

Good governance

In order to fulfill the expectations of its shareholders, investors and clients in terms of transparency and financial information, Dexia Group's responsibility policy has established its own good governance objectives taking into account best corporate governance practices, deontology, risk management and auditing practices.





Corporate governance

Corporate governance aims at achieving optimum functioning of corporate bodies and establishing balanced management of the company and at guaranteeing transparency and sufficient information in terms of development. Corporate governance is therefore all those processes that articulate powers and counter-powers mainly at the levels of the Management Board and of the Shareholders' Meeting.

Deontology and compliance

Compliance is an independent function that provides for and participates in the compliant implementation of internal methodologies and processes in line with regulations. It e.g. covers areas like professional deontology, corporate governance, insider training prevention, money laundering and fraud prevention.

Risk management

Risk management aims, first, at identifying all risks to which the organization is exposed before looking for those measures needed with objectiveness and ranking them. Their evolution is monitored and controlled, whilst taking induced costs into account.

Audit

Internal audit is an independent function whose mission is to review and assess the general management of those risks inherent to the company's activity and its organization and functioning in order to ensure their efficiency.

Corporate governance

The rules applied by Dexia in the area of corporate governance are being described in details in the annual report as well as on the Dexia website. Dexia Group's management and monitoring are described on both formats in a fully transparent way.

The Belgian code of corporate governance

The Corporate Governance Committee was set up at the end of 2003 by the Banking, Finance and Insurance Commission, the Federation of Enterprises in Belgium and Euronext Brussels in order to draft a Belgian reference code on corporate governance. At the end of a public

consultation, the Corporate Governance Committee published on December 9, 2004, the final version of the Belgian code for corporate governance – the Code, as we call it.

The Code replaces those recommendations formulated by the Banking, Finance and Insurance Commission, the Federation of Enterprises in Belgium and Euronext Brussels. It came into force on January 1, 2005 for listed Belgian companies.

Dexia intends to respect the nine principles established by the Code which is the pillar of corporate governance. A specific information item will be put on the agenda of the Dexia SA Ordinary Shareholders Meeting to be held on May 11, 2005. Moreover, Dexia will also release, on its

website, by January 1, 2006 at the latest, its "Corporate Governance Charter".

At its February 3, 2005 meeting, the Dexia SA Management Board decided to create in its midst a corporate governance committee in charge of reflecting upon some issues in the area of corporate governance.

Role, membership and functioning of the Board of Directors

■ The Management Board identifies the **strategic goals** and the **general policy** of the company and the Group. It checks and guides corporate management. It appoints the members of the steering committee, approves of those means needed to reach the strategic goals defined, sees to the implementation of the company's management and control program and reports back to shareholders.

■ The Board of Directors has **19 members**. It met seven times in 2004. The attendance rate of board members was at 81.7% for the period.

■ Dexia's Board of Directors is the reflection of the Group's **European identity**: i.e. five nationalities are represented at Board level. Its composition also respects the French and Belgian statutory nature of Dexia. Indeed, the Board has as many Belgian members as it has French members. And each nationality represents at least one third of the Board.

■ In order to provide for the true credibility of the **independence criteria** it intends to apply to its members, the

Relations with shareholders

Dexia pays attention to the quality of its shareholder relations, be it with individual or with institutional shareholders. Such relations are a significant challenge for the Group that is keen on strengthening dialogue at all times and on establishing a transparent attitude. Dexia developed with its shareholders a rigorous, regular and interactive information system. The system is being described in the annual report.

9

independent directors on a total of 19 directors as at December 31, 2004.

5

nationalities are represented within the Board of Directors of Dexia SA.

Board of Directors decided at its February 5, 2004 meeting to apply strict independence criteria based upon Article 524 of the Belgian company code as well as those governance principles recommended by the Bouton report. Such criteria are described in greater details in the annual report under "Accounts and reports". Given the use of such criteria, the Board has now 9 independent members out of the 19; the procedure was introduced.

■ Dexia's Board of Directors created in its midst **4 specialized committees**.

The role of these committees is advisory and allows the Board of Directors to fully use the skills of each member by entrusting him with specific missions.

■ Dexia's Board of Directors has **a single executive officer**, Pierre Richard – Chief Executive Officer and Chairman of the Management Board.

■ A strict **split has been established** between the functions of Chairman of the Board and Chief Executive Officer. Indeed, both jobs must necessarily be entrusted with two different people from two different countries.

■ The **internal rules of procedure of the Board of Directors** that give a detailed codification of applicable rules aim at allowing the Board to fully exploit its skills and to strengthen the efficiency of the contribution of each Board member.

■ The internal rules of procedure say that the Board must carry out

a **self assessment** of its operation every year. The 2004 self-assessment allowed getting a satisfaction rate of 87% for the Board of Directors with regards to the questions asked. This rate is deemed very positive. In 2003 the satisfaction rate was at 82%.

■ The **wages** of the CEO and the Board members are also fully transparent. The annual report provides all individual data for the CEO and for each Board member.

For additional information on "corporate governance", please refer to the Annual Report.



Deontology, risk management and audit

The internal governance framework defined by the Group in the areas of deontology, risk management and audit, allows fulfilling expectations in terms of transparency and financial communication to clients, investors and shareholders.

Deontology and compliance

Since its creation in the beginning of 2003 the deontology and compliance function widely developed at Dexia Group and now has a large margin for maneuver. Built as a team of specialists, the function is working in close cooperation with the deontology and compliance teams of each of the three operational entities of the Group. In 2004, 150 persons took part in the compliance function compared with 120 persons in 2003.

