Annual report 2009

DEXIA CREDIT LOCAL

DEXIA

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This free translation of the registration document published in the French language is provided solely for the convenience of English-speaking readers. The French version of the Dexia Credit Local registration document *(document de référence)* was filed with the French Financial Markets Authority (Autorité des marchés financiers, or AMF) on April 12, 2010, in compliance with Article 212-13 of the AMF's General Regulations.

Annual report 2009

Dexia profile

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

BUSINESS LINES

Retail and Commercial Banking

Dexia offers a wide range of retail, commercial and private banking services to over 8 million customers.

Dexia is ranked among the largest banks in Belgium and Luxembourg. In Belgium, Dexia serves its four million customers through over 900 branches. The Luxembourg operation is the international wealth management center within the Group; it also covers the country with a nationwide network of branches. Dexia also holds a strong position in Turkey, through DenizBank. This full-fledged bank is currently the sixth [(1)] largest privately-held bank and serves its customers through a nationwide network of 450 branches. Dexia also has a presence in Slovakia.

The Group aims at fully extracting the potential from its historical franchises in Belgium and Luxembourg while developing its Turkish operations.

Public and Wholesale Banking

Dexia plays a major role in the financing of local facilities and infrastructures, the health, social housing and social economy sectors. The Group assists all public and semi-public operators in implementing their projects, and participates in the development of local infrastructures and services.

Dexia focuses its activities on its historical markets, France and Belgium, but is also present in Italy and the Iberian Peninsula. Furthermore, the Group is established in Germany with a platform granting access to the *Pfandbriefe* market. Dexia is also active in the field of project finance, adopting a selective approach in areas such as infrastructure and renewable energies in Europe and North America.

Close to its clients and fully in tune with their requirements, Dexia is constantly developing and widening its range of products and services. The aim is to go well beyond the role of specialist lender and, by providing the benefit of its experience, to offer public and semi-public operators the solutions best suited to their needs.

Asset Management and Services

This business line includes Dexia's activities in the field of asset management, investor services and insurance activities.

With EUR 82.4 billion of assets under management as of December 31, 2009, Dexia Asset Management is the Group's asset management center. Its four production centers (based in Belgium, France, Luxembourg and Australia) serve a broad client base.

The investor services business is conducted by RBC Dexia Investor Services, a joint venture with Royal Bank of Canada, which offers its expertise in global custody, fund and pension administration and shareholder services to institutions all around the world. Total assets under custody amounted to USD 2,456 billion as of December 31, 2009.

Dexia's insurance activities are mainly concentrated on the Belgian and Luxembourg markets. The Group offers a complete range of contracts to retail, commercial and private banking clients (for both life and non-life insurance) as well as to Dexia's public and semi-public clients. This is done both through a banking-insurance approach and through a network of tied agents.

RATINGS

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

(1) Classification based on total assets: internal source.

Message from the Chairman of the Board of Directors and the Chief Executive Officer of Dexia SA

JEAN-LUC DEHAENE

Chairman of the Board of Directors of Dexia SA

PIERRE MARIANI

Chief Executive Officer of Dexia SA

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

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

We had to deal with one urgent matter: re-establishing Dexia's liquidity position. The task is not yet completed but we have exceeded our targets. We were able to carry out one half of the medium and long-term funding program, representing 46 billion euros in 2009, without the use of the state guarantee. This is an extremely encouraging sign for the return of the Group's funding autonomy, a sign which has led us to accelerate the schedule for exit from the guarantee on our funding. As of December 31, 2009, we had disposed of 16.5 billion euros of bonds, with hardly any impact on our accounts. All this is reflected in the considerable reduction of our reliance on short-term funding.

We also undertook with regard to the Board of Directors to reduce our exposure to the United States with the disposal of our credit enhancement subsidiary FSA. The task was completed on July 1, 2009, when we finally disposed of 400 billion dollars of exposure to the U.S. market. The Financial products portfolio which we retain after the sale of FSA has been placed in run-off and benefits from a guarantee granted by the Belgian and French states.

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

We have refocused the activity in our core business lines.

First of all, we focused on Retail and Commercial Banking, which posted an excellent operating performance in 2009. The recovery in deposit collections, which enabled us to collect more than eight billion euros more in 2009, is proof of the dynamism of all teams and the service we provide our customers every day. We also recorded excellent performances in Turkey.

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

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

Conditions will, however, remain uncertain and difficult for both the banking system and Dexia in 2010. More than ever, the transformation will put a strain on each of us. And the momentum we have gained must not only be maintained but accelerated, in accordance with the agreement with the European Commission. Relying above all on our own strengths, we will do all in our power to assist our customers relentlessly while continuously improving our operational excellence.

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

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

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

Market conditions and competition are changing, and we must find the means to adapt to them. In our Retail and Commercial Banking activities, the implementation of the new distribution model remains a priority, to modernize and stimulate our network of branches in Belgium. We also want to optimize our wealth management capabilities and our customer base in Luxembourg, and to capitalize on the strong commercial momentum in Turkey. In our Public and Wholesale Banking activities, as an historical partner to local authorities in France and in Belgium, we will do all we can to accompany our customers in their new initiatives, while protecting the Group’s profitability.

