned premium reserves (UPR)	(1)	0	0	0	(1)
NET PREMIUM AFTER REINSURANCE	**282**	**269**	**1,740**	**39**	**2,330**

(1) Discretionary Participation Features.

Claims expenses

	2010				
	Insurance contracts		**Investment contracts with DPF**		**Total**
	Individual	**Group**	**Individual**	**Group**	
Gross claims paid	(186)	(143)	(505)	(18)	(852)
Claims reserve as at 1 Jan.	39	6	26	0	71
Claims reserve as at 31 Dec.	(43)	(6)	(31)	0	(80)
Share of reinsurers	4	41	0	0	45
NET CLAIMS INCURRED	**(186)**	**(102)**	**(510)**	**(18)**	**(816)**

Changes in technical reserves

1) Change in life insurance reserve

	2010				
	Insurance contracts		Investment contracts with DPF		Total
	Individual	Group	Individual	Group	
Life insurance reserve as at Jan. 1	2,459	871	8,984	131	12,445
Variation in opening due to conversion rate and to variation of scope of consolidation	1	0	0	0	1
Life insurance reserve as at 31 Dec.	(2,499)	(1,028)	(10,862)	(191)	(14,580)
Transferred Life insurance reserve	3	(26)	10	0	(13)
Share of reinsurers in Life insurance reserve as at 1 Jan.	(7)	(3)	0	0	(10)
Share of reinsurers in Life insurance reserve as at 31 Dec.	6	3	0	0	9
NET CHANGE IN LIFE INSURANCE RESERVE	**(37)**	**(183)**	**(1,868)**	**(60)**	**(2,148)**
Change in Life insurance reserve 2010 due to Dexia Epargne Pension (1)	(6)	0	(117)	(4)	(127)
Change in share of reinsurers in Life insurance reserve 2010 due to Dexia Epargne Pension (1)	1	0	0	0	1

(1) Dexia Epargne Pension was transferred to held for sale in application of IFRS 5 in 2009 and consolidated until 31 March 2010.

2) Change in profit sharing reserve

	2010				
	Insurance contracts		Investment contracts with DPF		Total
	Individual	Group	Individual	Group	
Profit sharing reserve as at 1 Jan.	5	8	74	1	88
Profit sharing reserve as at 31 Dec.	(6)	(11)	(109)	(1)	(127)
Transferred profit sharing reserve	0	0	(8)	(1)	(9)
NET CHANGE IN PROFIT SHARING RESERVE	**(1)**	**(3)**	**(42)**	**(1)**	**(47)**

A.2. Assets and liabilities

Gross reserves

	31/12/10				
	Insurance contracts		Investment contracts with DPF		Total
	Individual	Group	Individual	Group	
Life insurance reserve local GAAP	2,499	1,028	10,862	191	14,580
Reserves due to shadow accounting adjustments	0	5	0	0	5
TOTAL LIFE INSURANCE RESERVE	**2,499**	**1,033**	**10,862**	**191**	**14,584**
Claims reserves	43	6	31	0	80
Gross unearned premium reserves (UPR)	6	0	0	0	6
Other technical reserves	6	11	109	1	127
TOTAL GROSS RESERVES	**2,553**	**1,050**	**11,002**	**192**	**14,797**

Share of reinsurers

	31/12/10				
	Insurance contracts		Investment contracts with DPF		Total
	Individual	Group	Individual	Group	
Share of reinsurers in life insurance reserve as at 31 Dec.	6	3	0	0	9
Share of reinsurers in claims reserves	2	0	0	0	2
TOTAL SHARE OF REINSURERS	**9**	**3**	**0**	**0**	**12**

Reconciliation of changes in Life insurance reserve

	2010		
	Gross amount	Reinsurance amount	Net amount
LIFE INSURANCE RESERVE AS AT 1 JAN.	**12,453**	**10**	**12,443**
Net payments received/premiums receivable	1,790	1	1,788
Claims paid	(661)	(2)	(659)
Results on death and on life	(82)	0	(82)
Attribution of technical interest	426	0	426
Other changes	658	0	658
LIFE INSURANCE RESERVE AS AT 31 DEC.	**14,584**	**9**	**14,575**

B. NON-LIFE CONTRACTS

B.1. Income and expenses

Premium income

	31/12/10
Gross premiums written	478
Premiums ceded to reinsurers	(38)
NET PREMIUMS AFTER REINSURANCE (A)	**440**
Change in gross Unearned Premium Reserves (UPR)	(4)
CHANGE IN NET UNEARNED PREMIUM RESERVE (UPR) (B)	**(4)**
TOTAL NET EARNED PREMIUMS (A)+(B)	**436**

Claims expenses

	2010
Gross claims paid	(283)
Claims reserve as at 1 Jan.	667
Claims reserve as at 31 Dec.	(720)
Share of reinsurers	18
NET CLAIMS INCURRED	**(318)**

Change in other Non-life insurance reserves

	2010
Other Non-life insurance reserves as at 1 Jan.	21
Other Non-life insurance reserves as at 31 Dec.	(22)
Share of reinsurers in other Non-life insurance reserves as at 1 Jan.	(1)
Share of reinsurers in other Non-life insurance reserves as at 31 Dec.	1
NET CHANGES IN INSURANCE LIABILITIES	**(1)**

B.2. Assets and liabilities

Gross reserves

	31/12/10
Claims reserves	652
Reserves Unallocated Loss Adjustment Expenses (ULAE)	26
Reserves for claims Incurred But Not Reported (IBNR)	42
Total claims reserves	**720**
Other technical reserves	21
Unearned Premium Reserve (UPR)	107
TOTAL GROSS RESERVES	**848**

Share of reinsurers

	31/12/10
Share of reinsurers in claims reserves	62
Share of reinsurers in total claims reserve	**62**
Share of reinsurers in other technical reserves	1
Share of reinsurers in UPR	3
TOTAL SHARE OF REINSURERS	**66**

Reconciliation of changes in claims reserves

	2010		
	Gross amount	Reinsurance amount	Net amount
Claims reserves as at 1 Jan.	**667**	**62**	**605**
Claims paid on previous years	(124)	(2)	(122)
Change in claim charges on previous years	(47)	(2)	(45)
Liabilities on claims current year	224	4	220
CLAIMS RESERVE AS AT 31 DEC.	**720**	**62**	**658**

Claims development

Runoff triangle total costs (gross figures)	Occurrence year					
Liquidation year	**Previous**	**2006**	**2007**	**2008**	**2009**	**2010**
2006	463	238				
2007	353	133	267			
2008	295	77	144	285		
2009	245	57	77	167	330	
2010	206	51	58	93	162	377

The runoff shows us that the ratio per occurrence year total loss remains very stable during the liquidation years, but the incurred losses increased in 2010 due to the storms and flood.

10. Note on the consolidated off-balance-sheet items

(in millions of EUR – some amounts may not add up due to roundings off)

Following the restructuration of the Dexia Group and the application of the standard IFRS 5, the figures are disclosed separately for the continuing activities and for the activities held for sale.

10.1. Regular way trade

	31/12/10	31/12/11	31/12/11
		Continuing operations	Disposal groups held for sale
Loans to be delivered and purchases of assets	8,126	3,623	2,110
Borrowings to be received and sales of assets	13,268	1,671	3,353

10.2. Guarantees

	31/12/10	31/12/11	31/12/11
		Continuing operations	Disposal groups held for sale
Guarantees given to credit institutions	2,580	459	196
Guarantees given to customers	16,173	7,701	896
Guarantees received from credit institutions	1,732	1,927	196
Guarantees received from customers	53,784	12,064	4,854
Guarantees from the States [1]	50,825	44,942	

(1) See 9.3.D.

10.3. Loan commitments

	31/12/10	31/12/11	31/12/11
		Continuing operations	Disposal groups held for sale
Unused lines granted to credit institutions	419	206	29
Unused lines granted to customers	82,857	17,945	4,110
Unused lines obtained from credit institutions	9,999	5,777	181

10.4. Other commitments

	31/12/10	31/12/11	31/12/11
		Continuing operations	Disposal groups held for sale
Insurance activity – Commitments received	31		
Banking activity – Commitments given	142,033	66,180	9,879
Banking activity – Commitments received	110,221	80,739	10,114

11. Notes on the consolidated statement of income

(in millions of EUR – some amounts may not add up due to roundings off)

Following the announcement of the restructuration of the Group and the subsequent application of the standard IFRS 5, the discontinued operations did not contribute in the detailed lines of the statement of income and their net result was reported separately in the specific dedicated line for figures 2010 and 2011.
The notes relating to the statement of income were adapted to take into account this classification.

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11.1. Interest income – Interest expense

	31/12/10	31/12/11
INTEREST INCOME	23,375	23,917
a) Interest income of assets not at fair value through profit and loss	**9,130**	**8,878**
Cash and balances with central banks	21	10
Loans and advances due from banks	553	774
Loans and advances to customers	6,466	6,364
Financial assets available for sale	1,721	1,486
Investments held to maturity	116	98
Interest on impaired assets	133	64
Other	120	82
b) Interest income of assets at fair value through profit and loss	**14,245**	**15,038**
Financial assets held for trading	90	81
Financial assets designated at fair value	11	6
Derivatives held for trading	7,859	8,169
Derivatives used for hedging	6,285	6,782
INTEREST EXPENSE	(22,090)	(23,174)
a) Interest expense of liabilities not at fair value through profit and loss	**(5,675)**	**(6,230)**
Due to banks	(1,293)	(2,049)
Customer borrowings and deposits	(628)	(819)
Debt securities	(3,230)	(2,973)
Subordinated debts	(53)	(47)
Expenses linked to the amounts guaranteed by the states	(450)	(327)
Other	(21)	(15)
b) Interest expense of liabilities at fair value through profit and loss	**(16,416)**	**(16,944)**
Financial liabilities designated at fair value	(258)	(231)
Derivatives held for trading	(7,687)	(8,048)
Derivatives used for hedging	(8,471)	(8,665)
NET INTEREST INCOME	1,285	743

11.2. Dividend income

	31/12/10	31/12/11
Financial assets available for sale	12	7
TOTAL	**12**	**7**

11.3. Net income from financial instruments at fair value through profit and loss

	31/12/10	31/12/11
Net trading income	(91)	(54)
Net result of hedge accounting	(40)	(114)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives (1)	(39)	14
Change in own credit risk (2)	23	43
Forex activity and exchange differences	45	56
TOTAL	**(102)**	**(56)**
(1) Among which trading derivatives included in a fair value option strategy	75	438

(2) See also note 12.2.H. Credit-risk information about financial liabilities designated at fair value through profit or loss.

RESULT OF HEDGE ACCOUNTING

	31/12/10	31/12/11
Fair value hedges	0	(24)
Fair value changes of the hedged item attributable to the hedged risk	*3,473*	*6,207*
Fair value changes of the hedging derivatives	*(3,473)*	*(6,232)*
Cash flow hedges	(2)	1
Fair value changes of the hedging derivatives – ineffective portion	*(2)*	*1*
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)(1)	(2)	(70)
Hedges of net investments in a foreign operation	(48)	0
Fair value changes of the hedging derivatives – ineffective portion(2)	*(48)*	*0*
Portfolio hedge	12	(22)
Fair value changes of the hedged item	*586*	*1,003*
Fair value changes of the hedging derivatives	*(574)*	*(1,025)*
TOTAL	**(40)**	**(114)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	6	7

(1) 2011: mainly composed of broken hedge relationships on Greek bonds.
(2) 2010: Dexia hedged its investment in Dexia Holding Investments (DHI), parent company of FSA group. As this company did a loss on the sale of FSA Inc. and on impairments on assets of Dexia Financial Products, the FSA GIC activity kept by Dexia, hedge became inefficient and was broken.

11.4. Net income on investments

	31/12/10	31/12/11
Gains on loans and advances	40	8
Gains on financial assets available for sale	294	243
Gains on tangible fixed assets	14	14
Gains on assets held for sale	1	2
Gains on liabilities	47	123
Total Gains	**396**	**390**
Losses on loans and advances (1)	(224)	(317)
Losses on financial assets available for sale (1)	(145)	(238)
Losses on tangible fixed assets	(14)	(14)
Losses on assets held for sale (1)	0	(2,136)
Losses on liabilities	(3)	(115)
Total Losses	**(386)**	**(2,821)**
Net impairment (2)	**34**	**(2,796)**
TOTAL	**43**	**(5,226)**

(1) The Board of Directors of Dexia SA decided on 27 May 2011 to accelerate the financial restructuring of the Group and to anticipate assets disposals. Groups of assets were transferred in disposal groups held for sale under IFRS 5. Dexia FP sold its guaranteed portfolio with a loss of EUR -1,928 million.
The accelerated deleveraging of the legacy portfolio and of PWB loan portfolios generated a loss of EUR -438 million.
(2) 2011: the Greek's sovereign debt crisis led to the recognition of impairments for EUR -2,896 million. The provision previously booked for Lehman securities was written-back following their sale in 1Q 2011 (EUR 89 million). This latter compensated the loss declared on financial assets available for sale.

NET IMPAIRMENT

	Specific risk		Total
	Allowances	Write-backs	
As at 31 December 2010			
Securities available for sale	(13)	47	34
TOTAL	**(13)**	**47**	**34**
As at 31 December 2011			
Securities held to maturity	(149)	0	(149)
Securities available for sale	(2,757)	111	(2,646)
TOTAL	**(2,906)**	**111**	**(2,796)**

11.5. Fee and commission income and expense

	31/12/10			31/12/11		
	Income	Expense	Net	Income	Expense	Net
Management of unit trusts and mutual funds	3	0	3	3	0	3
Insurance activity	47	(1)	45	49	(2)	48
Credit activity	135	(11)	124	134	(9)	125
Purchase and sale of securities	36	(4)	32	31	(2)	28
Purchase and sale of unit trusts and mutual funds	4	0	4	2	0	2
Payment services	113	(56)	57	130	(64)	66
Financial engineering	9	0	9	8	0	8
Services on securities other than safekeeping	1	(4)	(3)	0	(4)	(4)
Custody	5	(2)	3	5	(1)	4
Issues and placements of securities	2	0	2	2	0	2
Clearing and settlement	19	(2)	17	20	(2)	18
Securities lending	1	(1)	0	3	(5)	(2)
Other (1)	47	(25)	21	50	(253)	(203)
TOTAL	**422**	**(107)**	**315**	**437**	**(342)**	**95**

(1) 2011: of which EUR -225 million as commitment fee for the guarantee granted by the Belgian, French and Luxembourg States to Dexia's entities funding.

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

11.6. Other net income

	31/12/10	31/12/11
Rental income from investment property	3	4
Other rental income	32	37
Other banking income	3	3
Other income on other activities (1)	43	76
Other income	**80**	**121**
Exploitation taxes	(25)	(24)
Other banking expenses	(14)	(11)
Other expense on other activities (2)	(47)	(43)
Other expense	**(85)**	**(79)**
TOTAL	**(5)**	**42**

(1) The increase is due to the revenue from the services provided by Dexia Technology Services (DTS) to Dexia Bank Belgium and Dexia Insurance Belgium during the 4th quarter 2011.
(2) Other expense on other activities include depreciation and amortisation on office furniture and equipment given in operational lease, other operational expenses and amortisation on investment property.

11.7. Staff expense

	31/12/10	31/12/11
Wages and salaries	526	495
Social security and insurance costs	108	104
Pension costs-defined benefit plans	12	9
Pension costs-defined contribution plans	16	16
Long-term employee benefits	0	(1)
Restructuring expenses	10	50
Other expenses	43	49
TOTAL	**716**	**722**

(Average FTE)	31/12/10			31/12/11		
	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Senior Executives	190	4	194	164	3	167
Employees	13,645	19	13,664	13,978	22	14,000
Other	11	0	11	14	0	14
TOTAL	**13,846**	**22**	**13,869**	**14,156**	**25**	**14,181**

(Average FTE) as at 31 Dec. 2010	Belgium	France	Luxembourg	Turkey	Other Europe	USA	Other	Total
Senior Executives	78	28	12	42	19	9	6	194
Employees	615	1,795	173	9,296	1,494	202	89	13,664
Other	0	0	0	0	4	2	5	11
TOTAL	**693**	**1,823**	**185**	**9,338**	**1,517**	**213**	**100**	**13,869**

(Average FTE) as at 31 Dec. 2011	Belgium	France	Luxembourg	Turkey	Other Europe	USA	Other	Total
Senior Executives	76	21	12	28	16	9	5	167
Employees	632	1,757	173	10,534	661	187	56	14,000
Other	0	0	0	0	5	4	5	14
TOTAL	**708**	**1,778**	**185**	**10,562**	**682**	**200**	**66**	**14,181**

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11.8. General and administrative expense

	31/12/10	31/12/11
Occupancy	26	25
Operating leases (except technology and system costs)	77	75
Professional fees	147	112
Marketing advertising and public relations	58	49
Technology and system costs	135	127
Software costs and research and development costs	28	46
Repair and maintenance expenses	13	12
Restructuring costs other than staff (1)	0	(26)
Insurance (except related to pension)	7	9
Transportation of mail and valuable	5	5
Operational taxes	22	40
Other general and administrative expense	84	88
Net interco account: continued/discontinued operations (2)	(308)	(282)
TOTAL	**293**	**279**

(1) Utilisation of a provision following the closing of branches in Asia.
(2) Net intercompany accounts relating to operating result (expenses less revenues) of continued activities with companies in discontinued operations. This is mainly the reinvoicing of services provided by Dexia Technology Services to companies in discontinued operations.

