FREE TRANSLATION

Société de Prise de Participation de l’État

Financial statements
for the year ended 31 December 2009

Société de Prise de Participation de l’État
(SPPE)
Head office: 139 Rue de Bercy, 75012 Paris, France
Registration number: 507 54 2652 RCS PARIS

Centre de traduction MINEIE et MBCPRE - Dossier N° 0974-10 - 13/07/2010

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BALANCE SHEET – Assets

Assets (in €'000s)	Note	Gross value at 31/12/2009	Depreciation, amortisation and provisions	Net valueat 31/12/2009	Net at 31/12/2008
Equity invest. and related receivables	3.1	1,000,000	440,000	560,000	560,000
Other fixed asset securities	3.1	6,474,228		6,474,228	10,547,261
Total non-current assets		**7,474,228**	**440,000**	**7,034,228**	**11,107,261**
Trade receivables and related accounts		31		31	6
Cash and cash equivalents	3.2	1,847,564		1,847,564	53,383
Total current assets		**1,847,595**	**0**	**1,847,595**	**53,389**
Prepaid expenses		7,560		7,560	0
TOTAL ASSETS		**9,329,383**	**440,000**	**8,889,383**	**11,160,650**

BALANCE SHEET – Equity and liabilities

Equity and liabilities (in €'000s)	Note	31/12/2009	31/12/2008
Share capital		1,000	1,000
Share premium		449,037	449,037
Retained earning and other reserves		(414,809)	
Net profit / (loss) for the year		724,356	(414,809)
Equity	**3.3**	**759,584**	**35,228**
Provisions for liabilities and charges		0	0
Provisions for liabilities and charges		**0**	**0**
Long-term financial liabilities	3.4	7,665,367	11,125,389
Trade payables and related accounts		157	33
Tax, employment and social benefit liabilities	3.5	162,525	0
Cash instruments	3.6	301,750	0
Total Liabilities		**8,129,799**	**11,125,422**
Deferred income		0	0
TOTAL EQUITY AND LIABILITIES		**8,889,383**	**11,160,650**

Income statement

Income statement (in €'000s)	**Note**	**2009**	**2008 5 months**
Revenue		0	0
Purchases and external expenses		259	29
OPERATING PROFIT		**(259)**	**(29)**
Financial incomes		986, 841	47,261
Financial expenses		99,701	462,041
NET FINANCIAL INCOME / (EXPENSE)		**887,140**	**(414,780)**
PROFIT / (LOSS) BEFORE TAX		**886,881**	**(414,809)**
Current Income tax expenses		162,525	0
NET PROFIT / (LOSS)		**724,356**	**(414,809)**

Statement of cash flows

	31/12/2009
CASH FLOW FROM OPERATIONS	887
Change in working capital requirement	162
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES	**1,049**
INVESTING ACTIVITIES	
Subscription to share capital increase (Preference Shares)	(9,800)
Refunding of Preference Shares	6,800
Subscriptions to issues of Deeply Subordinated Bonds (TSSDI)	(2,000)
Refunding of Deeply Subordinated Bonds	9,200
CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES	**4,200**
FINANCING ACTIVITIES	
Caisse de la Dette Publique loans	9,250
Payment of Caisse de la Dette Publique loans	(20,360)
Proceeds from issues of commercial paper	7,726
Payment of commercial paper	(71)
CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES	**(3,455)**
Net cash at start of year	**53**
Change in cash	1,794
Net cash at end of year	**1,847**

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1. HIGHLIGHTS OF THE PERIODR

Reminder:

Société de Prise de Participation de l'État (SPPE) was formed pursuant to Article 6 of loi n° 2008-1061 de finances rectificatives pour le financement de l'économie (the Supplementary Budget Act 2008-1061) of 16 October 2008.

The corporate purpose of SPPE, of which the French State is the sole shareholder, is to subscribe for securities issued by credit institutions that qualify as Tier 1 shareholders funds within the limit of €40bn.