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

Our feeling in October 2008 was that Dexia, refocused on what is essential, had a sustainable future. The path we took and each milestone we passed over the last year have transformed that feeling into a deeply-held belief conviction. The progress we have made has been acknowledged by the European Commission. Strengthened by these results and thanks to the mobilization of all our members of staff, shareholders and customers, we will continue to build a bold new future for Dexia.

Dexia Credit Local profile

THE LOCAL DEVELOPMENT BANK

Dexia plays a major role in the financing of local public authorities and public facilities, services and infrastructure. The Bank is active in the health, social housing and social development sectors, and helps local authorities and all public and semipublic players to successfully achieve their objectives.

Following the financial crisis that began in the autumn of 2008, Dexia initiated a transformation plan. Early in 2010, the European Commission confirmed the strategic orientations already decided upon by the Group's senior management and the initiatives undertaken to confirm the viability of its turnaround will be continued. Dexia Credit Local will therefore continue to strengthen its commitment to its traditional business lines and markets, especially in France.

With increased confidence and strength, and a closer and more focused concentration on the fundamentals, Dexia's clear objective is to build an expert, specialized local development bank. Its priority is to continuously adapt itself to changes in its customers' expectations by offering them a wide range of tailor-made solutions and services. Within the regions, its commercial network draws on its specialist teams, rallying all its expertise to meet local and regional needs.

Every day, Dexia works to nurture relationships based on trust and sustainability with its customers. In France, the Bank decided to document these relationships in the form of signed partnership commitments marking a common desire to provide complete transparency of information. By making ten commitments with regard to the marketing of structured finance products in the autumn of 2009, the Bank also decided to go above and beyond the principles espoused in the "Gissler Charter," a code of conduct governing relations between banking institutions and local authorities, which it also signed on December 7, 2009.

Through its Dexia France Foundation, Dexia encourages youth to be active citizens in their communities by taking concrete initiatives to promote social solidarity and culture.

All of Dexia's operations in France are certified ISO 9001.

A range of tailor-made solutions and banking services...

- short- and long-term financing
- debt structuring
- banking flows management
- asset-based and project finance
- lease financing and public-private partnerships (PPP)
- bond financing
- asset management
- statutory insurance
- financial optimization solutions (long-term fleet leasing, purchase cards, etc.)
- social engineering, in-home personal assistance *(CESU)*

... for all local and regional players

- local authorities
- hospitals, retirement homes, specialized care facilities
- actors in the housing and urban development sectors
- private companies serving local authorities
- supplemental health insurance, accidental death and disability providers
- public entities, universities, players in local and social development

Message from the Chief Executive Officer of Dexia Credit Local

Pascal Poupelle

Chief Executive Officer of Dexia Credit Local

Like all the Dexia Group, Dexia Credit Local achieved in 2009 all of the objectives laid down in its transformation plan. With determination and discipline, the teams in France and abroad justified the support provided by the three states and the shareholders of the Group, and restored, as quickly as possible, the Company's ability to serve its local public sector customers effectively.

The first priority was to focus Dexia Credit Local back on its traditional marketplace while restoring the Company's financial equilibrium. In late 2008, Dexia elected to discontinue commercial operations in several countries. Operations have already been halted in Scandinavia, Mexico and India, and progress has been made to ultimately exit Central Europe, Australia and Japan. This downsizing was crucial for the Group, and was carried out in a resolute manner. At the same time, we had to optimize our funding by extending its term: in addition to launching EUR 17.4 billion in guaranteed issues, in 2009 we also confirmed the quality of the covered bonds issued by Dexia Municipal Agency in France *(obligations foncières)* and by Dexia Kommunalbank Deutschland in Germany *(pfandbriefe)*, which collectively sold EUR 12 billion of covered bonds, with an average maturity of 11 years.

In 2009 we also had to streamline our operations and reduce our cost base. Dexia Credit Local benefited fully from the reorganization of the Group's control and support functions, and emerged with a clearer and more coherent governance structure. Supervision and control of international entities were also improved, thanks notably to the consolidation of the Financial products portfolio inherited from FSA into the Group's North American banking operations. In France, the reorganization of the Company resulted in the implementation of a Reduction in Force Plan, established as part of a respectful dialogue with our social partners. At the end of 2009, the entire Dexia Credit Local Group - in France and abroad - employed a total of 3,280 persons, compared with 4,084 at the start of the year. As our people confronted this difficult environment, the Company aimed at improving its ability to detect and prevent any individual problems, and at accordingly focusing its managers on their management responsibilities.

All year long, the Company gradually recovered the leeway it needed to focus back on its businesses and its customers. In France, the commercial organization was substantially overhauled to better combine proximity to our customers with the enhancement of our skill set, and 771 partnership commitments with local authorities and healthcare, education and social housing clients were signed, allowing us to take the measure of both our clients' confidence and their expectations. Our project finance expertise in the transportation, social infrastructure, and renewable energy and environment sectors enabled us to provide our customers with optimized solutions in Europe and North America, especially in the form of public-private partnerships.