11.9. Depreciation and amortisation

	31/12/10	31/12/11
Depreciation on land and buildings	10	8
Depreciation on other tangible assets	47	44
Amortisation of intangible assets	70	61
TOTAL	**127**	**113**

11.10. Impairment on loans and provisions for credit commitments

Collective impairment	31/12/10			31/12/11		
	Allowances	Reversal	Total	Allowances	Reversal	Total
Loans	(206)	341	135	(276)	175	(101)
TOTAL	**(206)**	**341**	**135**	**(276)**	**175**	**(101)**

Specific impairment	31/12/10				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances to customers	(878)	265	(141)	8	(746)
Commitments	(8)	9	0	0	1
TOTAL	**(886)**	**273**	**(141)**	**8**	**(745)**

Specific impairment	31/12/11				
	Allowances	Reversals	Losses	Recoveries	Total
Loans and advances due from banks	(5)	0	0	0	(5)
Loans and advances to customers	(653)	326	(163)	2	(487)
Other receivables (1)(2)	0	50	0	0	50
Commitments	(13)	4	0	0	(9)
TOTAL	**(671)**	**381**	**(163)**	**2**	**(451)**

(1) Is published in heading XII. of the assets.
(2) Reversals related to Lehman receivables.

11.11. Impairment on tangible and intangible assets

	31/12/10	31/12/11
Impairment on other tangible assets (1)	0	(2)
Impairment on intangible assets (1)	0	(3)
TOTAL	**0**	**(6)**

(1) 2011: Closing DCL Tokyo.

11.12. Impairment on goodwill

	31/12/10	31/12/11
Impairment on goodwill (1)	0	(183)

(1) Taking into consideration the financial crisis and the impact of the problems met by sovereign authorities in 2011, a review of all goodwill has been performed. The goodwill on Dexia Crediop (EUR 131 million), Dexia Crédit Local (EUR 40 million) and Dexia Israel (EUR 12 million) was fully impaired. The goodwill on Sofaxis and DenizBank has not been impaired as these companies are less affected by the crisis.

See also note 7.10. Intangible assets and goodwill.

11.13. Provisions for legal litigations

We refer here to the chapter Risk management – part Legal risk – presented page 80.

11.14. Tax expense

	31/12/10	31/12/11
Income tax on current year [1]	(2)	39
Deferred taxes on current year	37	(156)
Tax on current year result (A)	**35**	**(116)**
Income tax on previous year	(2)	3
Deferred taxes on previous year	(8)	(15)
Provision for tax litigations	32	(33)
Other tax expense (B)	**22**	**(45)**
TOTAL (A)+(B)	**56**	**(161)**

(1) 2011: this amount includes a recuperation of tax coming from the carry back of losses generated by the French tax group.

EFFECTIVE CORPORATE INCOME TAX CHARGE

The standard tax rate applicable in Belgium in 2010 and 2011 was 33.99%.
Dexia effective tax rate was respectively 25.5% and -1.9% for 2010 and 2011.
The difference between the standard and the effective tax rate can be analysed as follows:

	31/12/10	31/12/11
Net income before tax	**(223)**	**(6,244)**
Impairment on goodwill	0	(183)
Tax base	**(223)**	**(6,061)**
Statutory tax rate	33.99%	33.99%
Tax expense using statutory rate	**(76)**	**(2,060)**
Tax effect of rates in other jurisdictions	(113)	(47)
Tax effect of non-taxable revenues	(127)	(52)
Tax effect of non-tax deductible expenses	61	713
Tax effect of utilisation of previously unrecognised tax losses	0	(1)
Tax effect from reassessment of unrecognised deferred tax assets	700	1,820
Tax effect of change in tax rates	0	15
Items taxed at a reduced rate	(106)	(149)
Other increase (decrease) in statutory tax charge [1]	(396)	(123)
Tax on current year result	**(57)**	**116**
Tax base	(223)	(6,061)
Effective tax rate	25.5%	(1.9%)

(1) Includes tax deduction on impairment on consolidated shares.

11.15. 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.

	31/12/10	31/12/11
Net income attributable to equity holders of the parent	723	(11,639)
Weighted average number of ordinary shares (millions) (1)	1,947	1,947
Basic earnings per share (expressed in EUR per share) (1)	0.37	(5.97)

(1) Figures as at 31 december 2010 were restated to consider the issuance of new ordinary shares free of charge (bonus shares), distributed to the shareholders.

	31/12/10	31/12/11
Net income from continuing operations attributable to equity holders of the parent	(231)	(6,398)
Weighted average number of ordinary shares (millions)	1,947	1,947
Basic earnings per share from continuing operations (expressed in EUR per share)	(0.12)	(3.28)

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.

	31/12/10	31/12/11
Net income attributable to equity holders of the parent	723	(11,639)
Weighted average number of ordinary shares (millions) (1)	1,947	1,947
Adjustment for share options (millions)	0	0
Weighted average number of ordinary shares for diluted earnings per share (millions) (1)	1,947	1,947
Diluted earnings per share (expressed in EUR per share) (1)	0.37	(5.97)

(1) Figures as at 31 december 2010 were restated to consider the issuance of new ordinary shares free of charge (bonus shares), distributed to the shareholders.

	31/12/10	31/12/11
Net income from continuing operations attributable to equity holders of the parent	(231)	(6,398)
Weighted average number of ordinary shares (millions)	1,947	1,947
Adjustment for share options (millions)	0	0
Weighted average number of ordinary shares for diluted earnings per share (millions)	1,947	1,947
Diluted earnings per share from continuing operations (expressed in EUR per share)	(0.12)	(3.28)

12. Notes on risk exposure

(in millions of EUR – some amounts may not add up due to roundings off)

As requested by the standard IFRS 7 § 34, disclosures are based on information internally provided to key management. We also refer to the chapter "Risk management" in the management report.
Following the restructuration of the Dexia Group and the application of the standard IFRS 5, some information are disclosed separately for the continuing operations and for the activities held for sale.
In the disclosures presenting an evolution of the information from the beginning of the year to the end of the year, the amounts as at 1 January 2011 of the deconsolidated subgroup Dexia Bank Belgium were reported in "Change of consolidation scope" and the amounts as at 1 January 2011 of the subsidiaries considered as disposal groups held for sale were disclosed in "Transfers in disposal groups held for sale".

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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

	31/12/10			31/12/11		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and balances with central banks	3,266	3,266	0	4,847	4,847	0
Loans and advances due from banks	53,379	53,463	84	45,728	44,964	(764)
Loans and advances to customers	352,307	346,344	(5,963)	173,550	171,079	(2,471)
Financial assets held for trading	5,347	5,347	0	2,541	2,541	0
Financial assets designated at fair value	3,941	3,941	0	148	148	0
Financial assets available for sale	85,921	85,921	0	39,640	39,640	0
Investments held to maturity	1,446	1,480	34	1,051	1,112	61
Derivatives	47,077	47,077	0	28,298	28,298	0
Fair value revaluation of portfolio hedge (1)	4,003	4,003	0	3,020	3,020	0
Investments in associates	171	186	15			
Other assets (2)	9,877	9,877	0	3,633	3,633	0
TOTAL CONTINUING OPERATIONS	**566,735**	**560,905**	**(5,830)**	**302,457**	**299,283**	**(3,174)**
Disposal groups held for sale				110,301	109,994	(307)
Cash and balances with central banks				*3,678*	*3,678*	*0*
Loans and advances due from banks				*7,927*	*7,930*	*3*
Loans and advances to customers				*82,798*	*82,488*	*(309)*
Financial assets held for trading				*63*	*63*	*0*
Financial assets designated at fair value				*34*	*34*	*0*
Financial assets available for sale				*3,006*	*3,006*	*0*
Investments held to maturity				*51*	*49*	*(1)*
Derivatives				*11,063*	*11,063*	*0*
Fair value revaluation of portfolio hedge				*904*	*904*	*0*
Investments in associates				*49*	*49*	*0*
Other assets (3)				*729*	*729*	*0*
TOTAL	**566,735**	**560,905**	**(5,830)**	**412,759**	**409,277**	**(3,481)**

(1) The line "Fair value revaluation of portfolio hedge" 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".
(2) Includes Tangible fixed assets; Intangible assets and goodwill; Tax assets; Other assets and Non-current assets of the continuing operations.
(3) Includes also the loss recognised on the measurement to fair value less costs to sell of the disposal groups held for sale (see also note 9.4. Acquisitions and disposals of consolidated companies – disposal Groups held for sale – discontinued operations).

A.2. Breakdown of fair value of liabilities

	31/12/10			31/12/11		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Due to banks	98,490	97,285	(1,205)	106,384	105,557	(828)
Customer borrowings and deposits	127,060	126,887	(173)	19,419	19,155	(265)
Financial liabilities held for trading	763	763	0			
Financial liabilities designated at fair value	19,390	19,390	0	5,200	5,200	0
Derivatives	72,347	72,347	0	56,037	56,037	0
Fair value revaluation of portfolio hedge (1)	1,979	1,979	0	445	445	0
Debt securities	210,473	210,002	(471)	105,288	99,980	(5,308)
Subordinated debts	3,904	4,083	179	1,691	1,594	(97)
Other liabilities (2)	21,600	21,600	0	2,265	2,265	(0)
TOTAL CONTINUING OPERATIONS	**556,007**	**554,336**	**(1,670)**	**296,729**	**290,232**	**(6,497)**
Liabilities included in disposal groups held for sale				116,350	114,603	(1,747)
Due to banks				*10,498*	*10,536*	*37*
Customer borrowings and deposits				*17,958*	*17,958*	*0*
Financial liabilities held for trading				*3*	*3*	*0*
Financial liabilities designated at fair value				*2,994*	*2,994*	*0*
Derivatives				*11,859*	*11,859*	*0*
Fair value revaluation of portfolio hedge				*2,408*	*2,408*	*0*
Debt securities				*69,070*	*67,193*	*(1,877)*
Subordinated debts				*802*	*896*	*93*
Other liabilities (2)				*757*	*757*	*0*
TOTAL	**556,006**	**554,336**	**(1,670)**	**413,079**	**404,835**	**(8,245)**

(1) 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".
(2) Includes Technical provisions from insurance companies, Provisions and other obligations; Tax liabilities and Other liabilities.

In 2010, the credit spread on liabilities was considered as unchanged for the determination of the fair value except for liabilities "held for trading" or "designated at fair value" and listed bonds issued.

In 2011, due to the financial crisis, the worsening of the financial situation of some European countries and the decision to restructure the group in October 2011, the credit spread of Dexia entities has increased; it has been determined by the following methods:
• for listed debt securities, liabilities "held for trading" and "designated at fair value", no change in comparison with previous year;
• for not listed debt securities and other financial liabilities, by using valuation techniques as for bonds held in AFS or in Loans & Receivables;
• for bonds issued by covered bonds companies having characteristics (duration, interest, etc) close to those of the assets held by the company and given as collateral, by using the liquidity spread relating to the liabilities and the credit spread relating to the assets. This is mainly the case for Dexia Municipal Agency (DMA), where the credit spread of the assets (mostly French municipalities) has been used to value the liabilities, as in case of bankruptcy of Dexia or DMA, the assets are pledged for the bondholders. Moreover, by law and to keep its rating, DMA is requested to collateralise more than the nominal value of the issued bonds, meaning that the credit protection of the bondholders is higher than others bonds issued by Dexia companies.

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B. ANALYSIS OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

B.1. Assets

	31/12/10				31/12/11 – continuing operations			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	1,119	720	3,508	5,347	201	13	2,328	2,541
Financial assets designated at fair value – equities	3,072	47	0	3,119				
Financial assets designated at fair value – other than equities	491	44	287	822	0	126	23	148
Financial assets available for sale – loans and receivables	0	43	0	43				
Financial assets available for sale – bonds	24,428	16,155	42,639	83,222	9,178	18,170	11,839	39,187
Financial assets available for sale – equities	1,585	234	837	2,656	31	71	352	453
Derivatives	17	42,028	5,032	47,077	0	26,646	1,652	28,298
TOTAL	**30,712**	**59,271**	**52,303**	**142,286**	**9,410**	**45,025**	**16,193**	**70,628**

B.1. Assets from disposal groups held for sale

	31/12/11			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	13	21	28	62
Financial assets designated at fair value – equities	0	34	0	34
Financial assets available for sale – bonds	862	1,070	627	2,559
Financial assets available for sale – equities	265	32	150	447
Derivatives	4	9,908	1,151	11,063
TOTAL	**1,144**	**11,065**	**1,956**	**14,166**

B.2. Liabilities

	31/12/10				31/12/2011 – continuing operations			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	450	313	0	763				
Financial liabilities designated at fair value	238	17,556	1,596	19,390	0	4,343	857	5,200
Derivatives	3	63,484	8,860	72,347	0	52,559	3,478	56,037
TOTAL	**691**	**81,353**	**10,456**	**92,500**	**0**	**56,902**	**4,335**	**61,237**

B.2. Liabilities included in disposal groups held for sale

	31/12/2011			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	3	0	0	3
Financial liabilities designated at fair value	0	2,294	700	2,994
Derivatives	3	6,652	5,203	11,859
TOTAL	**6**	**8,947**	**5,903**	**14,855**

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2 FAIR VALUE HIERARCHY

Assets	31/12/10		31/12/2011 – continuing operations	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets held for trading	3	15	0	0
Financial assets available for sale – bonds	1,968	95	109	0
Financial assets available for sale – equities	0	3	0	0
TOTAL	**1,971**	**113**	**109**	**0**

In 2010, bonds issued by Republic of Greece and Republic of Portugal were transfered from level 1 to level 2; in 2011, market for bonds issued by the Italian state in JPY became less active and motivated the transfer from level 1 to level 2 for an amount of EUR 109 million.

D. RECONCILIATION LEVEL 3

D.1. Assets

	2010									
	Opening balance	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3	Conversion differences	Closing
Financial assets held for trading	3,323	257	0	15	(1,430)	(14)	1,257	(15)	115	3,508
Financial assets designated at fair value – other than equities	210	4	0	0	(97)	(4)	173	0	1	287
Financial assets available for sale – bonds	51,087	779	(740)	586	(6,714)	(3,196)	1,024	(1,320)	1,133	42,639
Financial assets available for sale – equities	856	(3)	41	55	(128)	(13)	65	(46)	10	837
Derivatives	3,239	1,333	3	2	(9)	(328)	459	(461)	794	5,032
TOTAL	**58,715**	**2,370**	**(696)**	**658**	**(8,378)**	**(3,555)**	**2,978**	**(1,842)**	**2,053**	**52,303**

	2011 – continuing operations											
	Opening balance	Transfers in disposal groups held for sale (1)	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Sale	Settlement	Transfers in Level 3	Transfer out of Level 3 (2)	Changes in scope of consolidation (3)	Conversion differences	Closing
Financial assets held for trading	3,508	(53)	242	0	0	(661)	(91)	25	(8)	(689)	54	2,328
Financial assets designated at fair value – other than equities	287	(126)	(56)	0	0	(25)	0	2	0	(60)	1	23
Financial assets available for sale – bonds	42,639	(1,883)	(1,047)	(3,894)	151	(2,497)	(2,058)	31	(8,301)	(11,539)	238	11,839
Financial assets available for sale – equities	837	(210)	(2)	(22)	2	(4)	(11)	0	0	(238)	(1)	352
Derivatives	5,032	(1,440)	122	0	114	4	(70)	(19)	(60)	(2,048)	17	1,652
TOTAL	**52,303**	**(3,712)**	**(742)**	**(3 916)**	**267**	**(3,184)**	**(2,230)**	**40**	**(8,369)**	**(14,573)**	**310**	**16,193**

(1) Mainly Dexia Municipal Agency and Dexia Banque Internationale Luxembourg.
(2) Following the increase of the mark-to-market component in the valuation of sovereign debts, an important amount left level 3 category for level 2 category.
(3) Mainly Dexia Bank Belgium group.

