

Expertise

A hand holding a credit card in front of a city skyline at night. The card is held in the foreground, and the background shows a dense urban landscape with illuminated skyscrapers under a dark blue sky. The word 'Expertise' is written in large white letters at the top of the image.

Expertise is a core value in Dexia's business plan. The Group has developed specific know-how to ensure excellence in its highly specialized activities. Dexia's expertise has gained worldwide recognition, particularly in financing



for local public-sector organizations and investment fund administration. Dexia's teams apply this expertise by developing synergies among the Group's different line (business lines).

Investment Management Services

Professionalism and Discer



Dexia has progressively affirmed its position as a major participant in the market for Investment Management Services in Europe. This status has been achieved through the strategic acquisition of specialized companies, a systematic search for synergies as well as organic growth in business. Dexia develops products and services adapted to the needs of its customers in private banking, asset management, investment fund administration and equity-related activities.

- **Assets under management:**
EUR 82.8 billion (+ 48.1%)
- **Total private banking client assets:**
EUR 37.5 billion (+ 22.2%)
- **Capital managed as a custodian bank:**
EUR 99.7 billion (+ 1.8%)⁽¹⁾

(1) Excluding Artesia BC.



Investment

① Strategy

In light of demographic trends in Europe and the expected development of pension funds, Investment Management Services show strong growth potential in the coming years. Dexia has anticipated this trend and, in the last few years, has made crucial acquisitions in this sector. Today, the Group ranks among the main European players in the field. Dexia has a strong position in Luxembourg in private banking. The Group aims to strengthen its presence in other European countries, especially Belgium, France and the Netherlands. In this business line, the strategy is based on multi-channel distribution, as is the case in Luxembourg and France, and on targeting high net worth clients.

Coordinated by Dexia Asset Management, asset management activities have significant growth potential as the Group works to enhance fund performance.

Dexia is determined to remain a leader in Europe in investment fund administration, a position it acquired through its predominance in the Luxembourg market, Europe's largest financial center for this business line.

Under the name Dexia Securities, the Group is developing equity-related activities involving advisory and brokerage services in European equities.

Subsequent to the transaction, the shareholders of Fortior Holding are Banco Popular, Dexia BIL and the founding shareholders. This agreement will enable the three Groups to exploit synergies in private banking, financial advisory services and asset management.

March 2001

Through Dexia BIL, Dexia acquired 100% of the Financière Opale Group in France. Financière Opale is composed of several companies, the largest being is ODB Equities. Now Dexia Securities France, this firm offers its institutional clients equity and derivative brokerage services, as well as equity research and analysis services.

April 2001

Prigérance 2, a subsidiary of Dexia Banque Privée France, became Dexia Fund Services France. An investment fund administration company, it is specialized in the administrative, legal and accounting management of mutual funds.

May 2001

Dexia announced its takeover bid, via Dexia BIL, of 100% of the shares of Kempen&Co listed on the Euronext Amsterdam exchange. Kempen&Co is a recognized player in asset management, private banking, brokerage and commercial banking in the Netherlands.

July 2001

Dexia's takeover bid for Kempen&Co met with success. Dexia now owns 99.98% of the capital of Kempen&Co.

August 2001

Through Dexia BIL, Dexia acquired Ely Fund Managers in the United Kingdom. Ely Fund Managers manages assets for high net worth individuals, family trusts, charities and pension funds.