In order to earn the lasting trust of our local public clients in France, we publicly committed, in November 2009, to ten commitments for our structured loans business, only a few weeks before signing - together with other banks and most of the local government associations - the charter of good conduct initiated by the French government.

In summary, 2009 was an extraordinarily busy year for Dexia Credit Local, combining an extensive internal transformation with the redefinition - together with our customers - of our Public and Wholesale Banking business. With net income of EUR 269 million, we have reinforced our conviction that the Company has all the resources and talent necessary to meet our customers' needs. After being approved by the European Commission, the roadmap for Dexia and Dexia Credit Local is clear. Refocused on its core business and strengthened by the progress achieved in 2009, Dexia Credit Local has given itself the means to build a sustainable future of serving its customers.

2009 key figures

PUBLIC AND PROJECT FINANCE (1)(2)

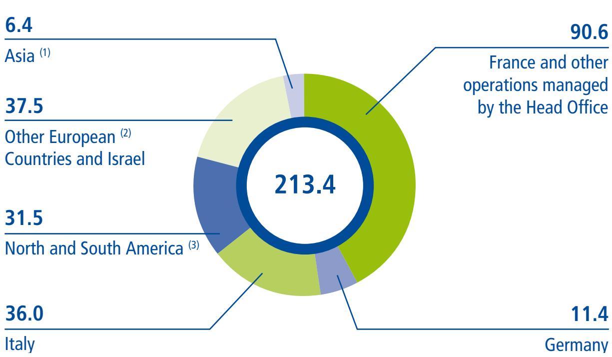
(EUR millions)

2008	2009
44,330	6,983

(1) New commitments, excluding FSA.
(2) In order to obtain a consistent consolidation scope for comparison of fiscal years 2009 and 2008, the figures for 2008 in this table incorporate the transfer of the Public Sector Portfolio (PSP) from Spain to Public and Wholesale Banking (PWB) and the data for Central Europe has been cut off at the month of August.

OUTSTANDING MEDIUM- AND LONG-TERM LOANS BY COUNTRY

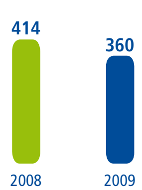
(EUR billions)



(1) Australia and Japan.
(2) Iberian Peninsula, United Kingdom, Central and Eastern Europe, Sweden and Switzerland.
(3) Including Mexico.

TOTAL ASSETS AND NET INCOME

Total assets
(EUR billions)

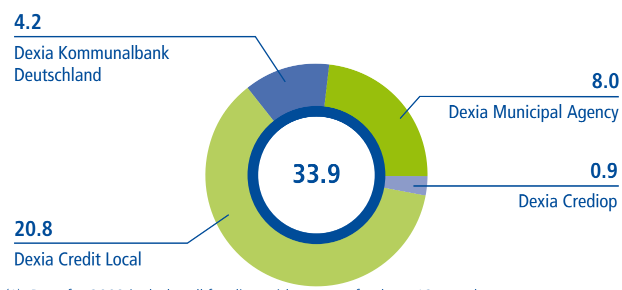


Net income - Group share
(EUR millions)

2008	2009
-3,556	269

LONG-TERM FUNDING (1)

(EUR billions)



(1) Data for 2009 includes all funding with a term of at least 12 months.

LONG-TERM CREDIT RATINGS

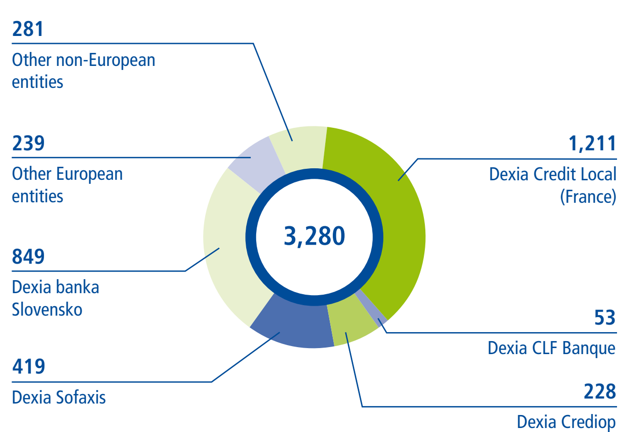
(March 2010)

	Fitch		Moody's		Standard & Poor's	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Dexia Credit Local	A+	Stable	A1	Stable	A	Negative
Dexia Municipal Agency (1)	AAA	-	Aaa	-	AAA	Stable
Dexia Kommunalbank Deutschland (2)	-	-	-	-	AAA	Negative
Dexia Crediop	A	Stable	A2	Negative	A	Stable
Dexia Sabadell	-	-	Baa2	Negative	-	-

(1) Obligations foncières
(2) Pfandbriefe

DEXIA CREDIT LOCAL GROUP EMPLOYEES

As of December 31, 2009



Board of Directors (March 2010)