D.2. Liabilities

	2010									
	Opening balance	Total gains/ losses in P&L	Purchase	Sale	Direct origination	Settlement	Transfers in Level 3	Transfer out of Level 3	Conversion differences	Closing
Financial liabilities held for trading	1	0	0	(1)	0	0	0	0	0	0
Financial liabilities designated at fair value	3,379	5	0	0	365	(1,145)	621	(1,629)	0	1,596
Derivatives	3,869	3,531	23	(2)	0	(990)	3,608	(639)	(540)	8,860
TOTAL	**7,249**	**3,536**	**23**	**(3)**	**365**	**(2,135)**	**4,229**	**(2,268)**	**(540)**	**10,456**

Evolution of level 3 instruments during 2010:
Following the reassesment of some assumptions on derivatives, derivatives included in some structured issuances are now valued as level 3.

	2011 – continuing operations											
	Opening balance	Transfers in liabilities included in disposal groups held for sale(1)	Total gains/ losses in P&L	Total gains/ losses in OCI	Purchase	Direct origination	Settlement	Transfers in Level 3	Transfer out of Level 3	Changes in scope of consolidation (2)	Conversion differences	Closing
Financial liabilities designated at fair value	1,596	(775)	44	0	0	128	0	0	(15)	(121)	1	857
Derivatives	8,860	(4,922)	1,599	(1)	599	0	(1)	7	(13)	(2,654)	3	3,478
TOTAL	**10,456**	**(5,697)**	**1,643**	**(1)**	**599**	**128**	**(1)**	**7**	**(28)**	**(2 ,775)**	**4**	**4,335**

(1) Mainly Dexia Municipal Agency and Dexia Banque Internationale Luxembourg.
(2) Mainly Dexia Bank Belgium group.

E. SENSITIVITY OF LEVEL 3 VALUATIONS TO ALTERNATIVE ASSUMPTIONS

Dexia fair value applied to bonds and CDS is partly based on a mark to model. The sensitivity analysis described below measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.

Dexia decided to elaborate alternative assumptions on the following unobservable parameters:
• 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;
• the basis Cash – CDS that allows to deduct bonds spreads from CDS spreads;
• liquidity of the financial instrument, depending on the activity of the instrument market.

Tests have been performed on all bonds and CDS classified in level 3. The main impacts are the following:
• for level 3 bonds in AFS, in 2011, the sensitivity of the AFS reserve to alternative assumptions was estimated between a positive impact of EUR +236 million and a negative impact of EUR -233 million, while in 2010, it was estimated between a positive impact of EUR +563 million and a negative impact of EUR -372 million;
• Negative Basis Trades are considered as one single product, 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) impact. Based on the important number of unwinds performed by Dexia since 2009, and taking into account the stock of remaining NBT transactions, the positive impact (average unwind premium of 2009) was EUR +7 million whereas the negative impact (average unwind premium of 2011) gave an impact of EUR -41 million. For 2010, the positive impact (average unwind premium of 2009) was EUR +7 million whereas the negative impact (average unwind premium of 2010) gave an impact of EUR -52 million.

The impact of the credit spreads alternative assumptions on Dexia credit derivatives was estimated at EUR +3.7 million (positive scenario) versus EUR -3.7 million (negative scenario) before tax, while in 2010, it was estimated at EUR +8.8 million (positive scenario) versus EUR -9 million (negative scenario) before tax.

F. DISCLOSURE OF DIFFERENCE BETWEEN TRANSACTION PRICES AND MODELED VALUES (DEFERRED DAY ONE PROFIT) – CONTINUING OPERATIONS

No significant amounts are recognised as deferred Day One Profit (DOP) as at 31 December 2010 nor as at 31 December 2011.
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 EUR 28 million and EUR 19 million as at 31 December 2010 and as at 31 December 2011.
The amounts are recognised in Net trading income (disclosure 11.3.).

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 fair 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 counterpart taking into account the guarantees obtained and financial collateral (cash collateral and financial collateral for Repo and OTC instruments). This means that when credit-risk exposure is guaranteed by a third part whose weighted risk (for Basel reglementation) is lower than the one of the direct borrower, the exposure is then reported to the guarantor's geographical region and activity sector.

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

A.1. Exposure by geographical region

	31/12/10	31/12/11 – continuing operations	31/12/11 – activities held for sale
Belgium	111,300	29,020	8,208
France	99,549	39,596	55,267
Germany	36,743	26,999	2,357
Greece	5,349	1,203	3
Ireland	2,167	1,123	63
Italy	51,078	35,670	4,207
Luxembourg	13,145	221	10,359
Spain	34,698	25,158	750
Portugal	5,942	4,196	253
Austria (1)		2,165	590
Central and eastern Europe (1)		6,384	62
Netherlands (1)		1,058	336
Scandinavian countries (1)		1,924	992
United Kingdom (1)		17,816	1,800
Switzerland (1)		359	4,442
Other EU countries (2)	51,331		
Rest of Europe (2)	11,180		
Turkey	14,600	15,764	7
United States and Canada	74,758	38,991	7,184
South and Central America	4,015	2,059	152
Southeast Asia	2,672	1,828	299
Japan	9,079	7,225	72
Other (3)	20,011	14,396	974
TOTAL	**547,617**	**273,154**	**98,379**

(1) In 2010, were included in Other EU countries or in Rest of Europe.
(2) The countries belonging to this category in 2010 are presented in detail in 2011.
(3) Includes supranational entities, like European Central Bank.

A.2. Exposure by category of counterpart

	31/12/10	31/12/11 – continuing operations	31/12/11 – activities held for sale
Central governments	63,877	36,222	7,281
Local public sector	253,067	118,841 (1)	68,530
Corporate	51,014	21,394	3,535
Monoline	11,544	5,969	0
ABS/MBS	26,047	9,192	79
Project finance	19,127	16,763	235
Individuals, SME, self-employed	48,324	7,355	6,947
Financial institutions	74,359	57,192	11,758
Other	258	226	16
TOTAL	**547,617**	**273,154**	**98,379**

(1) Of which EUR 192 million on Greece, EUR 154 million on Hungary, EUR 17,208 million on Italy, EUR 1,801 million on Portugal and EUR 11,368 million on Spain.

A.3. Credit quality of Dexia Financial Products' financial assets

The portfolio guaranteed by the Belgian and French states was sold in 2011. The remaining portfolio of EUR 5,605 million is composed for more than 56% of T-bills.

For the situation as at 31 December 2010, we refer to Dexia's annual report 2010.

B. CREDIT-RISK EXPOSURE BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/10		31/12/11 – continuing operations		31/12/2011 – activities held for sale	
	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral
Financial assets available for sale (excluding variable income securities)	81,976	0	38,597	0	2,947	0
Financial assets designated at fair value (excluding variable income securities)	364	0	148	0	0	0
Financial assets held for trading (excluding variable income securities)	4,919	0	2,485	0	17	0
Loans and advances (at amortised cost)	349,310	8,300	170,377	2,708	85,322	4,219
Investments held to maturity	1,460	0	1,054	0	51	0
Derivatives	9,043	2,551	6,241	1,680	826	2,421
Other financial instruments	2,401	0	762	1	394	2
Loan commitments granted	57,397	200	17,648	9	3,213	26
Guarantee commitments granted	40,748	71,819	35,842	12,910	5,610	25,104
TOTAL	**547,617**	**82,870**	**273,154**	**17,308**	**98,379**	**31,772**

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 collaterals eligible under Basel II and directly held by Dexia are considered.
The figures in "Credit risk exposure" have been decreased by the financial effect of the collateral. This explains why the amount of the financial effect of the collateral can be higher than the credit risk exposure amount.

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 DenizBank in a separate column. However, the preservation of the internal scorings of DenizBank and of the credit risk monitoring systems allowed to keep a complete view on DenizBank's portfolio risks.

	31/12/10					
	AAA to AA-	A+ to BBB-grade	Non investment grade	Unrated	DenizBank (1)	Total
Financial assets available for sale (excluding variable income securities)	36,448	38,942	4,700	234	1,551	81,875
Financial assets designated at fair value (excluding variable income securities)	61	252	21	28	0	362
Financial assets held for trading (excluding variable income securities)	2,081	2,388	257	40	142	4,908
Loans and advances (at amortised cost)	157,062	134,928	35,897	5,973	11,895	345,755
Investments held to maturity	556	500	0	0	405	1,461
Derivatives	3,536	4,495	797	56	78	8,962
Other financial instruments	14	63	74	1,940	310	2,401
Loan commitments granted	34,335	15,629	4,592	984	1,639	57,179
Guarantee commitments granted	13,373	18,881	2,681	647	5,051	40,633
TOTAL	**247,465**	**216,077**	**49,020**	**9,901**	**21,071**	**543,534**

(1) As the DenizBank portfolio is composed of 90% of Turkish assets, the majority of the DenizBank financial assets are therefore in the "Non-Investment Grade" category.

	31/12/11					
	AAA to AA-	A+ to BBB- grade	Non investment grade	Unrated	DenizBank (1)	Total
Financial assets available for sale (excluding variable income securities)	9,800	21,186	5,223	8	1,710	37,927
Financial assets designated at fair value (excluding variable income securities)	1	115	15	12	0	143
Financial assets held for trading (excluding variable income securities)	575	1,636	121	0	154	2,485
Loans and advances (at amortised cost)	71,720	69,365	12,496	1,421	13,537	168,539
Investments held to maturity	144	457	0	0	372	973
Derivatives	1,084	4,076	737	40	145	6,081
Other financial instruments	180	6	0	458	98	742
Loan commitments granted	8,700	4,897	913	82	2,954	17,546
Guarantee commitments granted	25,764	5,204	402	169	4,276	35,815
TOTAL CONTINUING ACTIVITIES	**117,967**	**106,943**	**19,907**	**2,189**	**23,246**	**270,252**
TOTAL DISPOSAL GROUPS HELD FOR SALE	**39,487**	**47,403**	**8,694**	**1,664**	**0**	**97,248**
TOTAL	**157,454**	**154,345**	**28,601**	**3,853**	**23,246**	**367,500**

(1) As the DenizBank portfolio is composed of 90% of Turkish assets, the majority of the DenizBank financial assets are therefore in the "Non-Investment Grade" category.

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

The average credit quality of DenizBank's financial assets (90 % of which are Turkish) remains closely interlinked with Turkey's sovereign rating, which changed for the better in 2011 – internal rating: BB+ (foreign exchange)/BBB- (local currency), both with a positive outlook to be compared with the 2010 internal rating: BB+ stable (foreign exchange)/BBB- stable (local currency). Most of DenizBank's financial assets remain, therefore, in the non-investment grade category.

Credit quality of the main financial assets :

• The Corporate & MidCorporate portfolio is entirely composed of Turkish – or Turkey-related – counterparties. Portfolio credit risk is thus closely linked to changes in the Turkish economy. Each counterparty is, in compliance with Basel 2 requirements, assigned an annual internal rating by an internal ratings system specifically developed for the Turkish counterparties and calibrated in 2010 on the basis of an average rating of BB- or so;

• DenizBank's financial-institution assets as at end-2011 were, as in 2010, mainly composed of Investment Grade-type international banks. The remaining exposures mainly involve outstandings on Turkish banks with an average rating of BB/BBB;

• Exposures to central government and suchlike are related only to Turkish sovereign risk;

• Exposures to the local public sector are rated between B and BB+ (as in 2010), following the rules set by Dexia's credit committee in asset allocation matters;

• The credit risk profile of the Retail & PME portfolio is monitored by Dexia Group's Retail Expertise Centre. Specific PD (Probability of Default) and LGD (Loss Given Default) models in particular have been developed for Retail & PME (including agriculture) counterparties.

D. INFORMATION ON PAST-DUE OR IMPAIRED FINANCIAL ASSETS

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered by contract.
As an example, if a counterpart fails to pay the required interests at due date, the entire loan is considered as past due.

	31/12/10			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable income securities)				794
Loans and advances (at amortised cost) (1)	917	181	420	5,589
Other financial instruments		1	2	287
TOTAL	**917**	**182**	**422**	**6,670**

(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 2,861 million, of which an amount of EUR 2,237 million for Dexia FP. This latter amount benefits from the guarantee mechanism of the Belgian and French States described in disclosure 9.4. "Related parties" in Dexia's Annual report 2010.

	31/12/11			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
	≤ 90 days	> 90 days ≤ 180 days	> 180 days	
Financial assets available for sale (excluding variable income securities)				3,761
Loans and advances (at amortised cost)	407	19	248	2,388
Investments held to maturity				234
Other financial instruments				27
TOTAL CONTINUING OPERATIONS (1)	**407**	**19**	**248**	**6,410**
TOTAL DISPOSAL GROUPS HELD FOR SALE	**432**	**95**	**79**	**64**
TOTAL	**839**	**114**	**327**	**6,474**

(1) The carrying amount of individually impaired financial assets, before deducting any impairment loss includes depreciated Greek sovereigns or assimilated exposures for an amount of EUR 4,199 million on which a depreciation of EUR 3,357 million has been recognised. Other impaired financial instruments are derivatives with banking counterparts (of which one of the most important was Lehman Brothers, sold in 2011) and customers counterparts.

Past due outstandings are mainly retail and corporate. Financial assets are determined as impaired according to the description made in valuation rules (see note 1.6.5.).

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF COLLATERAL HELD

Nature of the assets obtained during the period by taking possession of a collateral	Carrying amount	
	31/12/10	31/12/2011 – continuing operations
Cash	13	
Debt instruments	4	
Property plant and equipment	35	14
TOTAL	**52**	**14**

Usually, Dexia does not intend to keep the collateral and converts into cash the collaterals obtained, respecting the legal procedures thereon specific to each country for seizure of property and for seizure of goods.

F. ALLOWANCES MOVEMENTS FOR CREDIT LOSSES

	As at 1 Jan. 2010	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other	As at 31 Dec. 2010	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR FINANCIAL ASSETS	**3,519**	**(301)**	**1,124**	**(361)**	**(21)**	**3,960**	**13**	**(80)**
Loans and advances due from banks	9		15	(1)	2	25		
Loans and advances to customers	2,657	(181)	1,054	(286)	(30)	3,214	13	(80)
Financial assets available for sale	853	(119)	55	(74)	8	722		
of which fixed income instruments	*652*	*(25)*	*13*	*(74)*	*6*	*572*		
of which equity instruments	*201*	*(94)*	*41*		*2*	*150*		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**1,477**	**(40)**	**331**	**(500)**	**40**	**1,308**		
Loans and advances due from banks	62		7	(44)		25		
Loans and advances to customers	1,415	(40)	324	(457)	40	1,282		
TOTAL	**4,996**	**(341)**	**1,455**	**(861)**	**19**	**5,268**	**13**	**(80)**

CONTINUING OPERATIONS

	As at 1 Jan. 2011	Transfers in disposal groups held for sale	Utilisation	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Changes in scope of consolidation	Other	As at 31 Dec. 2011	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
SPECIFIC ALLOWANCES FOR FINANCIAL ASSETS	**3,960**	**(319)**	**(122)**	**3,564**	**(313)**	**(1,004)**	**(1,270)**	**4,497**	**2**	**(54)**
Loans and advances due from banks	25			5	0	(25)	0	5		
Loans and advances to customers [(1)]	3,214	(205)	(109)	653	(215)	(613)	(1,340)	1,385	2	(54)
Investments held to maturity	0			149			4	153		
Financial assets available for sale [(2)]	722	(114)	(13)	2,757	(98)	(366)	66	2,954		
of which fixed income instruments	*572*	*(93)*		*2,748*	*(98)*	*(292)*	*40*	*2,877*		
of which equity instruments	*150*	*(21)*	*(13)*	*9*		*(74)*	*27*	*78*		
ALLOWANCES FOR INCURRED BUT NOT REPORTED LOSSES ON FINANCIAL ASSETS	**1,308**	**(55)**	**(75)**	**276**	**(176)**	**(419)**	**(304)**	**555**		
Loans and advances due from banks	25			1	(2)	(14)	1	11		
Loans and advances to customers [(3)]	1,282	(55)	(75)	275	(174)	(405)	(305)	543		
TOTAL	**5,268**	**(374)**	**(197)**	**3,840**	**(489)**	**(1,423)**	**(1,574)**	**5,052**	**2**	**(54)**

(1) Other: of which EUR 1,210 million is related to the transfer of FP portfolio in "Non-current assets and disposal groups held for sale".
(2) Amounts set aside for estimated probable loans losses: mainly related to Greek sovereign bonds.
(3) Other: of which EUR 287 million is related to the transfer of FP portfolio in "Non-current assets and disposal groups held for sale".