Under the framework set by the European Commission, these arrangements are reserved for financially sound banks that meet the prudential rules set by the Banking Commission (*Commission Bancaire)*. These arrangements consist in sustaining the banks' lending capacity, and therefore offer them a temporarily relief from the difficulties they encounter in maintaining their capital requirements due to insufficient earnings and to the need for additional capital related to the increase in the risk of default among borrowers during deteriorating economic conditions.

SPPE was formed from a company purchased from a subsidiary of SNCF-French Railways (SAS SNCF B3), formed in July 2008. SPPE was converted to a limited liability company with a Board of Directors (*société anonyme à conseil d'administration*) at the Shareholders' General Meeting of 18 November 2008, following an increase in its capital effected by converting a shareholder advance of €450 million. 2008 was its first financial year.

The key events in 2008 were:

- 2 October 2008: the French government granted a shareholder advance of €1 billion to SPPE in October 2008, of which €450 million was converted into equity on 18 November.
- 3 October 2008: SPPE subscribed to the share capital increase of Dexia, for €1 billion in return for a 5.7% shareholding in October 2008.
- 10 December 2008: SPPE took out a bond loan for €11.1 billion with Caisse de la Dette Publique.
- 11 December 2008: SPPE subscribed to the Deeply Subordinated Bonds (TSS) (for €10.5 billion) issued by the main French banking groups and the balance of the shareholder advance was repaid to the French government.

SPPE's activities in 2009 mainly consisted of the following transactions:

- Subscription by SPPE to a second operation of funding to strengthen the banks' capital, announced on 21 January 2009, for an effective amount of €11.8 billion, breaking down to Deeply Subordinated Bonds (with the same characteristics as those already subscribed to by SPPE under the first operation) for €2 billion and Preference Shares (with no voting rights) for €9.8 billion, of which €3 billion was with share warrants attached.
- Refunding by the banks of €9.2 billion of the Deeply Subordinated Bonds subscribed to in 2008.
- Refunding of the Preference Shares by BNP Paribas and Société Générale in 2009 (on 28 October 2009 and 4 December 2009).
- Issue by SPPE of bonds to CDP to cover the financing needs of the second operation of the banks' issues at the beginning of 2009 for a total of €9.250 billion.
- Payment of all the CDP loans on 4 December 2009.
- Issue of short-term bonds by SPPE, in the form of commercial paper from November 2009 onwards for a total of €7.7 billion.

2. ACCOUNTING POLICIES AND METHODS

Preamble

The information below forms an integral part of the annual financial statements approved by the Board of Directors on 26 March 2010.

The financial year covers the twelve months from 1 January 2009 to 31 December 2009. This was the Company's second financial year.

The previous financial year covered the 5 months from 28 July 2008 to 31 December 2008.

2-1 Accounting rules and methods

The generally accepted accounting principles (French Commercial Code R. 123-180 and PCG Article 531.1) have been applied, complying with the principle of prudence, and in accordance with the fundamental assumptions:

- consideration of the enterprise as a going concern;
- consistency of method from one period to the next;
- accruals and matching.

The historical cost method has been used as the standard method for measuring items recorded in the accounts.

2-2 Non-current assets

Non-current financial assets

Equity investments recorded in the balance sheet are stated at cost, less any impairment losses recognised for the difference.

An impairment loss is recognised when the value in use of an investment is less than cost. At any date other than the initial acquisition date, equity investments, whether listed or not, are measured at their value in use, representing the amount that the entity would be willing to pay to obtain this investment if it had to acquire it.

The following factors may be taken in account in making such an estimate, provided they do not change because of accidental circumstances: profitability and prospects for profitability, equity, prospects for realisation, the economic situation, average market price in the preceding month together with the assessment factors underlying the original transaction.

Other non-current financial assets are recognised at acquisition cost. If their value is less than their historical cost, an impairment loss is recognised.

2- 3 Current assets

Trade receivables

Trade receivables and related accounts are stated at their nominal value. A provision for impairment is recognised when recovery is considered uncertain..