Chairman
Jean-Luc Dehaene
Chairman of the Board of Directors of Dexia SA
Member of the European Parliament

Chief Executive Officer
Pascal Poupelle
Head of Public and Wholesale Banking
Member of the Management Board of Dexia SA

Fédération Nationale des Travaux Publics
Represented by Patrick Bernasconi, Chairman

Fédération Française du Bâtiment
Represented by Didier Ridoret, Chairman

Julien Brami
Head of the Financial Services Division, Investments department, Finance and Business Development department of Caisse des Dépôts

Jean-Pierre Brunel
Attorney-at-law

Philippe Duron
Member of Parliament for Calvados, Mayor of Caen

Jean-Pol Henry
Honorary Vice President of the Chamber of Representatives (Belgium)

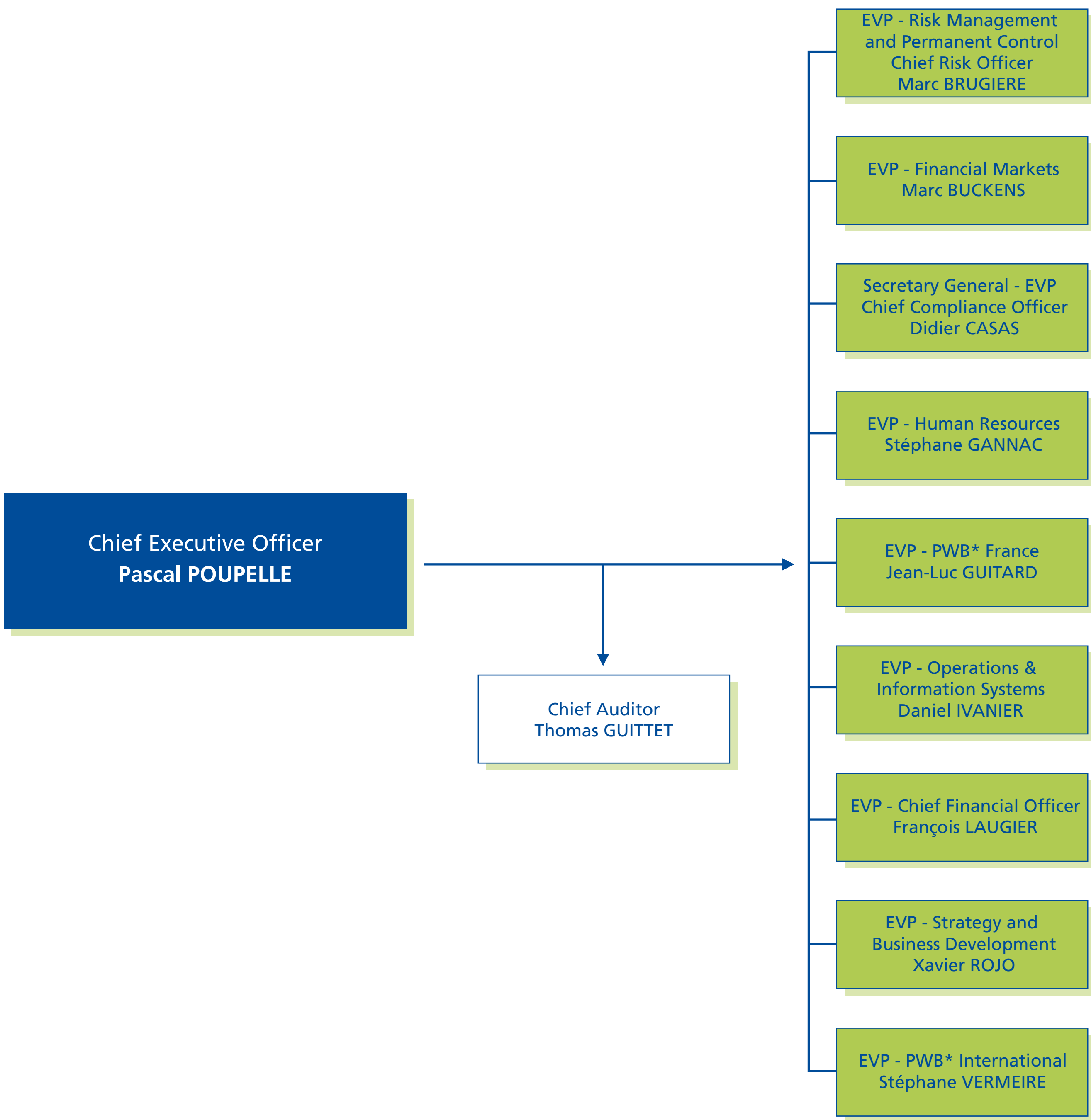
Pierre Mariani
Chief Executive Officer of Dexia SA,
Chairman of the Management Board of Dexia SA

Philippe Rucheton
Chief Financial Officer of Dexia SA,
Member of the Management Board of Dexia SA

Francine Swiggers
Chairman of the Management Board of the Arco Group

René Thissen
Member of Parliament, Municipal Councilor of Waimes (Belgium)