G. CREDIT-RISK INFORMATION FOR LOANS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

31/12/10		
Maximum exposure to credit risk	**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**
37	0	1

31/12/11 – continuing operations		
Maximum exposure to credit risk	**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**
16	(3)	(3)

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.

H. CREDIT RISK INFORMATION ABOUT FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

31/12/10			
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	
19,390	10	(303)	354

(1) This amount includes the premium/discount and the accumulated change in the market value.

31/12/11 - continuing operations			
Carrying amount	Amount of change in fair value attributable to changes in the credit risk of the liabilities		Difference between carrying amount and contractual amount required to be paid at maturity (1)
	Change of the period	Cumulative amount	
5,200	(54)	(320)	715

(1) This amount includes the premium/discount and the accumulated change in the market value.

See also note 8.3. Financial liabilities measured at fair value through profit or loss-Financial liabilities designated at fair value.

I. SOVEREIGNS – DIRECT EXPOSURE

	Greece		Hungary	Italy		Portugal	Spain
	AFS(2)	L&R and HTM(3)	AFS(2)	AFS(2)	L&R and HTM(3)	AFS(2)	AFS(2)
Accounting value before fair value adjustments (1)	2,564	359	1,345	4,169	5,303	2,025	466
Interest rate hedged	902	77	95	1,596	610	560	52
Fair value adjustment (not hedged)			(305)	(2,069)		(961)	(40)
Impairment on accounting value	(1,920)	(268)					
Impairment on hedges	(902)	(77)					
BALANCE SHEET VALUE	**645**	**91**	**1,135**	**3,697**	**5,914**	**1,624**	**479**
Available for sale reserve (gross)			(305)	(2,069)	(71)	(961)	(40)
Deferred tax			23	396	23	54	11
Available for sale reserve (net)			(283)	(1,673)	(48)	(907)	(29)

(1) Acquisition cost, accrued interests and premium-discount.
(2) AFS : Available-for-sale.
(3) L&R : Loans and Receivables; HTM : Held to maturity.

Dexia sold to customers CDS on the Italian state for an amount of EUR 803 million. This position was reversed in the market.

Bonds issued by PIIGS were less liquid in 2011 due to the financial crisis. For the valuation of a financial instrument which 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. For bonds for which no active 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 activity level of the market considering the bond characteristics.

Specifically for Greek sovereign bonds, an impairment was recorded in 3Q 2011 as the International Institute of Finance (IIF) plan of July 2011 was not realised. For AFS bonds, the AFS reserve was taken into result. Taking into account the fact that cash flows will be missing, all hedge relations relating to those bonds were considered as broken and recorded in result of the period. The hedging derivatives were cancelled or reclassified as trading. During 4Q 2011, the credit situation of Greece continued to deteriorate.

This situation led to the introduction of a second rescue plan, involving a large discount on Greek sovereign securities. This second plan, to which Dexia subscribed for all the securities then held, was successfully implemented during the first two weeks of March 2012. The exchange of the securities will not have any significant impact on the accounts of the Group, as the value considered as at 31 December 2011 for these securities (around 25% of the nominal value) was close to the estimated value of the new securities to be received in exchange.

12.3. Information about collaterals

A. ASSETS RECEIVED AS COLLATERAL IF THIS COLLATERAL CAN BE SOLD OR REPLEDGED

Assets received as collateral	Collateral received as at 31 Dec. 2010		Collateral received as at 31 Dec. 2011 – continuing operations	
	Fair value of collateral held	Fair value of collateral sold/ repledged	Fair value of collateral held	Fair value of collateral sold/ repledged
Equity instruments	596			
Debt instruments	8,199	3,028	479	
Loans and advances	222	179		
Cash collaterals	4,417	4,417	2,626	2,626
TOTAL	**13,434**	**7,624**	**3,105**	**2,626**

Collaterals are 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 an usual market practice.

B. INFORMATION ON FINANCIAL ASSETS PLEDGED AS COLLATERAL

Carrying amount of financial assets pledged as collateral as at 31 Dec. 2010		Carrying amount of financial assets pledged as collateral as at 31 Dec. 2011 – continuing operations	
for liabilities	for contingent liabilities	for liabilities	for contingent liabilities
144,499	0	79,416	0

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) (see notes 7.3.A. and 7.4.B.).
Repurchase agreements reimbursement amount was EUR 54 billion as at 31 December 2010 and EUR 17 billion as at 31 December 2011. This decline is mainly due to the exit of DBB from the scope of consolidation (EUR -40 billion).

12.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Current accounts and saving deposits are presented in the column "At sight and on demand" as the information presented below takes into account the remaining maturity until the next date at which interest rates are reset from an accounting point of view, rather than on assumptions based on observed behavioral data. This latter approach is realised in the BSM sensitivity (see note 12.5.).

a. Assets	**31/12/10**									
	At sight and on demand	**Up to 3 months**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**Over 5 years**	**Undeter-mined maturity**	**Accrued interest**	**Fair value adjust-ment**	**Impair-ment**	**Total**
Cash and balances with central banks	2,874	390					2			3,266
Loans and advances due from banks	19,384	24,104	3,044	3,300	2,701	37	133	727	(51)	53,379
Loans and advances to customers	18,143	74,256	48,592	56,509	139,522	1,872	2,768	15,141	(4,496)	352,307
Financial assets held for trading	59	1,969	305	1,099	1,674	138	25	77		5,346
Financial assets designated at fair value	5	188	69	88	28	3,577	4	(18)		3,941
Financial assets available for sale	522	14,330	5,027	16,232	46,663	2,290	1,450	128	(722)	85,920
Investments held to maturity		346	119	243	655		84			1,447
Derivatives							6,683	40,394		47,077
Fair value revaluation of portfolio hedge								4,003		4,003
Investments in associates						171				171
Tangible fixed assets						2,346				2,346
Intangible assets and goodwill						2,276				2,276
Tax assets						2,847				2,847
Other assets	492	744	157	53	10	1,141		17	(256)	2,358
Non-current assets and disposal groups held for sale						56			(5)	51
TOTAL	**41,479**	**116,327**	**57,313**	**77,524**	**191,253**	**16,751**	**11,149**	**60,469**	**(5,530)**	**566,735**

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b. Liabilities	31/12/10								
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	20,772	67,474	6,498	1,903	1,573	3	125	143	98,491
Customer borrowings and deposits	82,487	30,964	5,952	4,542	2,263	72	694	85	127,059
Financial liabilities held for trading	1	3	7	428	312	12	8	(8)	763
Financial liabilities designated at fair value	81	1,300	1,702	7,238	4,941	3,471	257	401	19,391
Derivatives							7,748	64,599	72,347
Fair value revaluation of portfolio hedge								1,979	1,979
Debt securities	386	51,491	39,648	58,008	54,732		2,954	3,255	210,474
Subordinated debts	431	751	596	335	1,055	554	88	94	3,904
Technical provision of insurance companies						15,646			15,646
Provisions and other obligations						1,498			1,498
Tax liabilities						157			157
Other liabilities	1,829	1,192	211	39	83	940	4		4,298
TOTAL	**105,987**	**153,175**	**54,614**	**72,493**	**64,959**	**22,353**	**11,878**	**70,548**	**556,007**

c. Net position	31/12/10					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity
On-balance-sheet sensitivity gap	(64,508)	(36,848)	2,699	5,031	126,294	(5,602)

Balance-sheet sensitivity gap is hedged through derivatives.

a. Assets	31/12/11									
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	4,845	2								4,847
Loans and advances due from banks	8,020	24,282	5,106	5,781	1,953		95	508	(17)	45,728
Loans and advances to customers	1,986	38,314	33,965	19,710	63,674	591	1,262	15,977	(1,928)	173,550
Financial assets held for trading	1	710	76	198	1,170	40	13	333		2,541
Financial assets designated at fair value	3	92	25	29	25		1	(26)		148
Financial assets available for sale	415	8,710	3,987	8,510	19,695	73	709	495	(2,954)	39,640
Investments held to maturity		47	326	595	135		101		(153)	1,051
Derivatives							2,475	25,823		28,298
Fair value revaluation of portfolio hedge								3,020		3,020
Tangible fixed assets						736				736
Intangible assets and goodwill						1,184				1,184
Tax assets						932				932
Other assets	224	301	123	1	1	87		3	(15)	724
Non-current assets held for sale		259				41		(243)		58
TOTAL CONTINUING OPERATIONS	**15,494**	**72,716**	**43,607**	**34,825**	**86,653**	**3,683**	**4,656**	**45,891**	**(5,068)**	**302,457**
Disposal groups held for sale	11,030	20,438	9,729	14,025	35,987	1,516	2,146	15,725	(294)	110,301
TOTAL	**26,524**	**93,154**	**53,337**	**48,850**	**122,640**	**5,199**	**6,802**	**61,615**	**(5,362)**	**412,759**

b. Liabilities	31/12/11								
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Due to banks	961	74,749	8,908	20,165	1,370		193	39	106,384
Customer borrowings and deposits	2,855	9,594	2,491	2,108	2,106		141	123	19,419
Financial liabilities designated at fair value		993	22	1,140	2,222		94	729	5,200
Derivatives							3,128	52,909	56,037
Fair value revaluation of portfolio hedge								445	445
Debt securities	2	54,294	11,055	16,499	18,598		1,090	3,749	105,288
Subordinated debts		1,348	106	56	124		15	42	1,691
Provisions and other obligations						332			332
Tax liabilities						192			192
Other liabilities	617	731	77	18	86	209	3		1,741
TOTAL CONTINUING OPERATIONS	**4,436**	**141,709**	**22,659**	**39,986**	**24,506**	**734**	**4,663**	**58,037**	**296,729**
Liabilities included in disposal groups held for sale	19,752	14,896	8,091	23,283	31,453	231	2,077	16,566	116,350
TOTAL	**24,188**	**156,605**	**30,751**	**63,269**	**55,958**	**965**	**6,741**	**74,603**	**413,079**

c. Net position	31/12/11					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undetermined maturity
On-balance-sheet sensitivity gap for continuing operations	11,058	(68,993)	20,948	(5,162)	62,148	2,950
On-balance-sheet sensitivity gap for disposal groups held for sale	(8,722)	5,541	1,638	(9,258)	4,534	1,284
TOTAL ON-BALANCE SHEET SENSTIVITY GAP	**2,336**	**(63,451)**	**22,586**	**(14,420)**	**66,682**	**4,234**

Balance-sheet sensitivity gap is hedged through derivatives.

12.5. Market risk & BSM Overview

Market Risks' measures:

a) Treasury and Financial Market (TFM)
• Trading book risks: general interest rate, foreign exchange, equity, credit spread and other risks (inflation, CO_2) which are managed within Value at Risk (VaR) limits and adequate risk limits
• Cash and Liquidity Management (CLM) – only banking – followed by means of Value at Risk (VaR) and interest-rate sensitivity limits

b) Balance-Sheet Management (BSM)
• Interest-rate risk is followed within sensitivity limits and indicate Value at risk (VaR) for BSM and for the Dexia FP activities
• Equity exposure is followed within Value at Risk (VaR) limits

c) Banking bond portfolio
• Bond Portfolio Spread Risk: managed through Credit Spread sensitivities and an indicative VaR

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.
For 2011, VaR is calculated on group level for 1Q, 2Q, 3Q. As from 4Q, Dexia provides VaR data split between the entities that are "Held for Sale" (BIL) and the entities which are "Continuing Activities" (DCL & DenizBank).
DBB is not included anymore in the 4Q figures as its sale was concluded at the beginning of 4Q. The Global VaR limit was reduced to EUR 29 million after the sale of DBB. It consists of the limit for both "Held for Sale" and "Continuing Activities".

Dexia Group calculated:

- an Interest-Rate (IR) and Foreign Exchange (FX) VaR mainly based on parametrical method (99% 10 days), complemented by an 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 an historical Var in full revaluation on carbon ($C0_2$) risks.

The detailed VaR usage of Dexia Group is disclosed in the table below.

Value at Risk – 99% 10 days (in millions of EUR)

		2010															
		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	14.7	16.5	19.2	16.0	1.8	2.0	2.6	2.0	24.3	23.9	23.4	18.2	3.3	3.6	3.4	3.7
	Max	19.8	28.0	23.3	19.5	2.9	3.8	4.7	4.3	29.2	30.0	29.5	23.6	3.9	5.8	3.8	5.3
Global	Average	44.6															
	Maximum	55.5															
	End period	39.1															
	Limit	100															

(1) IR: interest rate.
(2) FX: forex.
(3) IR & FX: without BSM.
(4) EQT: equities.
(5) Other risks: inflation, commodities & CO_2.

		2011																
		IR(1)&FX(2) (Trading and Banking) (3)					EQT(4) Trading				Spread Trading					Other risks (5)		
		1Q	2Q	3Q	4Q(6)	4Q(7)	1Q	2Q	3Q	4Q(6)	1Q	2Q	3Q	4Q(6)	4Q(7)	1Q	2Q	3Q
By risk factor	Average	13.3	12.3	14.0	4.4	1.5	1.7	2.7	1.8	0.0	18.8	13.3	11.7	2.6	0.0	3.2	2.0	2.1
	Max	18.6	18.6	24.5	6.6	7.3	3.6	5.6	4.1	0.1	20.7	19.0	14.2	2.7	0.1	3.8	3.1	2.3
Global	Average	26.4																
	Maximum	43.3																
	End period (6)	8.7																
	Limit (6)	29																

(1) IR: interest rate.
(2) FX: forex.
(3) IR & FX: without BSM.
(4) EQT: equities; following the sale of DBB group, this risk doesn't exist any more as from 4Q 2011.
(5) Other risks: inflation, commodities & CO_2; following the sale of DBB group, these risks don't exist any more as from 4Q 2011.
(6) Continuing operations.
(7) Activities held for sale.

The CLM and trading risks are also followed on sensitivity limits.

As at 31 December 2010 the CLM sensitivity was of EUR -66 million against a limit of EUR 200 million/%. As at 31 December 2011 the CLM sensitivity of the continuing activities was of EUR -52 million.

B. BSM-INTEREST RATE AND EQUITY 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 interest-rate curve.

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)

		2010							
		Interest rate (2) (3)				Equity			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banking companies BSM (1)	Sensitivity	(83)	(116)	29	(148)				
	VaR 99% 10d	48	45	21	85	7	11	12	14
Insurance	Sensitivity	22	45	168	84				
	Mitigated VaR 99% 10d					102	89	101	116

(1) CLM excluded.
(2) Sensitivities to 1% shift.
(3) As at 31 December 2010 the interest rate sensitivity limit for BSM amounted to EUR 400 million/%.

		2011							
		Interest rate (2) (3)					Equity (4)		
		1Q	2Q	3Q	4Q continuing operations	4Q activities held for sale	1Q	2Q	3Q
Banking companies BSM (1)	Sensitivity	(36)	(68)	57	(19)	15			
	VaR 99% 10d	44	46	44	34	7	15	9	9
Insurance	Sensitivity	55	48	95					
	Mitigated VaR 99% 10d						119	73	79

(1) CLM excluded.
(2) Sensitivities to 1% shift.
(3) As at 31 December 2011 the interest rate sensitivity limit for BSM for the continuing activities amounted to EUR 170 million/%.
(4) As from 4Q 2011, following the sale of DBB-DIB, no more equity risk is calculated, as mainly all shares were held by Dexia Insurance Belgium.

Focus on BSM equity exposure – Listed shares sensitivity

The figures are disclosed until 30 September 2011 as DBB and DIB were sold in October 2011.
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 (BSM portfolio)	Market value	VaR	% VaR	EaR	Acquisition Value
31/12/10 (1)	64	14	21.5%	0	17
31/03/11	61	15	23.6%	0	12
30/06/11	63	9	14.9%	0	12
30/09/11	55	9	16.7%	0	12

(1) The VaR limit for BSM Banking portfolio amounted to EUR 15 million as at 31 December 2010.

B. Insurance companies portfolio (1) (2)	Market value	VaR	Mitigated VaR (3)	% VaR	EaR	Acquisition Value
31/12/10	1,359	127	116	9.3%	(32)	1,392
31/03/11	1,393	133	119	9.6%	(13)	1,390
30/06/11	1,416	84	73	5.9%	(26)	1,441
30/09/11	791	89	79	11.3%	(65)	960

(1) The VaR limit for BSM Insurance portfolio amounted to EUR 150 million as at 31 December 2010. 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).
(2) The VaR limit of EUR 150 million is composed of EUR 130 million for the insurance company (DIB) 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

The major part of Dexia FP's portfolio was sold in 2011. The remaining portfolio is mainly composed of T-bills. For the situation as at 31 December 2010, we refer to Dexia's annual report 2010.