Cash and cash equivalents

Cash and cash equivalents are carried at cost. When their recoverable amount exceeds cost, it cannot be reported in the balance sheet. On the contrary, when their recoverable amount is less than cost, an impairment loss is recognised for the difference.

2- 4 Provisions for liabilities and charges

Provisions for liabilities and charges are estimated on the basis of the information available to the Company at the balance sheet date.

A liability is a component of an entity's net assets that has a negative economic value for the enterprise; i.e. it is an obligation of the entity to a third party that it is probable or certain will result in an outflow of resources to this third party, without an expected inflow that is at least equivalent. Overall, these items are designated external liabilities.

This obligation may be legal, regulatory or contractual. It may also derive from an established pattern of past practice, published policies or sufficiently explicit public statements by which the entity has indicated to other parties that it will assume certain responsibilities.

The third party may be a natural or legal person, whether identifiable or not.

The liability is measured at the amount of the outflow of resources that the entity must bear to settle its obligation to the third party.

Any related asset recognised represents the economic benefits that the entity expects from the third party to which it has an obligation.

2- 5 Financial debt

Commercial paper is mainly issued in foreign currency (USD and CHF) and is recorded under liabilities in the balance sheet in euros at the nominal value at the forward hedge rate, interest having been deducted. Commercial paper is hedged by a euro swap as soon as it is issued for the total of the nominal plus interest. Interest is calculated *prorata temporis* over the maturity period of the paper issued, at the contractually defined rate.

As mandated by SPPE, Agence France Trésor (AFT) makes margin calls to hedge the depreciation of its open market position. This guarantee serves to cover the unwinding of the hedge in the event of the banking counterparty failing to meet its obligations. The collateral is calculated daily for each counterparty. It may be a credit or debit and is recorded under cash instruments in the balance sheet. A credit balance on the financial instrument account corresponds to an unrealised gain on hedges. The opposite entry of cash received is recorded in the cash instrument suspense account under liabilities.

2- 6 Financial income

Preference shares

As the payment of preference dividends remains conditional on a Shareholders’ General Meeting being held and a dividend on ordinary shares being paid, dividend income is linked to the financial year in which the decision is taken by the Shareholders’ General Meeting.

In the event of Preference Shares being bought back, this income is then considered as earned and is recorded in profit or loss in the period when the shares are bought back.

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 Financial assets

(in €'000s)	GROSS VALUE			
NON-CURRENT FINANCIAL ASSETS	**31/12/2008**	**Increase**	**Decrease**	**31/12/2009**
Equity investments	1,000,000			1,000,000
Other fixed asset securities	10,500,000	11,974,228	16,000,000	6,474,228
including other loans	10,500,000	2,000,000	9,200,000	3,300,000
including fixed asset securities		9,800,000	6,800,000	3,000,000
including other fixed asset receivables		174,228		174,228
TOTAL	**11,500,000**	**11,974,228**	**16,000,000**	**7,474,228**

(in €'000s)	IMPAIRMENT			
NON-CURRENT FINANCIAL ASSETS	**31/12/2008**	**Write-downs**	**Reversal**	**31/12/2009**
Equity investments	440,000			440,000
Other loans	0			
Fixed asset securities				
TOTAL	**440,000**	**0**	**0**	**440,000**

(in €'000s)	NET CARRYING AMOUNT			
NON-CURRENT FINANCIAL ASSETS	**31/12/2008**	**Increase**	**Decrease**	**31/12/2009**
Equity investments	560,000			560,000
Other fixed asset securities	10,500,000	11,974,228	16,000,000	6,474,228
including other loans, for	10,500,000	2,000,000	9,200,000	3,300,000
including fixed asset securities, for		9,800,000	6,800,000	3,000,000
including other fixed asset receivables, for		174,228		174,228
TOTAL	**11,060,000**	**11,974,228**	**16,000,000**	**7,034,228**

3.1.1 Shareholdings

The line item Equity investments comprise 101,010,101 shares in Dexia, representing 5.7% of that company's share capital. The French State has one seat on the Board of Directors of Dexia.

An impairment loss was recognised in respect of these shares at 31 December 2008.