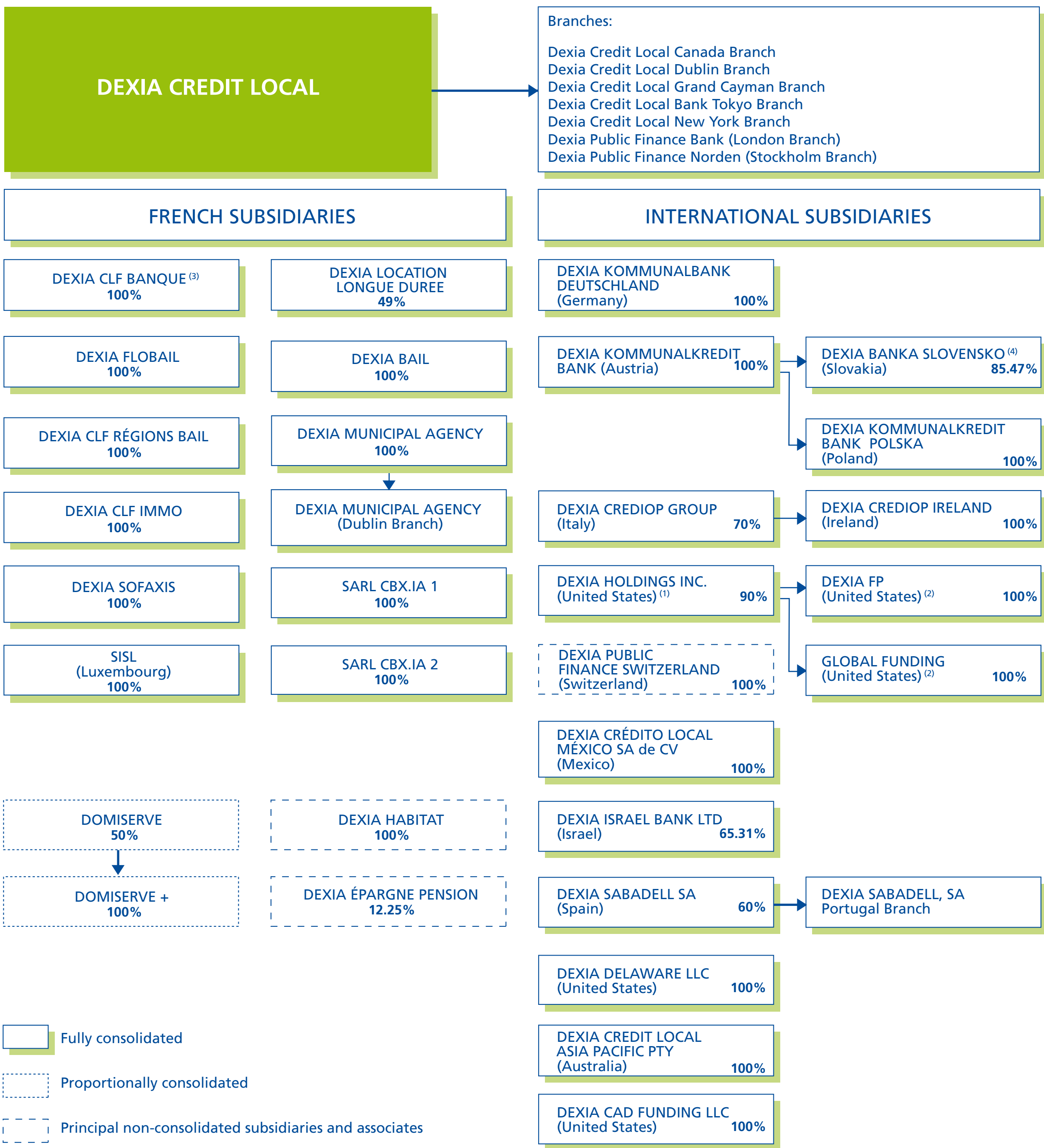
Organizational chart (March 2010)