C. DEXIA BANKING BOND PORTFOLIO EXPOSURE

* Outstanding (in billions of EUR)	2010	2011	
		Continuing operations	Activities held for Sale
	178	98	14

*** 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 of the AFS reserve after a basis point spread increase.

	2010	2011	
		Continuing operations	Activities held for Sale
	(59)	(30)	(1)

12.6. Liquidity risk

We also refer to the chapter Risk management in the Management report, page 77 which discusses Dexia's policy regarding liquidity risk, the measure of the risk, the regulatory ratio to which Dexia is submitted and the management of the liquidity needs since 2008.
Current accounts and saving deposits are included in the column "At sight and on demand" even though they have no fixed repayment date.

A. BREAKDOWN RESIDUAL MATURITY

Assets	31/12/10									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Impair-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity				
Cash and balances with central banks	2,874	390					2			3,266
Loans and advances due from banks	17,709	22,676	3,445	4,813	3,890	37	133	727	(51)	53,379
Loans and advances to customers	13,908	14,590	18,548	75,070	214,691	2,087	2,768	15,141	(4,496)	352,307
Financial assets held for trading	1	109	146	1,159	3,691	138	25	77		5,346
Financial assets designated at fair value		37	20	231	91	3,576	4	(18)		3,941
Financial assets available for sale	388	2,617	2,382	24,956	52,428	2,293	1,450	128	(722)	85,920
Investments held to maturity		23	66	572	702		84			1,447
Derivatives							6,683	40,394		47,077
Fair value revaluation of portfolio hedge								4,003		4,003
Investments in associates						171				171
Tangible fixed assets						2,346				2,346
Intangible assets and goodwill						2,276				2,276
Tax assets						2,847				2,847
Other assets	378	641	169	132	110	1,167		17	(256)	2,358
Non-current assets held for sale						56			(5)	51
TOTAL	**35,258**	**41,083**	**24,776**	**106,933**	**275,603**	**16,994**	**11,149**	**60,469**	**(5,530)**	**566,735**

Liabilities	31/12/10								
	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 year to 5 years	Over 5 years	Undeter-mined maturity			
Due to banks	19,009	58,640	4,217	8,483	7,871	3	125	143	98,491
Customer borrowings and deposits	82,123	27,927	6,579	6,765	2,814	72	694	85	127,059
Financial liabilities held for trading		2	7	430	312	12	8	(8)	763
Financial liabilities designated at fair value		203	1,295	8,542	5,222	3,471	257	401	19,391
Derivatives							7,748	64,599	72,347
Fair value revaluation of portfolio hedge								1,979	1,979
Debt securities	126	17,401	31,123	88,888	66,727		2,954	3,255	210,474
Subordinated debts		248	255	239	2,000	980	88	94	3,904
Technical provision of insurance companies	8	268	802	6,299	7,782	487			15,646
Provisions and other obligations						1,498			1,498
Tax liabilities						157			157
Other liabilities	1,726	1,232	261	45	90	940	4		4,298
TOTAL	**102,992**	**105,921**	**44,539**	**119,691**	**92,818**	**7,620**	**11,878**	**70,548**	**556,007**

	31/12/10					
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity
Net liquidity gap	(67,735)	(64,838)	(19,763)	(12,758)	182,785	9,372

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. This allows the presentation of the liquidity gap.

A bank uses derivatives to hedge its risks. The cash flows are therefore dependent on 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 in the table, would make the figures 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	31/12/11									
	Breakdown of gross amount and premium/discount						Accrued interest	Fair value adjust-ment	Impair-ment	Total
	At sight and on demand	Up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Undeter-mined maturity				
Cash and balances with central banks	4,196	650								4,847
Loans and advances due from banks	1,276	36,909	1,407	2,754	2,795		95	508	(17)	45,728
Loans and advances to customers	238	5,572	9,047	32,960	109,831	592	1,262	15,977	(1,928)	173,550
Financial assets held for trading		129	59	229	1,738	40	13	333		2,541
Financial assets designated at fair value	3		25	119	26		1	(26)		148
Financial assets available for sale	32	3,732	2,134	12,042	23,378	73	709	495	(2,954)	39,640
Investments held to maturity		205	76	646	177		101		(153)	1,051
Derivatives							2,475	25,823		28,298
Fair value revaluation of portfolio hedge								3,020		3,020
Tangible fixed assets						736				736
Intangible assets and goodwill						1,184				1,184
Tax assets						932				932
Other assets	197	327	123	1	1	87		3	(15)	724
Non-current assets held for sale				21	238	41		(243)		58
TOTAL CONTINUING OPERATIONS	**5,943**	**47,523**	**12,871**	**48,772**	**138,185**	**3,684**	**4,656**	**45,891**	**(5,068)**	**302,457**
Disposal groups held for sale	9,038	6,471	4,845	21,145	49,401	1,824	2,146	15,725	(294)	110,301
TOTAL	**14,981**	**53,994**	**17,716**	**69,917**	**187,586**	**5,508**	**6,802**	**61,615**	**(5,362)**	**412,759**

Liabilities	31/12/11								
	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 year to 5 years	Over 5 years	Undeter-mined maturity			
Due to banks	960	46,980	5,975	44,502	7,736		193	39	106,384
Customer borrowings and deposits	2,844	8,724	2,897	2,437	2,253		141	123	19,419
Financial liabilities designated at fair value		20	724	1,582	2,051		94	729	5,200
Derivatives							3,128	52,909	56,037
Fair value revaluation of portfolio hedge								445	445
Debt securities	2	27,193	5,855	43,088	24,310		1,090	3,749	105,288
Subordinated debts			16	252	1,365		15	42	1,691
Provisions and other obligations						332			332
Tax liabilities						192			192
Other liabilities	614	714	77	18	105	210	3		1,741
TOTAL CONTINUING OPERATIONS	**4,421**	**83,630**	**15,544**	**91,879**	**37,821**	**734**	**4,663**	**58,037**	**296,729**
Liabilities included in disposal groups held for sale	16,404	13,620	5,782	26,993	34,678	231	2,077	16,566	116,350
TOTAL	**20,824**	**97,251**	**21,326**	**118,872**	**72,499**	**965**	**6,741**	**74,603**	**413,079**

	31/12/11					
	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 from continuing operations	1,523	(36,107)	(2,673)	(43,107)	100,364	2,950
Net liquidity gap from disposal groups held for sale	(7,366)	(7,150)	(936)	(5,848)	14,723	1,593
TOTAL NET LIQUIDITY GAP	**(5,843)**	**(43,257)**	**(3,610)**	**(48,955)**	**115,087**	**4,543**

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. This allows the presentation of the liquidity gap.

A bank uses derivatives to hedge its risks. The cash flows are therefore dependent on 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 in the table, would make the figures 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.

12.7. Currency risk

	As at 31 December 2010				
	EUR	Other EU currencies	USD	Other	Total
Total assets	424,655	31,344	61,240	49,496	566,735
Total liabilities and equity	434,066	18,859	77,546	36,264	566,735
NET BALANCE POSITION	**(9,411)**	**12,485**	**(16,306)**	**13,232**	**0**

The on-balance position is hedged by derivatives, so that nearly all foreign exchange positions are closed, the main exception is the equity of DenizBank in TRY which is too expensive to hedge (interest rate spread between EUR en TRY).

	As at 31 December 2011				
	EUR	Other EU currencies	USD	Other	Total
Total assets	290,468	26,729	51,532	44,030	412,759
Total liabilities and equity	308,263	15,848	55,708	32,940	412,759
NET BALANCE POSITION	**(17,795)**	**10,881**	**(4,176)**	**11,090**	**0**

The on-balance position is hedged by derivatives, so that nearly all foreign exchange positions are closed, the main exception is the equity of DenizBank in TRY which is too expensive to hedge (interest rate spread between EUR en TRY).

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Financial statements as at 31 December 2011

Balance sheet
(before income appropriation)

ASSETS (in EUR)		31/12/10	31/12/11
FIXED ASSETS		**23,281,422,407**	**8,953,531,494**
I.	Formation expenses	4,919,173	0
II.	Intangible fixed assets	6,377,311	8,287,297
III.	Tangible fixed assets	1,572,037	1,194,522
	B. Plant, machinery and equipment	78,890	63,468
	C. Furniture and vehicles	1,373,239	1,093,598
	E. Other tangible fixed assets	119,908	37,456
IV.	Financial fixed assets	23,268,553,886	8,944,049,675
	A. Affiliated enterprises	23,267,894,073	8,943,382,069
	1. Participating interests	20,434,693,461	8,943,382,069
	2. Amounts receivable	2,833,200,612	0
	C. Other financial assets	659,813	667,606
	2. Amounts receivable and cash guarantees	659,813	667,606
CURRENT ASSETS		**116,429,193**	**529,267,007**
V.	Amounts receivable after more than one year	47,613,359	56,103,444
	B. Other amounts receivable	47,613,359	56,103,444
VII.	Amounts receivable within one year	20,239,159	443,086,502
	A. Trade debtors	3,798,773	12,770,020
	B. Other amounts receivable	16,440,386	430,316,482
VIII.	Current Investments	16,682,529	0
	B. Other investments and deposits	16,682,529	0
IX.	Cash at bank and in hand	23,801,003	27,409,434
X.	Deferred charges and accrued income	8,093,143	2,667,627
TOTAL ASSETS		**23,397,851,600**	**9,482,798,501**

SHAREHOLDERS' EQUITY AND LIABILITIES (in EUR)		31/12/10	31/12/11
Equity		**19,182,759,152**	**2,775,642,926**
I.	Capital	8,441,935,648	4,618,136,425
	A. Issued capital	8,441,935,648	4,618,136,425
II.	Share premium account	13,617,667,343	13,649,466,563
IV.	Reserves	1,190,065,552	915,156,164
	A. Legal reserve	572,934,774	437,502,626
	D. Available reserves	617,130,778	477,653,538
V.	Profit carried forward	1,121,297,209	0
V. bis.	Net income/loss (-) for the year (1)	(5,188,206,600)	(16,407,116,226)
PROVISIONS AND DEFERRED TAXES		**162,304,401**	**2,202,938,344**
VII.	A. Provisions for liabilities and charges	162,304,401	2,202,938,344
	1. Pensions and similar obligations	715,500	279,796
	4. Other liabilities and charges	161,588,901	2,202,658,548
AMOUNTS PAYABLE		**4,052,788,047**	**4,504,217,231**
IX.	Amounts payable within one year	4,042,666,513	4,494,446,067
	B. Financial liabilities	3,863,200,612	3,891,191,930
	1. Credit institutions	3,863,200,612	3,891,191,930
	C. Trade debts	50,914,316	52,967,627
	1. Suppliers	50,914,316	52,967,627
	E. Taxes, remuneration and social security	25,989,637	14,722,970
	1. Taxes	1,269,808	1,485,411
	2. Remuneration and social security	24,719,829	13,237,559
	F. Other amounts payable	102,561,948	535,563,540
X.	Accrued charges and deferred income	10,121,534	9,771,164
TOTAL LIABILITIES		**23,397,851,600**	**9,482,798,501**

(1) See note 1 to the financial statements.

Off-balance-sheet items

(in EUR)	31/12/10	31/12/11
Miscellaneous rights and commitments:		
Temporary guarantee given by the French, Belgian and Luxembourg States (1)	PM	PM
Guarantee given by the French and Belgian States for the Financial Products portfolio (1)	PM	PM
Personal guarantees given on behalf of third parties	39,450	29,700
Personal guarantees given on behalf of Dexia Funding Lux SA	500,000,000	500,000,000
Real guarantees given on own assets	14,172	16,261
Foreign currency transactions receivable (USD)		1,944,559,699
Commitment to issue shares linked to stock options (exercise price)	1,087,085,599	925,882,456
Commitment to issue shares to the Belgian and French States	PM	PM
Commitment towards Dexia Bank Nederland NV	PM	PM
Commitment towards Dexia Crédit Local NV		2,268,249,716
Commitment others (2)		PM

(1) See note 9.3.D. of the consolidated financial statements.
(2) See note 4.4. Off-balance-sheet items – Commitments.

Statement of income

(in EUR)		31/12/2010	31/12/2011
I.	Operating income	35,806,312	55,568,739
	D. Other operating income	35,806,312	55,568,739
II.	Operating charges	(183,807,548)	(149,530,803)
	B. Services and other goods	(116,537,566)	(99,570,712)
	C. Remuneration, social security costs and pensions	(59,109,038)	(49,690,341)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(6,520,382)	(6,425,130)
	F. Increase (-); decrease (+) in provisions for liabilities ad charges	(1,150,728)	6,521,477
	G. Other operating charges	(489,834)	(366,097)
III.	Operating loss	(148,001,236)	(93,962,064)
IV.	Financial income	133,864,195	99,736,322
	A. Income from financial fixed assets	37,658,336	80,470,098
	B. Income from current assets	89,382,696	4,395,959
	C. Other financial income	6,823,163	14,870,265
V.	Financial charges	(54,966,383)	(69,789,695)
	A. Debt charges	(47,051,697)	(62,574,019)
	B. Amounts written of on current assets other than stocks, current orders and receivables	0	(182,529)
	C. Other financial charges	(7,914,686)	(7,033,147)
VI.	Current profit / loss (-) before taxes	(69,103,424)	(64,015,437)
VII.	Exceptional income	64,413	5,250,000
	D. Gains on disposal of fixed assets	64,413	0
	E. Other exceptional income	0	5,250,000
VIII.	Exceptional charges	(5,191,625,699)	(16,361,457,780)
	A. Exceptional depreciation of and exceptional amounts written off on formation expenses, intangible and tangible fixed assets	(6,493)	(3,864,154)
	B. Amounts written off on financial fixed assets	(5,086,000,000)	(8,935,553,217)
	C. Provisions for exceptional liabilities and charges	(105,619,206)	(2,047,155,420)
	D. Loss on disposal of fixed assets	0	(3,705,012,615)
	E. Other exceptional charges	0	(1,669,872,374)
IX.	Profit/loss (-) for the period before taxes	(5,260,664,710)	(16,420,223,217)
X.	Income taxes	72,458,110	13,106,991
	A. Income taxes	(1,396)	(1,575)
	B. Adjustment of income taxes and write-back of tax provisions	72,459,506	13,108,566
XI.	Profit/loss (-) for the period	(5,188,206,600)	(16,407,116,226)
XIII.	Profit/loss (-) to be appropriated	(5,188,206,600)	(16,407,116,226)
	Profit brought forward of the previous period	1,121,297,209	0
	Loss (-) for the period to be appropriated	(5,188,206,600)	(16,407,116,226)
LOSS (-) TO BE APPROPRIATED		**(4,066,909,391)**	**(16,407,116,226)**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia SA presents its financial statements before appropriation. The 2011 financial year closed with a loss of EUR 16,407.10 million. There was no profit carried over from the previous period. As a result the total loss to be appropriated is EUR 16,407.10 million.

2. Annual financial statements and chart of accounts

Dexia SA, a financial firm, is a company governed by Belgian law whose financial instruments are authorized for trading in a regulated Belgian market, and it is therefore subject to the obligation to publish yearly financial statements as prescribed by the Belgian Company Code and its decree of application dated 30 January 2001.
The chart of accounts conforms in its contents, presentation, and numbering with the chart of accounts described in the Royal Decree of 12 September 1983. The items provided for in the accounting plan that do not apply to Dexia SA have been excluded.
The financial statements are presented in EUR.

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

The 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 or 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 based 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 annual rate of 20%. Following the announcement of the restructuring plan on 3 October 2011, it was decided to implement exceptional amortisation on the balance of formation expenses to ensure that they were fully amortised.

3.2.2. INTANGIBLE FIXED ASSETS (ITEM II.)

License acquisitions, external costs linked to software definition and to the development of the Dexia Group website 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 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 in order to align the accounting value of fixed assets to their utilisation value for the company to take into account their alteration or changes in 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 recorded on the balance sheet at their acquisition cost or contribution cost. Accessory acquisition fees are charged to the period of acquisition.
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. It is therefore required that their value, determined on the basis of their usefulness 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 on the balance sheet 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 accessorial acquisition costs are recorded in the statement of income of 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 carried out.
Nevertheless, own shares acquired to be cancelled are valuated at their acquisition price as they may only be destroyed with the approval of the Shareholders' Meeting.

3.3. Liabilities

3.3.1. REVALUATION SURPLUSES (ITEM III.)

Shares and participating interests 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 under this heading until the realisation of the assets concerned or their inclusion in 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 have become irrelevant.

3.3.3. DEBTS OF OVER ONE YEAR AND UP TO ONE YEAR (ITEMS VIII. AND IX.)

Debts are stated for their nominal value on the balance sheet.

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 two permanent establishments in Paris and Luxembourg.