The method of measuring shareholdings has remained unchanged at 31 December 2009. It consists in determining a standard result for 2010, in discounting the flow of distributable profits (surplus equity) and in calculating an exit value on the basis of a medium to long-term shareholding period that is credible in view of SPPE's missions.

For 2009, the discounted cash flow measurement method resulted in a valuation of €6.26, using a discount rate of 12%. The impact of an increase or decrease of one percentage point in the discount rate would be approximately €30 million, or €0.30 per share.

At 31 December 2009, the spot market price of Dexia shares was €4.46, and the 30-day average was €4.79. These prices continue to be lower than the value obtained by the DCF method. Given the above, the risks of stronger regulatory constraints and the uncertainties regarding toxic loans, the value of the share has been maintained at the same value as in the previous reporting period, i.e. €5.6.

On this basis, the impairment provision of €440 million has been maintained in the financial statements at 31 December 2009.

3.1.2 Other fixed asset securities

The line item *Other loans* comprises the Deeply Subordinated Bonds and breaks down as follows:

Beneficiary financial institutions	Subscription / refunding date	Amounts paid in the 1st operation in 2008 (in €'000s)	Amounts paid in the 2nd operation in 2009 (in €'000s)	refunded in 2009 (in €'000s)	Balance at 31/12/2009 (in €'000s)
BNP Paribas	11/12/2008	2,550,000			
	31/3/2009			2,550,000	0
Société Générale	11/12/2008	1,700,000			
	4/11/2009			1,700,000	0
Crédit Agricole	11/12/2008	3,000,000			
	27/10/2009			3,000,000	0
Banque Fédérative du Crédit Mutuel	11/12/2008	1,036,000			
	1/10/2009			1,036,000	0
Cie Financière du Crédit Mutuel	11/12/2008	164,000			
	1/10/2009			164,000	0
Caisses d'Epargne	11/12/2008	1,100,000			**2,100,000**
	26/6/2009		**1,000,000**		
Banques Populaires	11/12/2008	950, 000			
	12/11/2009			750,000	**1,200,000**
	26/6/2009		**1,000,000**		
Total other loans		**10,500,000**	**2,000,000**	**9,200,000**	**3,300,000**

The first operation was drawn in 2008, and benefited BNP Paribas (€2.55 billion), Société Générale (€1.7 billion), Crédit Agricole (€3 billion), Caisses d'Epargne (€1.1 billion), Banques Populaires (€0.95 billion) and Crédit Mutuel (€1.2 billion). This operation represented an increase of 0.5% in each beneficiary bank's capital ratio. These Deeply Subordinated Bonds are undated bonds, paying interest at a fixed rate for five years, then at a floating rate. They rank immediately below ordinary shares. The Deeply Subordinated Bonds include an arrangement for the absorption of losses including by the principal under continuing operations. For prudential purposes, these Deeply Subordinated Bonds are classified as non-innovative hybrid instruments subject to a limit of 35% of bank's core capital. A mechanism for the payment of a premium on the nominal amount (add-on), favourable to SPPE in the event of disposal or redemption, has been introduced in order to encourage SPPE's rapid exit from the banks' equity. On average, these Deeply Subordinated Bonds yielded 8.3%.

In 2009, €9.2 billion of this first operation was refunded.

A second operation of funding to strengthen the banks' capital was announced on 21 January 2009, for an effective amount of €11.8 billion. To take part in this operation, the banks had a choice of issuing either Deeply Subordinated Bonds (with the same characteristics as the Deeply Subordinated Bonds already subscribed to by SPPE under the first operation, before 31 August 2009) or non-voting Preference Shares. The beneficiary banks could also convert the Deeply Subordinated Bonds from the first operation into non-voting Preference Shares.

Caisses d'Epargne and Banques Populaires elected to issue Deeply Subordinated Bonds for €1 billion.