_Principles

Dexia Group's integrity policy is based upon the following principles:

- applying the same ethics and deontology principles to all Dexia entities;
- respecting laws and regulations at both national and international levels;
- promoting transparency and trust vis-à-vis clients, employees and shareholders;
- defining a fraud, asset abuse, evasion or information/procedure violation culture in the company;
- having an honest attitude e.g. in case of financial market operations or information supply.

Within the framework of the struggle against money laundering and against the financing of terrorism, Dexia applies the toughest international standards. Dexia more precisely adheres to the recommendations of the FATF (Financial Action Task Force on Money Laundering), to the Wolfsberg principles on private and corresponding banks. Such principles are strengthened by the setting up of joint prevention, follow-up and surveillance tools. Hence, in 2004 the Group adopted a new joint transaction analysis software to struggle against money laundering and against the funding of terrorism – software called ERASE – as well as a code of conduct particularly dedicated to the private banking activity and applicable at international level.

_Organization

The mission of the *Chief Compliance Officer* and of *Compliance officers* is to check the effective respect of the Group's integrity rules. In order to fulfill their missions the officers can refer back to two tools: on the one hand, the **Compliance Charter** that defines the function's status and missions as well as its organization, its powers and its duties, and on the other, the Group's **Code of Ethics** approved by all of its entities that defines those rules applicable to all employees. Ethical values and deontological best practices deal e.g. with the prevention of insider trading and with the standardization of Dexia share

operations by Dexia employees for themselves.

The main compliance officers regularly meet regulators and control authorities of the different countries where Dexia Group is active in order to list and apply best deontology practices.

For additional information on "Deontology", please refer to the Annual report.

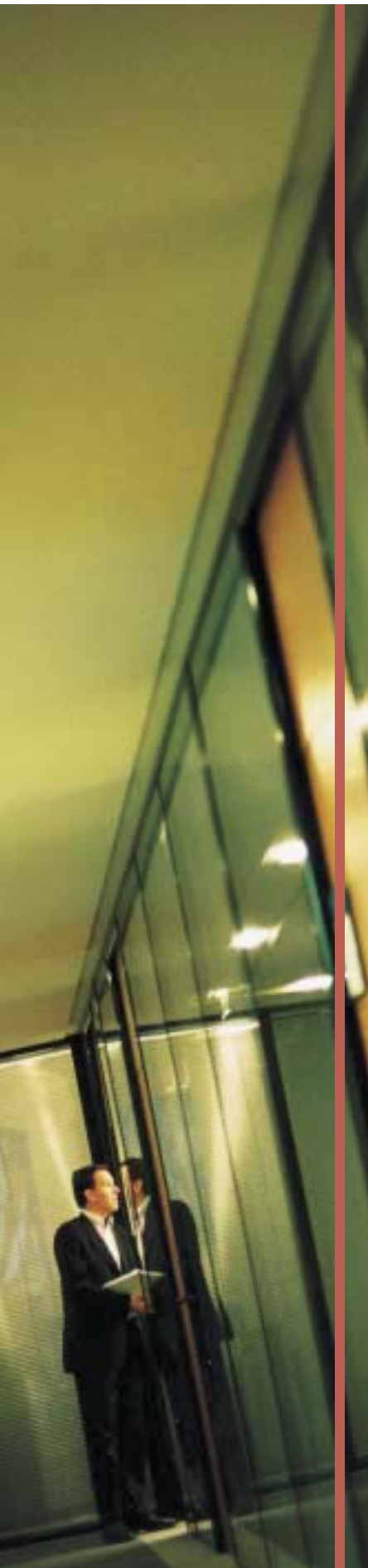
Risk management

■ Taking sustainable development into account in risk management moved to another concrete level in 2004 with the systematic recording of information on operational losses and incidents imposed by the Basel II agreement. Seven categories of events must be recorded including two directly linked to the issue of sustainable development:

- Situations where the social legislation in place was not respected;
- Cases where the bank did not respect its professional obligations towards a client or a professional third party.

The analysis of incidents collected in both categories systematically leads to the defining of corrective action where possible in order to avoid the same problem in the future.

■ The analysis of past events will be doubled – as of 2005 – by an analysis of events that might significantly impact the Group; this analysis will be done through the mapping of operating risks activity by activity. The same categories of potential events will be taken into account and should therefore allow to



better understanding risk specifically linked to the lack of respect of the social and environmental challenges in all of the Group's essential activities.

For any additional information on risk management, see the Annual Report.

Internal audit

Internal audit is a direct and indirect stakeholder in sustainable development through its contribution to improving operating risk management. Sustainable development is part of some internal audit procedures e.g. environmental risk that is linked to the financing activity. Moreover, in all its missions, audit makes sure that compliance rules are respected. In FY 2004 the Group's audit department launched a mission on the issue of sustainable development and on the quality of the data communicated by Dexia in this field. Headcount of the internal audit and inspection department of Dexia is about 200.

For additional information on audit, see the Annual Report.

_ GUIDELINES FOR PROJECT FINANCING

In 2004, Dexia strengthened the implementation of the Equator Principles (EP) it adhered to in 2003. The rules, the purpose of which is to better manage environmental and social challenges relating to the financing of projects from USD 50 million upwards, were drawn up by a group of banks on the basis of the criteria of IFC (International Finance Corporation), a World Bank subsidiary. 70% of the projects approved by Dexia in 2004 concerned Europe. Their main sectors of activity were infrastructure (57% of the projects, among which 20% pertain to the health sector) and energy (39% of the projects, among which 15% pertain to oil and gas). All projects considered as having a potential impact on environment were put in category B and were subject to the required research and consultation.