4.1. Balance sheet total (before income appropriation)

The balance sheet total is EUR 9,482.8 million as at 31 December 2011 against EUR 23,397.9 million as at 31 December 2010, a decrease of 59%.

4.2. Assets

FIXED ASSETS

4.2.1. FORMATION EXPENSES

All expenses related to the capital increases are recorded in the assets as "Formation expenses".
Formation expenses include fees and commissions directly related to capital increases and expenses for share ownership plans of previous years aimed at all employees of the Group in the different countries in which Dexia Group is active.
Initially amortised over five years, they were, following the announcement of the structural measures concerning Dexia Group in October 2011, the object of an exceptional amortisation of EUR 3.9 million to return their book value to zero as at 31 December 2011.

4.2.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets totalled EUR 8.3 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 method over a period of three years.

4.2.3. TANGIBLE FIXED ASSETS

Tangible fixed assets which have a net book value of EUR 1.2 million have a gross acquisition value of EUR 8.5 million.
Property, plant and equipment contribute a gross acquisition value of EUR 3.3 million and are depreciated on a straight-line basis over a period of ten years.
Office and IT equipment represent a gross investment of EUR 4.7 million, depreciated on a straight-line basis at a rate of 25%.
Other tangible fixed assets involving the installation of the leased premises (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

Participation interests in affiliated companies

The item "Participating Interests" representing EUR 20,434.7 million as at 31 December 2010 is EUR 8,943.4 million on 31 December 2011.

It includes the following equity interests:

EUR 5,000.0 million:	100% of Dexia Crédit Local SA (DCL), Paris, France.

On 23 December 2011, Dexia SA increased the capital of its subsidiary Dexia Crédit Local to EUR 4,200 million with a contribution in cash. In addition, at the end of 2011, an additional impairment of EUR 5,914.8 million was recorded for Dexia Crédit Local, raising the total impairment value to EUR 9,953.8 million.

EUR 2,644.4 million:	95.39% of Dexia Participation Belgique SA, Brussels, Belgium, which owns 99.84% of DenizBank AS.
EUR 480.7 million:	99.99% of Dexia Participation Luxembourg SA, Luxembourg, which owns 42.23% of Dexia BIL.

An impairment of EUR 798.5 million was recorded for Dexia Participation Luxembourg to align its book value with the value of its shareholders' equity at 31 December 2011.

EUR 478.8 million:	57.68% of Dexia Banque Internationale à Luxembourg SA (Dexia BIL), Luxembourg.

An impairment of EUR 1,273 million was recorded for Dexia BIL to take into account its estimated sales value at 31 December 2011.

EUR 245.0 million:	49% of Dexia Asset Management Luxembourg (DAM), Luxembourg.

The sales agreement between Dexia Bank Belgium and Société fédérale de Participations et d'Investissement (SFPI), dated 20 October 2011, stated that, prior to the sale, the 49% participation of Dexia Bank in DAM would be transferred to Dexia's permanent Luxembourg establishment. At the time of the sale, the participation acquired in DAM was valued at its fair value in the Dexia SA's books to the extent that the 49% of DAM belong to the counterparty received by Dexia SA in exchange for actions of Dexia Bank.

EUR 93.0 million:	100% of Dexia Nederland BV, Amsterdam, The Netherlands.
EUR 1.5 million	99.40% of Associated Dexia Technology Services SA (ADTS), Luxembourg.
PM:	10% of Dexia Holdings Inc. (DHI), New York, USA, a holding company which owns 100% of Dexia FP Holdings, Inc.

An impairment of EUR 284.1 million was noted in 2008 on the participation interest held in Dexia Holdings, Inc.

PM:	100% of Dexia Funding Luxembourg, Luxembourg
PM:	100% of DCL Investissements, Paris, France.

Dexia purchased 100% of DCL Investissements from Dexia Crédit Local on 23 December 2011.

PM:	100% of Dexiarail, Paris, France.

On 23 December 2011, Dexia acquired 100% of Dexiarail from Dexia Crédit Local.

PM:	0.01% of Deniz Faktoring, Istanbul, Turkey.

The sale of 100% of Dexia Bank to the Belgian State via SFPI was finalised on 20 October 2011, after the transfer of 49% of DAM held by DBB to Dexia SA's permanent Luxembourg establishment, resulting in a net loss of EUR 3,705 million (see item 4.5.3.).

The valuation retained for the 2011 financial year is based on the management intention associated with the holdings:

- for holdings not intended to be sold in the short term (12 months or more), the valuation is based on the consolidated equity of those holdings, without taking account of reserves for latent gains and losses as these are intended to disappear at the maturity of the securities and related derivatives (AFS reserves and Cash Flow hedge), provided that those companies have sufficient funding to hold such securities and they can demonstrate future profit generation. Considering Dexia's specific situation, a Net Present Value (NPV) test of future cash flows has also been considered necessary;
- for companies intended to be sold in the short term, the valuation is based on the best estimate of the price to be received, knowing that the price may vary between the date of closing the accounts and finalisation of the transaction.

It is to be noted that the provision for risks and charges intended to cover the negative equity of the holding of Dexia SA in DHI is also based on the end-of-period equity and without taking account of reserves for latent gains and losses.

The following companies have been valued on the basis of their estimated sale price:

- Dexia BIL, held 57.7% directly by Dexia SA and 42.3% by Dexia Participation Luxembourg, of which it is practically the only asset with 4.6% in Dexia Participation Belgium;
- Dexia Asset Management Luxembourg, of which 51% is still held by Dexia BIL.

The following companies have been valued on the basis of their consolidated equity and an NPV test of future cash flows:

- Deniz: held via Dexia Participation Belgium;
- Dexia Crédit Local: the consolidated equity excluding latent gains and losses is more than EUR 8 billion and the updating of future cash flows, on the basis of the plan validated by the Board of Directors and submitted to the European Commission, at a rate of 4% (rate taking account of the limited risk as a consequence of the state undertakings), gives a value of more than EUR 5 billion. The hypotheses and data used for the valuation of DCL are thus similar to those used for the business plan of Dexia SA submitted to the European Commission.

The Board of Directors closed the accounts, and therefore the valuation of the companies held by Dexia SA, on the basis of information in its possession at the date of the Board meeting. The development of negotiations associated with the disposals of holdings or with the states and the European Commission (for DCL) could lead to hypotheses different from those retained by the Management Board and the Board of Directors. The principal uncertainty is associated with the valuation of DCL. If the hypotheses retained for closing the accounts were to prove materially different, a review of the valuation of DCL could lead to a value reduction which, without a shareholder decision to strengthen equity, might result in certain cases in negative equity for Dexia SA. In that case, considering the guarantees given by Dexia SA to DCL, the latter could also find itself with negative equity. In fact, although the consolidated equity of DCL is positive by more than EUR 8 billion, it is slightly less than EUR 1 billion in the accounts since the latent

losses booked as "latent gains and losses" under IFRS are booked under results in the accounts of DCL applying French standards.
The hypotheses retained for the valuation of DCL are mentioned in the part "Going concern and business plan" of the chapter Hightlights in the Management report.

Receivables on affiliated companies

This item concerns loans subordinated to Group entities.
In 2011, on the one hand Dexia Crédit Local repaid subordinated loans for the amount of EUR 650 million and USD 2,530 million (EUR 1,888.2 million) and on the other hand a subordinated loan of EUR 125 million originally granted to Dexia Bank Nederland, which was taken over by Dexia Nederland on 28 May 2010, was also repaid. Following the sale of Dexia Bank to the Belgian State, the subordinated loan of EUR 170 million to Dexia Insurance, due to be repaid in 2012, was transferred to the "Other receivables within one year" item.
In addition, Dexia SA made a contribution to its sub-subsidiary Dexia Kommunalkredit Bank AG (DKB) of EUR 39 million for lawsuits brought by clients against Dexia banka Slovensko in June 2009. An impairment of the same amount was also recorded for this debt.
Otherwise, Dexia SA paid its subsidiary Dexia Holdings Inc. USD 3,296.5 million (EUR 2,314.3 million) of which USD 2,000 million (EUR 1,404.1 million) were object of a debt waiver (see item 4.5.3. Other exceptional charges). An impairment was applied to the outstanding balance of USD 1,296.5 million (EUR 910.2 million) (see item 4.5.3. Impairment of financial fixed assets).

Other financial assets

Dexia SA paid EUR 0.7 million by way of rental guarantee for the premises located in the Dexia Tower – CBX.

CURRENT ASSETS

4.2.5. RECEIVABLES AFTER MORE THAN ONE YEAR

Other amounts receivables

Since 2002, the permanent establishment of Dexia SA in Paris has headed the tax consolidation group in France. As at 31 December 2011, the group included the following companies:

- CBX Gestion
- CBXIA1
- CBXIA2
- CLF Immobilier (formerly Dexia CLF Immo)
- CLF Marne-la-Vallée Participation
- Compagnie pour le Foncier et l'Habitat (CFH)
- Dexia Bail
- Dexia CLF Avenir
- Dexia CLF Banque
- Dexia CLF Développement
- Dexia CLF Organisation
- Dexia Crédit Local
- Dexia DS Formation
- Dexia DS Service
- Dexia Éditions
- Dexia Établissement Stable Paris
- Dexia Habitat
- Dexia Flobail
- Dexia Investissements
- Dexia Municipal Agency
- Dexia Projets
- Dexiarail
- Dexia Sofaxis
- Dexint Développement
- Floral
- Genebus Lease (formerly Dexia CLF Energia)
- Guide Pratique de la Décentralisation.

Given that the commitments made by Dexia Crédit Local and its subsidiaries allow Dexia SA, through its permanent establishment, to lock in temporary tax savings, it was agreed that the resources produced by the permanent establishment would be lent to the tax consolidation Group's subsidiaries that made it possible to realise the tax savings through advances called "tax deferred advances".
The total of tax deferred advances granted by the permanent establishment with contractual maturity after 31 December 2011 amounted to EUR 56.1 million on 31 December 2011.

4.2.6. AMOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors

The item"Trade debtors" covers commercial receivables (EUR 5.1 million) and invoices to be created (EUR 5.4 million) to be charged to subsidiaries from the Group, also receivables from outside the Group (EUR 2.3 million) for the balance.

Other amounts receivables

The permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. It is, as a result, 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 included in the tax consolidation must be paid to the permanent establishment. On 31 December 2011, the permanent establishment in Paris had a receivable of EUR 175.1 million to the French tax authorities as the lead company for French tax consolidation. Of this amount, EUR 173.3 million is the result of the allocation of losses starting in 2008 to profits from previous years. The counterparty to the EUR 173.3 million carry back is a debt to Dexia Crédit Local. As soon as it is refunded by the tax authorities, the EUR 173.3 million will be paid to Dexia Crédit Local as described in the addendum dated 13 December 2011 of the tax consolidation agreement.

The subordinated loan of EUR 170 million to Dexia Insurance has been transferred from the "Financial Fixed assets – Receivables in related companies" to "Other receivables within one year" following the transfer of Dexia Bank and its subsidiaries to the Belgian State and the repayment of this receivable outside the Group in 2012.

Dexia SA granted short-term advances of EUR 81.1 million to its subsidiaries.

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 SA, Luxembourg branch;

- Dexia Participation Luxembourg SA;
- Experta Corporate and Trust Services SA.

Also, on 31 December 2011, the permanent establishment in Luxembourg had a claim of EUR 2.8 million on the companies included in the tax consolidation in Luxembourg, which corresponds to the tax due from those companies on their share of the consolidated tax result.

The work rules state that salary is to be paid in advance. These represent a claim of EUR 1.2 million as at 31 December 2011.

The head office has withholding tax to recover (EUR 0.1 million).

4.2.7. CURRENT INVESTMENTS

Other investments and deposits

Dexia SA recorded an impairment of EUR 0.2 million on Dexia VVPR strips held in its portfolio to bring their book value to zero.

4.2.8. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 27.4 million.

4.2.9. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 1.3 million and includes rent (EUR 1 million) and also other general expenses (EUR 0.3 million).

The accrued income (EUR 1.4 million) includes proportionately:
- interest for the subordinated loan given to Dexia Bank Nederland absorbed by Dexia Nederland (EUR 0.6 million);
- commissions for counter guarantees granted to Dexia Crédit Local for Greek securities (EUR 0.3 million);
- commissions recorded at subsidiaries which have contracted issues covered by the temporary guarantee agreement granted by the Belgian, French and Luxembourg states (EUR 0.3 million);
- services rendered to other Group entities (EUR 0.2 million).

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2011, the holding company's shareholders' equity including 2011 net result before profit appropriation totalled EUR 2,775.6 million and is composed of the following items:

4.3.1. CAPITAL

The subscribed capital as at 31 December 2011 amounts to EUR 4,618.1 million against EUR 8,441.9 million on 31 December 2010.

In accordance with the decision of the Extraordinary Shareholders' Meeting of 11 May 2011, the share capital of Dexia SA was reduced by EUR 4,066.9 million to be able to pay off the loss carried over as a result of the allocation of the 2010 result.

On 14 June 2011, there was an increase of subscribed capital of EUR 243.1 million following the issue of bonus shares, as decided by the Extraordinary Shareholders' Meeting of 11 May 2011.

As at 31 December 2011, capital is thus represented by 1,948,984,474 shares of which 6,099,275 bearer shares, 1,613,465,075 dematerialised shares and 329,420,124 registered shares. The total number of Dexia VVPR strips was 684,333,504.

4.3.2. SHARE PREMIUM ACCOUNT

Each of the previous capital increases involved an issue premium so the total of these premiums amount to EUR 13,649.5 million as at 31 December 2011.

4.3.3. RESERVES AND RETAINED EARNINGS

The item "Reserves" includes the legal reserves (EUR 437.5 million) and an available reserve amounting to EUR 477.7 million.

The Extraordinary Shareholders' Meeting of 11 May 2011 decided to proceed with a reduction in capital in order to clear the loss carried forward of EUR 4,066.9 million as it appeared on the annual statements which were closed on 31 December 2010 after allocation of the result. Following this decision, the share capital of Dexia SA was reduced to EUR 4,375 million and, as a result, the Meeting decided to decrease the legal reserves of EUR 572.9 million at 31 December 2010 by EUR 135.4 million to bring them to EUR 437.5 million corresponding to 10% of the new share capital.

The available reserve was EUR 617.1 million as at 31 December 2010. The reduction of EUR 135.4 million in legal reserves was moved to the available reserve. Furthermore, the allocation of bonus shares decided by the Extraordinary Shareholders' Meeting of 11 May 2011 was realised on 14 June 2011 by incorporation of the available reserve amounting to EUR 243.1 million in the share capital and in issue premiums for an amount of EUR 31.7 million.

4.3.4. NET RESULT FOR THE YEAR

The loss for 2011 is EUR 16,407.1 million. This loss arises from the financial results (EUR +29.9 million), exceptional results (EUR -16,356.2 million) and net tax income (EUR +13.1 million) from which are deducted the holding company's net operating expenses (EUR -93.9 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Within the context of the Group restructuring, individual agreements were signed in 2010, in accordance with the collective agreements negotiated with the social partners. These agreements provide that certain employees will be exempt from future performance, with or without a proportional reduction of their remuneration. Consequently Dexia SA set aside provisions with a balance in the amount of EUR 0.3 million to cover payment of the remunerations to be paid in the context of the undertakings made.

4.3.6. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France, Dexia SA, 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 tax leverage operation carried out in France with the approval of French tax authorities. For the 2011 financial year, these operations resulted in tax savings of EUR 0.2 million in 2011 (immediate cash savings) included in the amount of EUR 12.2 million mentioned in the note 4.5.4. "Corporate Income tax", and in the creation of a provision for the same amount.
In addition, during the 2011 financial year, a recovery of provisions for risks and charges in the amount of EUR 6.2 million was carried out following the waiver of the debt of a subsidiary included in tax consolidation in compliance with the commitment initially made to it by Dexia Crédit Local (see note 4.5.2. "Financial result"). This waiver is part of a tax leverage operation approved by the French tax authorities and corresponds to previously realised tax savings. In all, these commitments amounted to EUR 0.6 million on 31 December 2011.

Considering the undertaking mentioned in note 4.4.7. and the risk of losses or charges which might arise, Dexia SA made on 31 December 2011 a provision for other risks and exceptional charges amounting to EUR 208.6 million to cover the negative shareholders' equity of Dexia Holdings Inc. and this through an additional contribution of EUR 92.6 million booked for the financial year 2011.

In 2010, Dexia SA provisioned an exceptional charge of EUR 39 million with regard to Dexia banka Slovensko. Given that in 2011 Dexia SA made a contribution to its sub-subsidiary Dexia Kommunalkredit Bank AG (DKB) of EUR 39 million for lawsuits brought by customers against Dexia banka Slovensko in June 2009 and that an impairment of the same amount was recognised for this debt, the provision of EUR 39 million funded in 2010 was reversed.