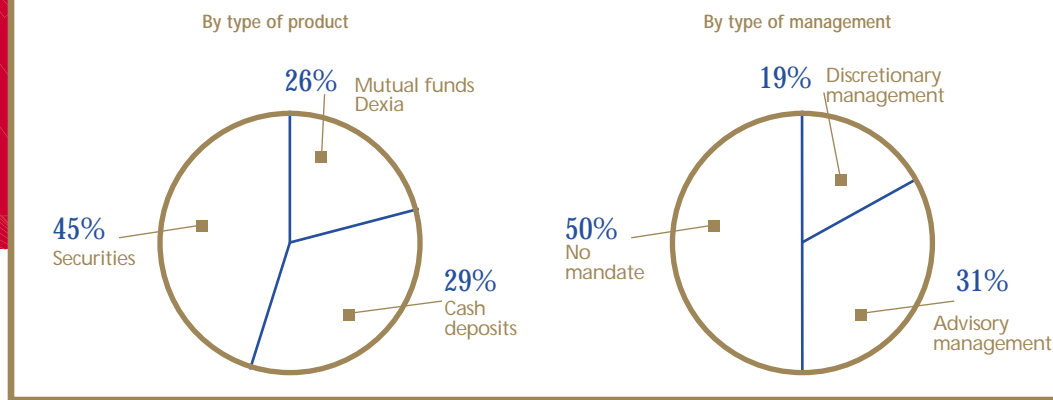
① Highlights

January 2001

... Through Dexia BIL, Dexia acquired Bikuben Girobank International S.A. Luxembourg, which became Dexia Nordic Private Bank Luxembourg, a Luxembourg private bank targeting Scandinavian clients.

... Banco Popular acquired a 25% equity interest in the Iberagentes group, which belongs to the holding company Fortior Holding, specialized in wealth management.

Breakdown of private banking activities (as of December 31, 2001)⁽¹⁾



(1) Excluding Kempen&Co.

December 2001

Labouchere, acquired in 2000, and Kempen&Co, which became part of Dexia in 2001, merged to become Dexia Bank Nederland, which offers a wide range of investment products and services for individuals, corporate clients and institutional investors.

January 2002

Dexia Asset Management and Cordius Asset Management, an Artesia BC subsidiary, merged to become Dexia Asset Management and to spearhead Dexia's asset management activities at the European level.

Business review

Investment Management Services comprise different complementary businesses – private banking, asset management and investment fund administration, as well as equity-related activities since 2001.

The significant downturn in the stock market in 2001 not only reduced the value of the assets and funds managed for clients, but also provoked a shift to investments with less exposure to equity risks, such as bonds and money market products which generate less income for the bank.

This trend was only partly corrected by the market upswing that occurred in the last quarter of 2001.

> Private banking

Dexia is active in private banking in many European countries – particularly in Luxembourg, Belgium, Denmark, Spain, France, Italy, the Netherlands, the United Kingdom and Switzerland – and in Singapore. The Group makes available to its affluent individual and institutional clientele its expertise in wealth management, including discretionary management and

investment advisory services, and financial engineering.

Private banking activities concern assets managed for private banking clients, but also share leasing products distributed in the Netherlands by Dexia Bank Nederland.

Private banking client assets, excluding share leasing, totaled EUR 37.5 billion at the end of 2001, up more than 22% from 2000, owing to the consolidation of Artesia BC in Belgium, Kempen&Co in the Netherlands and Dexia Nordic Private Bank Luxembourg.

On a constant basis, private banking client assets would have totaled EUR 29.5 billion, down 3.8%, owing to the decrease in the value of the assets.

In a breakdown, discretionary management mandates and advisory management respectively declined 15.3% and 5%. In an uncertain market environment, clients tended to opt for temporary investments, such as bonds, cash deposits and short-term mutual funds.

Share leasing products totaled EUR 4.1 billion, down EUR 2.1 billion.

In an unfavorable environment, new loans in 2001 amounted to EUR 0.7 billion, excluding renewals.

> Asset management

Most of the Group's asset management activities are coordinated by Dexia Asset Management.

These activities comprise fund management – via investment funds – for mutual fund promoters and institutional investors, and discretionary management and advisory services for private banking clients. Dexia Asset Management, which employs some 400 people, has commercial and management offices in Luxembourg, Belgium, France, Singapore and Switzerland. The Group is also active in this field through commercial structures in Germany, Austria, Spain, Italy and Japan.

Assets under management by Dexia totaled EUR 82.8 billion⁽¹⁾ at the end of 2001, representing an increase of more than 48% over

(1) Before corrections for overlapping.

Assets under management (EUR billion)

	1999	2000	2001	Change
Fund management	22.0	25.7	41.1	+ 60.1%
Advisory management	9.6	10.8	10.5	- 2.9%
Discretionary management	7.3	9.4	10.5	+ 11.5%
Institutional management	7.2	10.0	20.7	+ 107.1%
Total assets under management	46.1	55.9	82.8	+ 48.1%



December 31, 2000, owing to the consolidation of new acquisitions – Artesia BC and its subsidiary Cordius Asset Management, Kempen&Co and Ely Fund Managers in the United Kingdom. On a constant basis, assets under management totaled EUR 54.3 billion as of December 31, 2001, down EUR 1.6 billion from the end of the previous year. The decline was primarily the result of the market downturn (- EUR 2.9 billion), which was partly offset by organic growth (+ EUR 1.3 billion). There was an increase in fund management, which now represents 49.6% of total assets under management versus 45.9% at the end of 2000. Rising from 17.8% at the end of 2000 to 25% at the end of 2001, institutional management was also on the rise. These trends were mainly due to the consolidation of the asset management activities of Cordius Asset Management and Kempen&Co.