Members of the Management Board

* Public and Wholesale Banking

Principal subsidiaries and affiliated companies



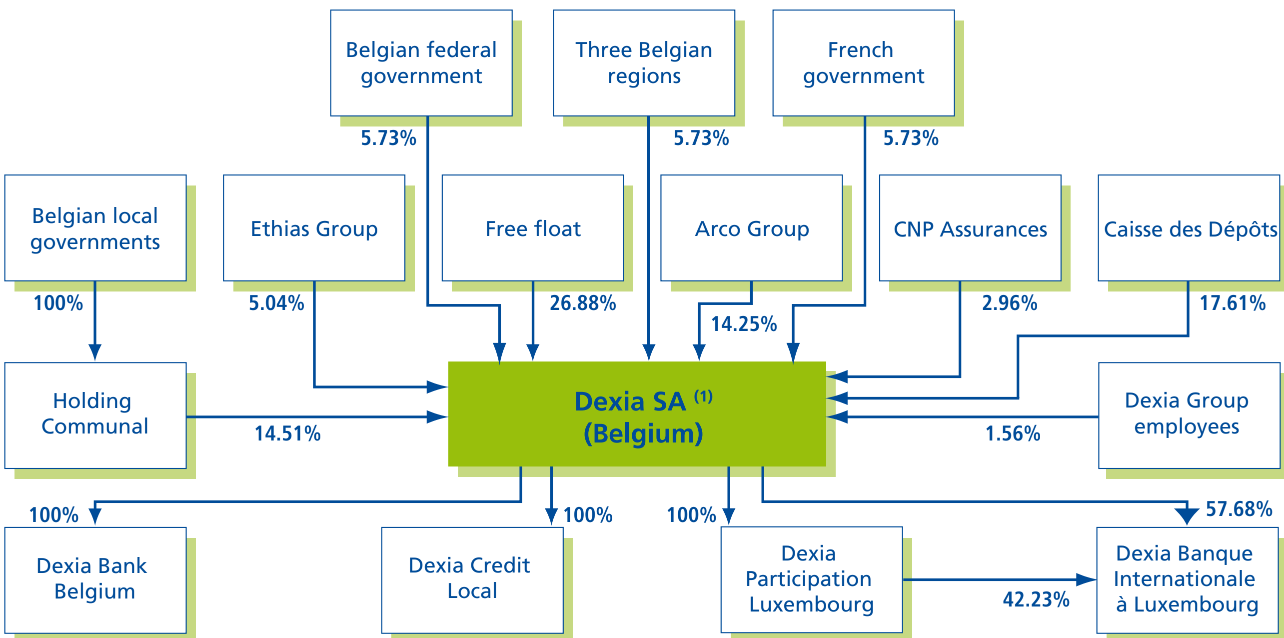
(1) The remaining 10% is owned by Dexia SA.

(2) Dexia sold the insurance business of FSA Holdings to Assured Guaranty on July 1, 2009. Given these factors, the businesses sold were deconsolidated on April 1, 2009.

(3) The 20% owned by Crédit du Nord was bought by Dexia Credit Local on December 11, 2009.

(4) Following the capital increase staged by Dexia banka Slovensko in January 2010, Dexia Credit Local's stake in Dexia banka Slovensko increased from 85.5% to 88.7%.

Dexia Credit Local within the Dexia Group



(1) *Dexia shares are traded on Euronext Brussels and on the Luxembourg Stock Exchange.*

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Business review

1. OVERVIEW

The transformation plan announced by the Dexia Group in late 2008 and implemented in early 2009 espoused four major priorities: selling off FSA's insurance business; adapting the Group's cost structure; reducing its risk profile, notably by restoring balance sheet equilibrium; and transforming its major businesses to suit the Group's new environment. Throughout 2009, Dexia Credit Local's operating blueprint reflected each of these major, strategic transformative areas.

In the Public and Wholesale Banking [1] business line in particular, the transformation plan called for focusing operations on those countries in which Dexia has a viable commercial franchise (primarily France, Belgium and Luxembourg), the ability to obtain long-term funding and the potential to achieve profitable growth. In other countries (the United Kingdom, the United States and Canada), Dexia is maintaining its presence while refocusing its operations to fit a niche approach that uses up the balance sheet as little as possible and is compatible with the Group's new strategy. Dexia also confirmed the strategic importance of its German subsidiary, Dexia Kommunalbank Deutschland (DKD, specialized in the issuance of covered bonds – *pfandbriefe*), to the Group's funding strategy. Lastly, the Group has decided to cease all new commercial activities in Australia, Japan, Central and Eastern Europe, India, Scandinavia, Switzerland and Mexico.

New lending and other long-term commitments were cut back significantly, in accordance with the objectives of the transformation plan. In 2009, Dexia Credit Local had total new lending of only EUR 7 billion, compared with EUR 44.3 billion in 2008.

Despite this limited new lending, commercial trends in the Group's strategic countries were maintained. Special emphasis was placed on financing solutions that freed up the balance sheet and the systematic identification of cross-selling opportunities.

As of December 31, 2009, total resources provided by customers (comprising balance sheet items and assets under management) amounted to EUR 8.9 billion, down 11.6% from December 31, 2008.

As of December 31, 2009, long-term loan oustandings were down 8% from December 31, 2008, to EUR 213.4 billion [2]. Dexia Credit Local's French local public sector commitments fell by 9% to EUR 183.9 billion, and its project finance exposure declined 5% to EUR 29.5 billion.

On November 9, 2009, prior to signing the Gissler Charter, Dexia announced ten commitments relative to the marketing of structured finance products in France. These commitments are fully detailed in the significant events section of this report.

In 2009, originations of new structured finance commitments totaled EUR 210 million. In accordance with the terms of one of the Group's ten commitments, the details of these exposures are presented in the section of this report regarding the business review of the local public sector (point 2).

Early in 2010, the agreement concluded with the European Commission on the restructuring plan for Dexia recognized the considerable progress already achieved with Dexia's transformation plan, while requiring the sale of the Group's entities in Italy, Spain and Slovakia by December 31, 2013.