Following the restructuring plan implemented at the end of 2008, an exceptional provision of EUR 1.3 million was funded to meet legal fees.

The announcement of new structural measures concerning the Group in October 2011 led to the set-up of an exceptional provision of EUR 58.5 million to cover compensations for interruption of contracts, studies, removals, and accelerated depreciation resulting from this decision.

The permanent establishment of Dexia SA in Paris committed to counter-guarantee the commitments made by its subsidiary Dexia Crédit Local towards Dexia Kommunalbank Deutschland AG and Dexia Municipal Agency for the risks they ran as part of their exposure to the Greek debt crisis. As a result of this commitment, Dexia SA Paris established a provision for risks and exceptional charges of EUR 1,933.7 million.

In view of the above, the total provision amount for other risks and charges becomes EUR 2,202.7 million at 31 December 2011, against EUR 161.6 million at 31 December 2010.

LIABILITIES

4.3.7. AMOUNTS PAYABLE WITHIN ONE YEAR

Financial liabilities

This liability relates to short-term financing for an amount of EUR 3,891.2 million.

Trade liabilities

Suppliers' invoices not yet paid amount to EUR 8.1 million and invoices to be received EUR 44.9 million. Among trade liabilities are invoices for intercompany services for an amount of EUR 13.2 million.

Taxes, remuneration and social security

This item includes:
- VAT to be paid (EUR 0.4 million);
- professional withholding tax due (EUR 1.1 million);
- liabilities for remuneration and social contributions (EUR 13.2 million).

Other amounts payable

As mentioned, the permanent establishment of Dexia SA in Paris is the head of the tax consolidation group in France. The permanent establishment is therefore solely liable to the French tax authorities for the corporate tax and the annual lump-sum tax due by the tax group in France.
For the subsidiaries, membership in the tax consolidation group is neutral with respect to the tax situation they would be subject to if there was no consolidation. In fact, subsidiary companies must pay the corporate tax to companies within the scope of consolidation to the permanent establishment of Dexia SA in Paris. The advances paid by subsidiaries in 2011 were in excess of the estimated tax they owed the parent company. In addition, following the allocation of recent losses to the profit of previous years (carry back), the tax being recovered from the tax authorities includes a tax liability payable to the subsidiary companies of the consolidation group. The permanent establishment has therefore a liability of EUR 217.4 million to Its subsidiary companies as at 31 December 2011, of which EUR 173.3 million concerns the carry back.

On 16 December 2011, Dexia SA and Dexia Crédit Local signed an autonomous guarantee agreement with the Belgian, French and Luxembourg states. It is intended to temporary simplify the renewal of existing financing and to enable Dexia Group to meet its commitments within a very short term. This agreement provides for the payment of a commission set up to the governments that amounts to EUR 225 million and which terminates on 6 January 2012.

The balance of dividends remaining to be paid for previous financial years is EUR 93.1 million.

The remaining balance of EUR 0.1 million is related to miscellaneous liabilities due to other Group companies.

4.3.8. ACCRUED CHARGES AND DEFERRED INCOME

This item consists exclusively of expenses to be accrued as follows:
- financial charges linked to liabilities (EUR 8.8 million);
- pro rata operating expenses attributable to the 2011 fiscal year (EUR 1 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 (DSA) 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 liquidation or insolvency of DFL (or similar situations) or (iii) the redemption price in the case of purchase in accordance with the issue conditions.
Only approximately EUR 40 million nominal value is held by third parties after closing of the tender offer by DBB early 2012 and the purchase by DSA of the securities so tendered in the offering. In addition, if and when the proposal to merge DFL and DSA is approved by the shareholders' meeting of DSA, the guarantee will automatically terminate (as DSA will become the issuer).

4.4.2. As at 31 December 2011, the number of options attributed to staff and management and not yet exercised stood at 64,474,087. Taking exercise prices into account, this operation generates an off-balance sheet of EUR 925.9 million. In order to protect warrant holders against adverse economic consequences arising from the issue of bonus shares following the decisions of the Extraordinary Shareholder's Meetings of 12 May 2010 and 11 May 2011, the exercise price for the warrants has been reduced and the number of warrants increased in accordance with an adjustment ratio determined in line with the Corporate Action Policy of Euronext NYSE Liffe.

4.4.3. On 18 May 2005, Dexia SA purchased 100% of the shares of Dexia Nederland Holding NV (today called Dexia Nederland BV) from Dexia Financière SA based on 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 Dexia Bank Nederland (DBnl), should be revised upwards as a consequence in favour of DBnl.

4.4.4. On 5 December 2002, Dexia SA committed to its subsidiary Dexia Bank Nederland NV, and to each of the entities resulting from the split-up 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 meet their commitments to third parties and to continue their activities, including maintenance of their relationships 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 of 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 commitment towards 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 committed to compensate Kempen & Co for damage resulting from a limited and identified number of elements.

4.4.5. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

See note 9.3.D. of the consolidated financial statements.
Dexia SA commits itself to the issuers of guaranteed funding to collect the fee payable under the Guarantee Agreements signed at 9 December 2008 and at 16 December 2011 with the governments and for paying it to those governments.

4.4.6. DISPOSAL OF DEXIA BANQUE INTERNATIONALE À LUXEMBOURG

The Memorandum of Understanding entered into by Dexia NV/SA ("Dexia"), as seller, and Precision Capital and the Luxembourg state, as purchasers, in relation to the sale and purchase of Dexia's participation in Dexia Banque Internationale à Luxembourg ("BIL"), provides for a pre-closing restructuring and sale of certain legacy assets of BIL to Dexia or a designated affiliate. The mark-to-market value of the relevant legacy assets as per 31 December 2011 amounts to around EUR 5.5 billion. As such, the carve-out transaction and the obligation of Dexia or its designated affiliate to acquire these legacy assets is conditional upon parties agreeing on final and binding agreements in respect of the sale of Dexia's participation in BIL (and the carve-out transaction in particular) and, after execution of such final arrangements, satisfaction of all agreed conditions and covenants to closing.

4.4.7. DEXIA HOLDINGS INC.

In case of a default (payment of principal or interest) or a loss on an asset that is part of the financial products portfolio or a liquidity need, FSAM may claim under the guarantee implemented at the time of the sale of Financial Security Assurance Inc. by exercising a put option on the relevant portfolio assets on Dexia SA/DCL (acting through its New York branch). Under the current intra-group arrangements, effective as from 1 April 2011, DCL NY is counter-guaranteed by Dexia Holdings Inc. ("DHI") which has undertaken to reimburse it for any such payment made by DCL NY to FSAM. DHI's equity is, in turn, guaranteed by DCL (up to a first loss amount realised on the FP put portfolio of USD 1.45 billion) and Dexia SA (for the aggregate losses incurred in excess of such first loss amount). Any amounts so advanced by Dexia SA or DCL to DHI shall be repayable by DHI to DSA and DCL, should its financial condition allow for such repayment, first, to DSA up to the aggregate amount so advanced by DSA, and then to DCL up to the first loss amount of USD 1.45 billion.
In connection with the divestment of all FP put portfolio assets counter-guaranteed by the Belgian and French states, Dexia SA realised a loss of USD 3.3 billion. Following such divestment of the state guaranteed put portfolio assets, the above mentioned intra-group arrangement continues to apply in respect of losses realised on the FP put portfolio assets held by FSAM that are not counter-guaranteed by the above referenced state guarantee.

In relation to the abovementioned intra-group guarantee arrangement, DCL granted Dexia SA a right to purchase its share holding in DHI for an aggregate exercise price equal to the higher of (i) USD 1 and (ii) the pro rata net worth of DHI. Dexia SA's right to purchase such holding is valid for a term of 25 years.

4.4.8. COUNTER-GUARANTEE BY DEXIA SA IN FAVOUR OF DEXIA CRÉDIT LOCAL

The permanent establishment of Dexia SA in Paris undertook to counter-guarantee the commitments of its subsidiary Dexia Crédit Local to Dexia Kommunalbank Deutschland AG and Dexia Municipal Agency for certain risks run by these two entities within the context of their exposure to the Greek debt crisis. In accordance with that undertaking, Dexia SA Paris therefore made a provision for exceptional risks and charges in the amount of EUR 1,933.7 million. As a consequence of the restructuration plan of the Greek debt, the portfolio covered by the counter-guarantee has been exchanged against a new portfolio of Greek securities, at a loss. Dexia SA undertook to bear the loss thus made by Dexia Crédit Local as a result of the exchange. Moreover, Dexia SA continues to guarantee the new portfolio received in the exchange.

4.4.9. LITIGATIONS

See chapter Risk management – page 80 – in the Management Report.

4.5. Statement of income

4.5.1. OPERATING RESULT

Other operating income includes the services provided by Dexia SA during 2011 as part of its steering mission in the transformation plan implemented during the second half of 2010 (EUR 51.5 million). Also included in this item is the recover of costs from Group companies (EUR 3.7 million) as well as structural reductions regarding the professional withholding tax (EUR 0.4 million).

Services and other goods amounting to EUR 116.5 million as at 31 December 2010 fell 14.5% to reach EUR 99.6 million, which reflects again the cost reduction target set up by the Dexia Group.

This item includes fees paid to consultants, external service providers, experts, auditors and Group subsidiaries for their services, as well as compensations paid to the members of the Management Board, or EUR 55.4 million against EUR 46.6 million in 2010, corresponding to an increase of 19%. This increase is the result of the enlargement of the Management Board (+ EUR 1.3 million), an increase in the services provided to Dexia SA by other entities as part of the restructuring plan implemented during the second half of 2010 (+ EUR 5.6 million) and a slight increase in other fees (+ EUR 1.9 million).
The Dexia Corporate University, which is intended to develop top-level training programmes for members of staff of the entire Dexia Group generated a cost of EUR 0.7 million compared to EUR 1.1 million in 2010.
Other operating costs (rental of buildings, telecommunications, travel, trainings, memberships, supplies, etc.) remained stable at EUR 31.6 million against EUR 30 million in 2010.
Printing and advertising costs linked to corporate publications totalled EUR 0.2 million compared to EUR 0.7 million in 2010, whilst costs associated with the Group transformation plan are EUR 8.7 million.
Direct and indirect remuneration for directors amount to EUR 3 million.

The cost of **remunerations and social charges** decreased from EUR 59.1 million in 2010 to EUR 49.7 million in 2011, a drop of 16%. The payroll progression, result of an increase in the average number of staff directly employed by Dexia SA in 2011, following the transformation plan implemented during the second half of 2010 (366 FTE in 2011 against 301 FTE in 2010), is largely compensated by the elimination of the 2011 variables for all employees, by the recovery of the 2010 variable provision excess and by the enlargement of the management board whose compensation is stated under the "Services and other goods" item.

Depreciation on formation expenses represented EUR 2.3 million, depreciation of intangible assets EUR 3.7 million and depreciation for tangible fixed assets EUR 0.4 million.

Provisions for risks and charges are commented in note 4.3.5. "Provisions for pensions and similar obligations" and 4.3.6. "Provisions for other liabilities and charges"

4.5.2. FINANCIAL RESULT

Income from financial fixed assets consists of dividends (EUR 50 million) and interest received and earned for subordinated loans (EUR 30.5 million).

Income from current assets includes the interest generated from short-term advances granted to Dexia Crédit Local (EUR 4.2 million), from tax deferred advances (EUR 0.1 million) and cash investments (EUR 0.1 million).

Other financial income results from net foreign exchange gains of EUR 14.3 million linked to the dollar.
In addition, are the commissions of the counter-guarantee provided by Dexia SA to Dexia Crédit Local regarding the Greek risk that DCL guaranteed on behalf of its subsidiaries (EUR 0.3 million) and the commissions paid to Dexia SA for securities issued by subsidiaries and covered by the temporary government guarantee (EUR 0.3 million).

Debt charges include interest paid and due for loans and advances granted by Group entities (EUR 62.3 million) and other interest charges (EUR 0.3 million).

Impairments on current assets are related to VVPR strips in the portfolio (EUR 0.2 million).

Other financial charges includes the payment of estimated interest on arrears (EUR 0.1 million), charges linked to the quotation of the Dexia share (EUR 0.1 million), service costs related to management of actions (EUR 0.3 million), and also other financial charges (EUR 0.3 million).

There is, in addition, the debt waiver granted by the permanent establishment in Paris to a subsidiary taking part in the tax consolidation in compliance with the agreement initially subscribed by Dexia Crédit Local as the head of the tax consolidation group in France (EUR 6.2 million). This waiver, which is a part of a tax leverage transaction approved by the French tax authorities, resulted in a recovery of a provision for risks and charges for the same amount (see note 4.3.6. "Provisions for other liabilities and charges" above).

4.5.3. EXCEPTIONAL RESULT

Other exceptional income

The re-invoicing of expenses (EUR 5.3 million) incurred at the sale of subsidiaries in connection with the new structural measures announced in October 2011 is listed under the item "Other exceptional income".

Exceptional depreciation on formation expenses

An exceptional depreciation of EUR 3.9 million was carried out on formation fees in order to bring their book value to zero.

Impairment on financial fixed assets

Taking into account the rules of valuation, it was decided to perform exceptional impairments on participations in Dexia Crédit Local and Dexia Participation Luxembourg for the amounts of respectively EUR 5,914.8 million and EUR 798.5 million, in order to align their value on the consolidated shareholders' equity, excluding non-realised losses and gains, that those shares represent. Similarly, an impairment of EUR 1,273 million was recorded on Dexia BIL in order to adjust its book value to its estimated sale price.

Dexia SA made a capital contribution of EUR 39 million to Dexia Kommunalkredit Bank and, given the financial situation of it, has recorded an impairment on the claim.

With respect to the commitments established by Dexia SA in favour of Dexia Holdings Inc., and considering the current economic situation, Dexia SA recorded an impairment of EUR 910.2 million on the long-term advance granted to Dexia Holdings Inc.

Provisions for exceptional liabilities and charges

The exceptional charges include a provision for exceptional liabilities and charges of EUR 92.7 million in relation to the direct subsidiary Dexia Holdings Inc., a provision of EUR 58.5 million resulting from the new structural measures of the Group announced in October 2011 and a provision of EUR 1.3 million on legal fees.

Following the impairment of EUR 39 million recognised for the capital contribution made to Dexia Kommunalkredit Bank, the provision recorded for Dexia banka Slovensko in 2010 was reversed.

In addition, the counter-guarantee granted by Dexia SA to Dexia Crédit Local for commitments taken by it towards its subsidiaries Dexia Kommunalbank Deutschland AG and Dexia Municipal Agency subsidiaries regarding the Greek risk, gave rise to an exceptional provision of EUR 1,933.7 million.

Loss on disposal of fixed assets

As already mentioned, the sale of Dexia Bank Belgium on 20 October 2011 generated a net loss of EUR 3,705 million and this, after integration of the results generated by the prior sale by Dexia Bank Belgium of 49% of DAM to the permanent establishment of Dexia SA in Luxembourg (EUR 245 million).

Other exceptional charges

The receivable of USD 3,296.5 million (EUR 2,314.3 million) from Dexia Holdings Inc. has been the object of a waiver for USD 2,000 million (EUR 1,404.1 million).

The autonomous guarantee agreement set up on 16 December 2011 between the Belgian, French, and Luxembourg governments and Dexia SA and also DCL resulted in a set up of a commission of EUR 225 million.
The costs resulting from the sale of participations amounts to EUR 40.2 million while severance payments related to the new structural measures resulted in exceptional charges of EUR 0.6 million.

4.5.4. CORPORATE INCOME TAX

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 are considered to be an immediate gain for the financial year (EUR 0.9 million in Luxembourg and EUR 12.2 million in France).

4.5.5. LOSS FOR THE FINANCIAL YEAR

Considering the above, the 2011 financial year closed with a loss of EUR 16,407.1 million.

The 2010 financial year also closed with a loss of EUR 5,188.2 million, so it is necessary to justify application of the continuity accounting rules provided in Article 96, § 1, 6° of the Companies Code.

Dexia's 2011 annual financial statements have been prepared on a "going concern" basis and rely on a certain number of assumptions and uncertainties mentioned in the part "Going concern and business plan" of the chapter Hightlights in the Management report.

In the absence of additional corrective measures, the non-realisation of one or several of the above mentioned assumptions could impair the "going concern" status of Dexia SA and challenge the Group's liquidity and solvency situation. These assumptions rely on certain external factors beyond the control of Dexia. Their realisation remains therefore uncertain and will depend, amongst others, on the decision of the European Commission.