> Investment fund administration

Investment fund administration comprises custodian bank, central administration and transfer agent services. In this market, Dexia has a prominent position in Luxembourg, Europe's largest financial center in terms of total capital managed and number of funds administered. The Group is also active in this field in Belgium, Spain, France, Ireland, Italy and Singapore. Two new cities, Milan and Zurich were added to Dexia's international fund administration network in 2001.

Despite the downturn in the stock market in 2001, which had a negative impact on business, fund administration activities reported sustained growth.

☉ Custody services

Acting as a custodian, the bank is responsible for the custody of securities and cash which make up a third party's assets. The amount of these funds increased by 1.8% compared with the end of 2000 to EUR 99.7 billion as of December 31, 2001.

The number of transactions was up 17.9% and some 15 new fund promoters came aboard in 2001.

☉ Central administration services

The administrative and accounting management of investment funds includes creating the funds, writing the articles of association, keeping the accounts and calculating the net asset value.

The volume of these funds, which totaled EUR 92.2 billion as of December 31, 2001, declined 10.9%. This decrease, a consequence of the decline in the value of securities, does not properly reflect business volume, which was very satisfactory, since the number of calculations of net asset value increased by 15.4% and the total number of portfolios administered rose from 944 at the end of 2000 to 1,067 at the end of 2001. In particular, Dexia Fund Services, which is specialized in this field, is the leader in the Luxembourg market with, at the end of 2001, a market share of 19% of the total volume administered and of almost 15% of the number of funds.

☉ Transfer agent services

Transfer agent services involve receiving and transmitting investment fund purchase and sale orders. Capital administered by Dexia in this segment increased by 15.1% in 2001, rising from EUR 185.8 billion at the end of 2000 to EUR 213.8 billion at the end of 2001, thus making Dexia the European leader in this strong growth market. The number of accounts rose more than 15% and the number of purchase and sale orders executed was up almost 17% in 2001.

In this segment, in an unfavorable market environment, the Group's commercial results confirmed its strategy and the excellence of its teams. This market still has strong growth potential, linked to the development of the asset management market in Europe and especially of pension funds.



Investment fund administration⁽¹⁾ (EUR billion)

	1999	2000	2001	Change
Capital administered in custody	81.2	97.9	99.7	+ 1.8%
Capital under central administration	87.1	103.5	92.2	- 10.9%
Capital managed as a transfer agent	132.7	185.8	213.8	+ 15.1%

(1) Excluding Artesia BC.



> Equity-related activities

In 2001, Dexia broadened its range of expertise by acquiring companies active in the very profitable equity and derivative brokerage market as well as in equity research and analysis. Under the name Dexia Securities, Dexia can now offer its individual and institutional clients high value added services in France, the Netherlands, Italy, Spain, Belgium and Luxembourg.

① Financial analysis

In a very difficult market environment for this business, characterized by a strong downturn in the stock markets over the year and a more defensive attitude of the customers, the *net income* of the business line stands at EUR 253 million, a decrease of -17.9%. This evolution stems from:

- ... the change in the scope of consolidation⁽¹⁾, which have brought in additional income of EUR 84 million;
- ... the exceptional items², which had a negative impact of EUR 31 million in 2001, as compared to a negative impact of EUR 25 million in 2000;
- ... the underlying income which went down by -40.9% (or -EUR 136 million).

Revenues increased overall by 30.6% (or EUR 279 million), whilst underlying revenues went down by 13.6% (or -EUR 129 million). This came from:

- ... a slight decrease of the underlying net interest and related income of EUR 6 million, (or -2.1%);
- ... a more significant fall in the underlying commissions and other income (-EUR 123 million, or -18.7%). By contrast, in 2000, this revenue line reflected a particularly buoyant activity in the field of securities, wealth and asset

management, which generated new business as well as an increase in the valuation of the assets managed, thus enhancing the basis of commissions and the performance fees.