(1) The local development bank.

(2) In order to present a consistent basis of comparison between December 31, 2008 and December 31, 2009, the figures for 2008 were restated to include the off-balance sheet commitments in France and to reflect all bank loans (i.e. EUR 229 billion) while excluding all investments in debt securities. The total value of the Group's reported exposure as of December 31, 2008, including debt securities, amounted to EUR 298.2 billion.

2. LOCAL PUBLIC SECTOR

2.1. LONG-TERM LENDING

New lending [(1)]

(EUR millions)	December 31, 2008 [(2)]	December 31, 2009	Change
PRINCIPAL MARKETS	**13,474**	**5,258**	**-61.0%**
France and International Headquarters	7,950	3,653	-54.1%
Iberian Peninsula (Spain and Portugal)	3,401	1,173	-65.5%
Italy	2,123	432	-79.6%
OTHER MARKETS	**21,536**	**338**	**-98.4%**
Germany	2,215	3	-99.9%
Sweden	826	0	-100.0%
Switzerland	425	0	-100.0%
United Kingdom	1,678	45	-97.3%
United States, Canada and Mexico	11,923	38	-99.7%
Australia	173	0	-100.0%
Central and Eastern Europe [(3)]	323	25	-92.3%
Israel	185	172	-7.0%
Japan	3,788	55 [(4)]	-98.6%
TOTAL DEXIA CREDIT LOCAL	**35,010**	**5,596**	**-84.0%**

(1) Presented at current exchange rates.
(2) Compared with the business review published for December 2008, the figures for 2008 in this table incorporate the transfer of the Public Sector Portfolio *(PSP) from Spain to Public and Wholesale Banking (PWB) and the data for Central Europe has been cut off at the month of August.*
(3) Excluding Dexia banka Slovensko, whose commercial activities are reported under the Retail and Commercial Banking line of business.
(4) In 2009, the branch ceased all new lending to concentrate on the sourcing of local market funding.

Business review by location

FRANCE

In 2009, total new lending amounted to EUR 3,653 million, a 54% decrease from 2008 in a market that was fairly inactive overall, especially during the first half. As of December 31, 2009 total outstanding loans amounted to EUR 71.8 billion, up slightly (+1%) from December 31, 2008.

In 2009, new lending to local authorities amounted to EUR 2,271 million, down 50% from 2008. As of December 31, 2009, total outstanding loans to this same sector of EUR 49.9 billion were down 1% from the previous year.

Total new lending to the other public finance markets amounted to EUR 1,381 million in 2009, down 59% from 2008. Nearly half off all new lending was carried out with funding provided by the European Investment Bank or Caisse des Dépôts after being classified as PLS-type loans to promote affordable rental housing. Total outstanding loans to these markets were up 5.5% year-on-year to EUR 21.9 billion as of December 31, 2009:

- new lending to the health sector was down 68% year-on-year to EUR 570 million in 2009. Total outstanding loans amounted to EUR 10.1 billion as of December 31, 2009, a 10% increase over the previous year. This sharp increase came from drawings made under the long-term financing lines set up in connection with the "Hospital 2007" plan;
- in the housing and urban development sector, new lending fell 28% in 2009 to EUR 737 million. Total outstanding loans were up 5.1% year-on-year to EUR 9.5 billion as of December 31, 2009.

A total of EUR 4,457 million in debt was restructured in 2009, down 47% from 2008.

Structured finance commitments accounted for 5.7% of total new lending for the year (EUR 210 million, versus EUR 1,135 million in 2008) [(1)].

(1) To take account of the publication of the code of conduct between banking institutions and local authorities that went into effect on January 1, 2010, Dexia has amended its definition of the notion of structured finance products. The 2009 scope is therefore different from the one reported in 2008. It excludes those products classified in category A of the Gissler Charter (included in 2008), and includes loans denominated in foreign currencies (excluded in 2008). Accordingly, under the current definition, total originations amounted to EUR 1,135 million in 2008 (compared with EUR 1,583 million under the old definition) and total outstanding exposure amounted to EUR 26.58 billion as of December 31, 2008 (compared with EUR 30.29 billion under the old definition).

Dexia Credit Local bases its definition of structured finance on the concepts used in the code of conduct between banking institutions and local authorities, the so-called Gissler Charter. This document, which was prepared at the request of the French government by Eric Gissler, a General Inspector of Finance, was signed on December 7, 2009 by a number of associations representing local authorities (Association of French Mayors, Federation of Mayors of Mid-sized Cities, Association of Small French Cities, Association of Mayors of Large French Cities, and the Assembly of French Municipalities) and by four banking institutions, including the Dexia Group. Dexia Credit Local has committed to the principles espoused in this document.

Accordingly, in the present report, structured finance commitments are defined as:

- all credits whose structures are included in categories B through E of the code of conduct between banking institutions and local authorities;
- all credits the marketing of which is banned by the Charter, due to their structure (i.e. leverage > 5, etc.), the underlying index(es) used (i.e. foreign currency, commodities, etc.) or their currency of exposure (loans denominated in CHF, JPY, etc.);
- with the exception of all credits whose structured phase has ended and whose interest rate is either fixed or is a simple and definitive variable rate.