On 31 March 2009, BNP Paribas received €5.1 billion from Preference Shares subscribed to by SPPE under this second operation corresponding to:

- the replacement of €2.55 billion of Deeply Subordinated Bonds subscribed to by SPPE under the first operation redeemed by BNP Paribas;
- the allocation of €2.55 billion of Preference Shares under the second operation.

Lastly, Société Générale and the Banque Populaire–Caisse d'Epargne group elected to issue Preference Shares for €1.7 billion and €3 billion with share warrants. Movements during the period break down as follows:

Beneficiary financial institutions	Subscription / redemption date	Amounts paid (in €'000s)	Redeemed (in €'000s)	Balance at 31/12/2009 (in €'000s)
BNP Paribas	31/3/2009	5,100,000	0	
	28/10/2009	0	5,100,000	0
Société Générale	28/6/2009	1,700,000	0	
	4/11/2009	0	1,700,000	0
BPCE (since 31 July 2009)	31/7/2009	2,999,935	0	
	31/7/2009	65	0	3,000,000
Total fixed asset securities		**9,800,000**	**6,800,000**	**3,000,000**

At 31 December 2009, the balance of Preference Shares was €3 billion, all issued by BPCE, represented by 6,433,653 Preference Shares and 6,498,372 share warrants.

Financial income in respect of 2009 on Preference Shares in Société Générale and in BNP Paribas amounted to €285.6 million at 31 December 2009.

3-2 Cash and cash equivalents

Cash and cash equivalents are solely cash at bank. Cash and cash equivalents shown in the cash flow statement comprise the following amounts in the balance sheet:

(in €'000s)	31/12/2009	31/12/2008
Cash	1,847,564	53,383
Cash and cash equivalents	**1,847,564**	**53,383**

3-3 Changes in equity

(in €'000s)	Position at 31/12/2008	Change in reserves	Change in share capital	Profit or loss for the year	Appropriation of previous-year profit or loss	Position at 31/12/2009
Share capital	1,000					1,000
Share premium	449,037					449,037
Unappropriated profit or loss	0				(414,809)	(414,809)
Profit / (loss) for the period	(414,809)			724,356	414,809	724,356
EQUITY	**35,228**	**0**	**0**	**724,356**	**0**	**759,584**

SPPE's equity amounted to €759,584 thousand at 31 December 2009.

In accordance with the decision by the Board of Directors on 14 May 2009, the loss recorded in 2008 of €414,809 thousand was taken to unappropriated profit or loss.

3-4 Financial loans

(in €'000s)	NET VALUE			
	31/12/2008	**Increase**	**Decrease**	**31/12/2009**
LOANS FROM FINANCIAL INSTITUTIONS				
CDP loans	11,110,000	9,250,000	20,360,000	0
Other loans	0	7,665,455		7,665,455
TOTAL	**11,110,000**	**16,915,455**	**20,360,000**	**7,665,455**

The €11.1 billion bond issue to Caisse de la Dette Publique (CDP) in 2008 was refunded in full in 2009. SPPE also made other bond issues subscribed to by Caisse de la Dette Publique during 2009 for a total amount of €9.250 billion. These were redeemed in full on 4 December 2009.

The table below shows all the movements on loans taken out with Caisse de la Dette Publique in 2008 and 2009. The balance at 31 December 2009 was zero.

<u>Summary of loans from CDP (in euros)</u>

Date of loan	Amount borrowed	Amount repaid on 2/10/2009	Amount repaid on 4/12/2009	Balance at 31/12/2009
10/12/2008	*11,110,000,000*	*1,200,000,000*	*9,910,000,000*	*0*
30/3/2009	2,550,000,000		2,550,000,000	0
27/5/2009	1,700,000,000		1,700,000,000	0
25/6/2009	2,000,000,000		2,000,000,000	0
30/7/2009	3,000,000,000		3,000,000,000	0
Total	**20,360,000,000**	**1,200,000,000**	**19,160,000,000**	**0**

Interest paid to CDP in respect of these loans amounted to €96,631 thousand in 2009, compared with €15,388 thousand in 2008.