Total *costs* went up by 63.2%. Excluding the changes in the scope of consolidation (which added EUR 233 million to the cost base), and the exceptional items (which added EUR 4 million), the underlying costs amounted to EUR 495 million, an increase of EUR 46 million (or 10.3%) which has its origins in two main factors. First, the acquisitions made during 2001 by the business line have generated a very high level of activity, both in the acquisition phase and in the integration process, creating vast amounts of effort and expense. These have weighted heavily on the general expense, whilst none of them were treated as exceptional. Secondly, the momentum of revenues in 2000 in all the business segments of Investment Management Services, led the Group to approve the 2001 budgets for expense and capital expenditure which reflected the expectation that the revenue trend in 2001 would be commensurate with what it was in 2000. This assumption was defeated by the sudden change in trends and market environment, and then by the consequences of the September 11 events. Naturally, the cost budgets were quickly revisited in this new environment, but this was not enough to make up for the curbing of the revenues. The *cost/income ratio* of the business line as a whole was up, and stood at 61.5%. This increase can be explained by the very adverse market conditions, which provoked a scissor's effect between costs and revenues and led to a decrease in the *gross operating income* of the business of EUR 9 million or - 1.0% globally. On an underlying basis, the gross operating income went down by 34.8% (or - EUR 175 million). The

Statement of income - Investment Management Service EUR million

	2000	2001	Change
Net banking income	911	1,190	+ 30.6 %
- net interest + related income	294	397	+ 34.8 %
- net commissions	617	793	+ 28.6 %
- insurance	0	0	n.s.
Cooperating expense	(449)	(732)	+ 63.2 %
Operating income before allowances	462	458	- 1.0 %
Write-downs and allowances for loan losses and off-balance sheet items	(4)	(78)	n.s.
Income from companies accounted for by the equity method	0	0	n.s.
Corporate income tax	(143)	(124)	- 13.3 %
Net income before minority interests	316	256	- 18.9 %
Minority interests	8	3	- 60.9 %
Net income	308	253	- 17.9 %
Operating efficiency ratio %	49.2	61.5	



different activities composing this business line had various performances over the year, some of them showing a remarkable resilience in the very difficult market environment which characterized the year 2001.

The increase in the level of write-downs (+EUR 74 million) is linked mainly to:

- ... exceptional capital losses made on the divestment of some subsidiaries of Dexia BIL; and
- ... a provision of EUR 25 million set against the credit risks in the share leasing portfolio.

Private banking achieved a gross operating income of EUR 248 million in 2001, against EUR 197 million in 2000, an increase of 25.9% of which EUR 84 million are due to the change in the scope of consolidation and EUR 39 million to exceptional items. Thus, the underlying gross operating income was down EUR 72 million (or -30.4%).

The *asset management* business recorded a gross operating income of EUR 107 million for the year 2001 compared with EUR 153 million in 2000 (or a 30.1% decrease). In this global 2001 gross operating income figure, EUR 22 million are due to the change in the scope of consolidation, and a decrease of EUR 4 million comes from the exceptional items. Thus, the underlying decrease of the gross operating income was 41.8%.

The *fund administration* business achieved a gross operating income of EUR 79 million in 2001, against EUR 82 million in 2000. This stability in fact hides a very satisfactory increase in revenues (11.7%), while the costs went up by a greater percentage (+ 28.8%). This is due to restructuring the resources of the business to meet the growth in demand.

The *equity-related activities* had a very difficult year given the market environment. The activity recorded a gross operating income of EUR 25 million, of which EUR 21 million stem from

the change in the scope of consolidation, and EUR 3 million are due to exceptional items.

Overall, despite the very difficult market conditions and the circumstances in which the business line operated, the *return on economic equity* of the business line stood at a high 47.2%, much above the Group's objective as a whole, thus continuing to create value.

(1) The additions to the scope of consolidation of the business line come from Kempen&Co and Ely Fund Managers (second half of 2001), Financière Opale Group, Dexia P-H Bank Denmark, Dexia Nordic Private Bank and Artesia BC (12 months) and Labouchere (1st half).

(2) The main exceptional items concerned: EUR 40 million deferred acquisition costs (pre tax) at Labouchere treated as an exceptional charge in 2000; loss on sale of holdings (-EUR 38 million); restructuring costs at Dexia BIL London, Dexiam (-EUR 2.8 million) in 2001.