4.6. Statement of formation expenses

(in EUR)	Amounts
NET BOOK VALUE AS AT 31/12/10	**4,919,173**
Movements during the period:	
- new expenses incurred	1,225,187
- depreciation	(6,144,360)
NET BOOK VALUE AS AT 31/12/11	**0**
Detailing: Formation or capital increase expenses, loan issue expenses and other formation expenses	0

4.7. Statement of intangible fixed assets (licences)

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/10	**17,202,692**
Movements during the period:	
- acquisitions, including produced fixed assets	5,631,100
ACQUISITION VALUE AS AT 31/12/11	**22,833,792**
DEPRECIATION AS AT 31/12/10	**10,825,381**
Movements during the period:	
- recorded	3,721,114
DEPRECIATION AS AT 31/12/11	**14,546,495**
NET BOOK VALUE AS AT 31/12/11	**8,287,297**

4.8. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
ACQUISITION VALUE AS AT 31/12/10	**288,534**	**7,737,736**	**458,744**
Movements during the period:			
- acquisitions	316	45,979	0
ACQUISITION VALUE AS AT 31/12/11	**288,850**	**7,783,715**	**458,744**
DEPRECIATION AS AT 31/12/10	**209,644**	**6,364,497**	**338,836**
Movements during the period:			
- recorded	15,738	325,620	82,452
DEPRECIATION AS AT 31/12/11	**225,382**	**6,690,117**	**421,288**
NET BOOK VALUE AS AT 31/12/11	**63,468**	**1,093,598**	**37,456**

4.9. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES IN AFFILIATED ENTERPRISES

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/10	**25,804,839,594**
Movements during the period:	
- acquisitions	4,445,056,345
- sales and disposals	(8,997,012,537)
ACQUISITION VALUE AS AT 31/12/11	**21,252,883,402**
	Amounts
AMOUNTS WRITTEN DOWN AS AT 31/12/10	**5,370,146,133**
Movements during the period:	
- recorded	7,986,355,200
- cancelled due to sales and disposals	(1,047,000,000)
AMOUNTS WRITTEN DOWN AS AT 31/12/11	**12,309,501,333**
NET BOOK VALUE AS AT 31/12/11	**8,943,382,069**

2. AMOUNTS RECEIVABLE

(in EUR)	1. Affiliated	2. Other enterprises
NET BOOK VALUE AS AT 31/12/10	**2,833,200,612**	**659,813**
Movements during the period:		
- additions	949,198,017	7,793
- repayments	(2,891,441,814)	0
- recorded writing-off	(949,198,017)	0
- exchange differences	228,241,202	0
- others	(170,000,000)	0
NET BOOK VALUE AS AT 31/12/11	**0**	**667,606**
ACCUMULATED WRITING-OFF'S ON RECEIVABLES AT YEAR END	**949,198,017**	**0**

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)		Sub-sidiaries	Primary financial statement	Monetary unit	Capital and reserve	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	31/12/10	EUR	1,572,512	(3,470)
DCL Investissements SA – FC [1] 1, passerelle des Reflets, Tour Dexia - La Défense 2 F-92919 Paris Common shares	2,500	100.00	0.00	31/12/10	EUR	27,598	(3,765)
Deniz Faktoring – FC [1] Rihtim Caddesi - Karaköy 26 T-Istanbul Common shares	1	0.01	99.99	31/12/10	TRY	139,767,219	31,071,515
Dexia Asset Management Luxembourg SA – FC [1] Route d'Arlon 283 L-1150 Luxembourg Common shares	7,539	49.00	51.00	31/12/11	EUR	249,669,875	24,896,925
Dexia Banque Internationale à Luxembourg SA – FC [1] 69, route d'Esch L-1470 Luxembourg Common shares	1,163,720	57.68	42.23	31/12/10	EUR	2,323,167,698	129,350,630
Dexia Crédit Local SA – FC [1] 1, passerelle des Reflets, Tour Dexia – La Défense 2 F-92919 Paris Common shares	817,480,525	100.00	0.00	31/12/10	EUR	1,108,748,214	(1,530,340,831)
Dexia Funding Luxembourg SA – FC [1] 42, rue de la Vallée L-2661 Luxemburg Common shares	31	100.00	0.00	31/12/10	EUR	44,246	94,933
Dexia Holdings Incorporated – FC [1] 31 West 52nd street New York, NY 10019, USA Common shares	1	10.00	90.00	31/12/10	USD	(257,514,783)	(502,224,548)
Dexia Nederland BV – FC Piet Heinkade 55 NL-1919 GM Amsterdam Common shares	50,000	100.00	0.00	31/12/10	EUR	438,793,772	(1,924,228)
Dexia Participation Belgique SA Place Rogier 11 B-1210 Brussels BE 0882.068.708 Common shares	103,515	95.39	4.61	31/12/10	EUR	2,768,729,263	(103,874)
Dexia Participation Luxembourg SA – FC [1] 69, route d'Esch L-1470, Luxembourg Common shares	25,759	99.99	0.01	31/12/10	EUR	1,408,227,137	26,415
Dexiarail SA – FC [1] 1, passerelle des Reflets, Tour Dexia – La Défense 2 F-92919 Paris Common shares	2,500	100.00	0.00	31/12/10	EUR	28,763	(3,857)

(1) FC: foreign company

4.11. Investments: other investments and deposits

(in EUR)	Previous period	Period
Fixed term deposits with credit institutions falling due:	**16,500,000**	**0**
- within one month	16,500,000	0
Other investments	**182,529**	**0**

4.12. Deferred charges and accrued income from the assets

(in EUR)	Period
Deferred charges	1,298,002
Accrued income: Interest	693,592
Accrued income: Reinvoicing of costs	150,000
Accrued income: Commissions	526,033

4.13. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amounts (in EUR)	Number of shares
ISSUED CAPITAL AS AT 31/12/10	**8,441,935,648**	
Changes during the period:		
- capital increase due to the issuance of bonus shares	243,110,168	102,578,130
- clearance of the deferred loss	(4,066,909,391)	
ISSUED CAPITAL AS AT 31/12/11	**4,618,136,425**	

B. STRUCTURE OF THE CAPITAL

	Amounts (in EUR)	Number of shares
Different categories of shares		
- Shares without indication of nominal value, each representing 1/1 948 984 474 of the issued capital	4,618,136,425	1,948,984,474
Registered shares		329,420,124
Bearer shares and/or dematerialized		1,619,564,350

C. OWN SHARES HELD BY:

	Amount of capital (in EUR)	Number of shares
- the company itself	0	0
- its direct subsidiaries	769,380	324,633

D. COMMITMENTS TO ISSUE SHARES

	Amount of capital (in EUR)	Number of shares
Following the exercising of subscription rights		
- Number of outstanding subscription rights		64,474,087
- Amount of capital to be issued	152,803,586	
- Corresponding maximum number of shares to be issued		64,474,087

E. AMOUNT OF AUTHORISED CAPITAL, NOT ISSUED

	Amount (in EUR)
	4,618,136,425

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: 14.26%
Group Arco: 11.97%
Société de Prise de Participation de l'État (SPPE): 5.73%
Société Fédérale de Participations et d'investissement (SFPI): 5.73%
Ethias Group: 5.04%
CNP Insurances: 2.96%
Walloon Region: 2.01%
Flemish Region through Vlaams Toekomstfonds: 2.87%
Brussels-Capital Region: 0.86%

4.14. Provisions for liabilities and charges

(in EUR)	Period
Severance payments and related costs	55,500,000
Rehabilitation headquarters/moves/exceptional depreciation	3,000,000
Commitment as head of a fiscal consolidation (France)	553,073
Provision legal fees	1,300,000
Guarantees granted to DCL to cover the loss on the Greek risk public debts	1,933,657,446
Coverage negative equity of group Dexia Holdings Inc. (DHI)	208,648,029

4.15. Amounts payable for taxes, remuneration and social security

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	1,485,411
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	13,237,559

4.16. Accrued charges and deferred income in the liabilities

(in EUR)	Period
Accrued charges: interest	8,752,284
Accrued charges: general operating expense	1,018,880

4.17. 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	298,877	375,112
OPERATING CHARGES		
Employees for which the enterprise has declared a DIMONA-statement or employees recorded in the general personnel register in Belgium		
a) Total number at the closing date	359	348
b) Average number of employees in full-time equivalents	275,9	332,4
c) Number of actual working hours	415,344	486,413
Personnel charges		
a) Remuneration and direct social benefits	42,498,712	30,920,968
b) Employers' contribution for social security	9,981,878	11,378,462
c) Employers' premium for extra statutory insurance	5,592,011	6,669,391
d) Other personnel charges	737,601	721,520
e) Old-age and widow's pensions	298,836	
Provisions for pensions		
Additions (uses and write-back)	715,500	(435,704)
Provisions for liabilities and charges		
Increases	1,151,131	150,838
Decreases	403	6,672,315
Other operating charges		
Taxes related to operations	410,142	352,838
Other charges	79,692	13,259
Temporary personnel and persons placed at the disposal of the enterprise		
a) Total number at the closing date	0	0
b) Average number of employees in full-time equivalents	0.0	0.2
c) Number of actual working hours	0	347
d) Charges to the enterprise	0	11,112

4.18. Financial and exceptional results

(in EUR)	Previous period	Period
Other financial income		
Exchange differences	3,091,172	14,295,684
Other financial income	31,658	0
Interest on arrears	3,700,333	0
Commissions on counter guarantee	0	259,361
Conversion differences	0	48,547
Commissions on temporary guarantee of the States recovered from Dexia Credit Local	0	266,673
Amounts written off on currents assets		
Recorded	0	182,529
Other financial charges		
Charges linked to the payment of dividends	43,424	13,267
Exchange differences	26,005	43,284
Conversion differences	26,787	0
Other financial charges	66,863	346,943
Service costs related to the management of actions	230,842	292,609
Abandonment of liabilities	0	6,236,209
Charges in connection with the quotation of the Dexia share quota	310,458	100,835
Commission sales actions Assured Guaranty	7,210,307	0
Ventilation of other exceptional income		
Cost recovery on disposal of participations		5,250,000
Ventilation of other exceptional charges		
Expenses related to the sale of participations		40,222,748
Commission of the setting up of the temporary guarantee of the States		225,000,000
Remission of the debt towards Dexia Holdings Inc.		1,404,054,269
Dismissal fees related to the announcement of new structural measures		595,357

4.19. Income taxes

(in EUR)	Period
Income taxes of the current period:	**1,575**
a) Taxes and withholding taxes due or paid	4,489
b) Excess of income tax prepayments and withholding taxes capitalized	2,914
Impact of the exceptional results in the taxes on the profit of the year	
The exceptional income is taxable. Related to the exceptional costs are only the depreciation and other exceptional charges tax deductible	
Status of deferred taxes:	
a) Deferred taxes representing assets	749,310,044
Accumulated tax losses deductible from future taxable profits	529,080,674
Other deferred taxes representing assets	
- Surplus of revenues definitively taxed	217,253,390
- Surplus on depreciations	2,975,980

4.20. 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)	59,474	41,150
2. By the enterprise	5,427	1,729
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	11,561,898	15,161,368
2. Withholding taxes on investment income	0	0

4.21. Rights and commitments not reflected 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	2,768,279,416
Whereof:	
- Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise	2,768,279,416
Forwarded transactions	
Currencies purchased (to be received)	1,944,559,699

Information concerning important litigations and other commitments.
See note 4.4. of the annual financial statements

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 measures taken by the enterprise to cover the resulting charges.

Members of staff benefit from a supplementary retirement and survival pension scheme for wich both employees and staff premiums have been paid to a group insurance.
Some members of the Management Board also benefit from a supplementary scheme of which the contributions are paid to an external insurance company.

5. Financial relationships

5.1. Relationships with affiliated enterprises and enterprises linked by participating interests

	Affiliated enterprises	
(in EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**23,267,894,073**	**8,943,382,069**
Investments	20,434,693,461	8,943,382,069
Subordinated amounts receivable	2,833,200,612	0
AMOUNTS RECEIVABLE	**60,840,872**	**149,413,904**
After one year	47,613,359	56,103,444
Within one year	13,227,513	93,310,460
CURRENT INVESTMENTS	**16,500,000**	**0**
Amounts receivable	16,500,000	0
AMOUNTS PAYABLE	**3,877,381,011**	**1,968,427,358**
Within one year	3,877,381,011	1,968,427,358
PERSONAL GUARANTEES		
Provided or irrevocably promises by the enterprise, as security for debts or commitments of affiliated enterprises	500,000,000	2,768,249,716
FINANCIAL RESULTS (1)		
Income from financial fixed assets	37,658,336	79,388,832
Income from current assets	752,077	4,386,840
Other financial income	0	526,032
Debt charges	46,996,261	49,394,798
Other financial charges	291,705	6,609,261
GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS		
Obtained captial gains	64,412	0

(1) Includes the flows with DBB and its subsidiaries during the 9 first months of 2011.

5.2. Transactions with related parties outside of normal market conditions

In the context of the managing of a group, a parent company manages its subsidiaries by distributing the excess on equity via dividends, or by supporting those that are in difficulties. This support can be done under various forms, by capital increase or by support operations. Dexia SA has given two important guarantees to its subsidiary DCL in 2011. The first one concerns the guarantee of the equity of DHI, common subsidiary of Dexia SA and DCL. The second one concerns the counter-guarantee given to DCL which has itself guaranteed the exposure to the Greek debt of its two subsidiaries of covered bonds, DMA and DKD. DCL pays to Dexia SA a commission that is not based on the cost of the CDS (Credit Default Swap). Other explanations are mentioned on the notes "Off-balance-sheet items – commitments" and "Provisions for other liabilities and charges".

5.3. Relationships with directors and managers, individuals or bodies corporate who control the enteprise 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	3,055,845

5.4. Relationships with affiliated auditor

Remuneration of the Statutory Auditor	**285,000**
Remuneration for exceptional tasks executed within the enterprise by the Statutory Auditor	
Missions of tax advice	33,233
Other missions external to the audit	38,594

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consolidated financial statement.

7. Social report

7.1. Statement of the persons employed in 2011

A. EMPLOYEES FOR WHICH THE ENTERPRISE HAS DECLARED A DIMONA-STATEMENT OR EMPLOYEES RECORDED IN THE GENERAL 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	283.1	70.5	332.4	(FTE)	275.9	(FTE)
Number of actual working hours	473,898	12,515	486,413	(T)	415,344	(T)
Personnel charges (in EUR)	43,099,144	1,138,168	44,237,312	(T)	51,660,848	(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	278	70	326.4
b. By nature of the employment contract			
Contract of indefinite period	275	70	323.4
Contract of definite period	3		3.0
c. According to gender and by level of education			
Male :	174	37	199.7
secondary education	10	1	10.8
higher non-university education	21	4	23.6
university education	143	32	165.3
Female :	104	33	126.7
secondary education	6	2	7.6
higher non-university education	28	8	33.7
university education	70	23	85.4
d. By professional category			
Management staff	30	21	45.0
Employees	248	49	281.4

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	0.2	0
Number of hours actually worked	347	0
Charges of the enterprise (in EUR)	11,112	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 for which the enterprise has declared a DIMONA-statement or employees recorded in the general staff register during the period	40	5	43.9
b. By nature of the employment contract			
Contract for an indefinite period	38	5	41.9
Contract for an definite period	2		2.0

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise declared a DIMONA-statement or number of employees with a in the general staff register listed date of termination of the contract during the period	47	9	51.8
b. By nature of the employment contract			
Contract for an indefinite period	46	9	50.8
Contract for an definite period	1		1.0
c. According to the reason for termination of the employment contract			
Pension	1		1.0
Dismissal	9	2	10.3
Other reason	37	7	40.5
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 during the financial year to employees recorded on the staff register in belgium

Total of formal continuing vocational training initiatives for workers paid by the employer	Male	Female
Number of employees involved	112	81
Number of training hours	2,874	2,090
Costs for the enterprise (in EUR)	381,806	277,653
- whereof gross costs directly associated with the company (in EUR)	381,806	277,653
Total of less formal and informal continuing vocational training initiatives for workers paid by the employer		
Number of employees involved	89	60
Number of training hours	507	353
Costs for the enterprise (in EUR)	97,495	67,881

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, 20 March 2012

For the Management Board

Pierre Mariani
Chief Executive Officer and Chairman of the Management Board
Dexia SA

Statutory Auditor's reports

The statutory auditor's reports on the social and consolidated financial statements for the financial year ending 31 December 2011 have been appended to this annual report.

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.

Dexia’s annual report 2011 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 2011 financial year
9 May 2012

Results as at 31 March 2012
9 May 2012

Results as at 30 June 2012
3 August 2012

Results as at 30 September 2012
8 November 2012

DEXIA