Other loans amounted to €7.665 billion at 31 December 2009 and related to issues of commercial paper. Issues of commercial paper started in November 2009. The commercial paper foreign currency exchange rate risk exposure is contractually 100% hedged.

3-5 Asset and liability accrual and deferral accounts

Deferred expenses		
(in €'000s)	**31/12/2009**	**31/12/2008**
Financial liabilities	3,025	15,388
Trade payables and related accounts	63	30
Deferred expenses	**3,088**	**15,418**

Accrued interest not matured in 2009 related to issues of commercial paper. For the record, deferred expenses in 2008 related to interest due by SPPE under the bond loan from CDP. This was redeemed in full on 4 December 2009.

Accrued income		
(in €'000s)	**31/12/2009**	**31/12/2008**
Other loans	174,228	47,261
Accrued income	**174,228**	**47,261**

Accrued income relates to interest receivable in the period on the Perpetual Deeply Subordinated Bonds and Preference Shares issued by the main French bank groups and subscribed to by SPPE. This interest is payable in arrears (see 2.2 Accounting policies and methods).

In respect of 2009, accrued income mainly comprises interest on the Perpetual Deeply Subordinated Bonds for €92.6 million and Preference Shares for €81.6 million.

It should also be noted that trade payables are due within 60 days at 31 December 2009.

3-6 Tax position

The 2009 result was an accounting profit of €886,881 thousand, against which the loss of €414,809 thousand incurred in the Company's first tax year is set. The 2009 income tax expense, calculated using a 34.43% rate (including the Social Contribution on Profits), was as follows:

Tax computation	
Current year profit before tax	886,880,654.75
2008 carryforward tax loss	(414,809,355.27)
Taxable profit	*472,071,299.48*
33.33%	(157,357,099.83)
"Social contribution"	(5,167,605.29)
2009 income tax	**(162,524,705.12)**

3-7 Financial income

(in €'000s)	
Financial income	
Interest on Perpetual Deeply Subordinated Bonds	700,021
Interest on Preference Shares	285,602
Interest on interest-bearing accounts	1,217
Interest on margin calls	0
Total financial income	***986,841***
Financial expenses	
CDP interest	96,631
Interest on commercial paper	3,070
Miscellaneous	0
Total financial expenses	**99,701**
Net financial income / (expense)	***887,140***

4. OFF-BALANCE SHEET COMMITMENTS

4- 1 Commitments received

By an Order dated 12 August 2009, the French State guaranteed the debt securities issued by SPPE under its multi-currency commercial paper programme.

The State's independent, unconditional and irrevocable guarantee at first request is given for debt securities of any nature with a maximum term of 397 days issued by SPPE at the latest on 30 June 2012 under its multi-currency commercial paper programme, for an aggregate amount outstanding of €20 billion in principal or its equivalent amount in any currency in which securities are issued, plus interest and ancillary expenses.

4- 2 Commitments made

None

5. OTHER DISCLOSURES

5- 1 Shareholdings

	Equity attributable to owners including profit or loss for the period (in € millions)	Percentage equity held at 31 December 2009	Carrying amount of shares held	Net income (in € millions)	Profit or loss of last period closed
DEXIA	10,182	5.70%	560,000	6,163	1,010

5- 2 Average number of employees

SPPE has no employee.

5- 3 Remuneration paid to members of governance and management bodies

No remuneration was awarded to the directors and executive officers of SPPE.

5- 4 Combined financial statements

The financial statements of SPPE are combined with the financial statements of the French Government Shareholding Agency (Agence des Participations de l'État).

5- 5 Post-balance sheet events

On 22 March 2010, the Perpetual Deeply Subordinated Bonds issued by CNCE (now known as BPCE) and subscribed to by SPPE on 26 June 2009, were redeemed in full. In accordance with Article 3.1 of the subscription agreement, the redemption price is equal to the sum of the nominal of the securities (€1,000,000 thousand) and accrued interest of €61,612 thousand.

Lastly, at the beginning of 2010 the BPCE Group announced its intention of redeeming the Preference Shares and Deeply Subordinated Bonds in full by the end of the 2013 financial year.