Under this definition, total outstanding structured loans amounted to EUR 25.24 billion as of December 31, 2009, with an average interest rate paid of 3.61%.

Total outstanding loans as of December 31, 2009	EUR 25.24 billion
Average interest rate paid in 2009	3.61%
Average interest rate paid in 2009 by first decile of customers concerned (1)	5.23%
Average interest rate paid in 2009 by last decile of customers concerned (2)	1.80%

(1) First decile: the average rate paid by the 10% of customers who paid the highest rate was 5.23% in 2009.
(2) Last decile: the average rate paid by the 10% of customers who paid the lowest rate was 1.80% in 2009.

INTERNATIONAL

Germany: Focusing back on the Group's funding

In Germany, the main role of the subsidiary (Dexia Kommunalbank Deutschland - DKD) is now to contribute to Dexia's funding by issuing covered bonds (*pfandbriefe*). Nearly EUR 3.9 billion in long-term bonds were issued in 2009, taking advantage of the reopening of the market for covered bonds in Europe that started in the second quarter, notably following the attractive program set in place by the European Central Bank (ECB).

This good result allowed Dexia to confirm DKD's strategic importance to the long-term funding of the Group's financing of the local public sector, through the regular transfer of assets from other Group entities to the pool used to issue covered bonds.

This transformation was accompanied by the ceasing of all commercial activity, although DKD continued its debt restructuring operations: these totaled EUR 115 million in 2009.

North and South America (USA and Canada, excluding FSA): reorientation of commercial operations

The year 2009 was above all one of transition, marked by the abandoning of certain operations under the terms of the Dexia transformation plan.

The issuance of standby bond purchase agreement (SBPA) liquidity guarantees on municipal bonds, which generated 98% of all exposure, was halted completely at the end of 2008.

Similarly, the drawings related to this activity gradually declined, from EUR 6 billion at the start of the year to less than EUR 150 million at year-end. This decrease, coupled with the reopening of the interbank market, yielded a significant improvement of the liquidity position of the branch.

Also, the direct loan business was subjected to a highly selective commercial policy, notably in terms of profitability and term. At the same time, the branch made significant efforts to expand its swap offer with its customers, with an eye toward hedging and debt restructuring, with encouraging results.

This repositioning of the commercial strategy, and especially the cessation of SBPA operations, therefore makes it impossible to provide any meaningful comparison of the EUR 38 million in exposure as of December 31, 2009 with that of previous year (EUR 11,923 million).

To accompany these significant changes and to facilitate the extensive redefinition of the Group's strategy, all Dexia Group entities in North America were placed under the responsibility of the same management team.

United Kingdom: reorientation of commercial operations

The implementation of the transformation plan resulted notably in the halt of all LOBO activity (very long-term loans to local authorities).

A new, more selective commercial policy was defined for the social housing activity, notably in terms of profitability and term, leading to an overall decrease in new lending to approximately EUR 45 million for the year.

At the opposite end of the spectrum, it is worth noting, after an already very active year in 2008, the significant accomplishments in the area of debt restructuring, with restructured loan outstandings of close to EUR 895 million.

Italy: broadening of commercial operations

In 2009, Italian public sector borrowing was limited by government-imposed debt restrictions. Also, banks were prevented from participating in this market during the first half of 2009 due to regulations governing the maximum margins authorized for the financing of local authorities. Activity resumed progressively after this rule was relaxed during the summer.

Meanwhile, Dexia Crediop continued its strategy of broadening its range of products and services by investing commercially in deposits and short-term financing business, and extended its commercial franchise, notably to local authority agencies.

A total of EUR 432 million in new long-term financing was signed during the year, 63% of which with local authority agencies. Dexia Crediop also carried out several short-term financing transactions for a total of EUR 103 million in 2009. These transactions concerned essentially purchases of healthcare-related receivables.

Lastly, like everywhere in the Group, one of the subsidiary's main priorities was the identification of local sources of funding, with substantial progress made obtaining term deposits from local authorities. Dexia Crediop obtained total medium- and long-term funding of EUR 1,413 million in 2009, with an average term of 4.5 years. Moreover, after a halt lasting around 18 months, Dexia Crediop resumed the sale of issues through the network of major Italian banks, thus providing nearly 30% of all funding.

Israel: satisfactory continuation of commercial operations

Dexia Israel continued to assert its role as the bank of reference for local authorities throughout the entire country, via its experience in account management, the transfer of government grants and the taking of deposits. New lending, all of which was to local authorities, was slightly lower at EUR 172 million.

The subsidiary also maintained its funding autonomy, carrying out several issues under favorable conditions and with strong demand. Lastly, the start-up of debt restructuring operations yielding encouraging results, with a total volume of EUR 27 million in 2009.

Japan: focusing on the Group's funding

The branch halted all new lending to concentrate on the sourcing of funding in local markets.

At the same time, the entity began to sell off its on-balance sheet loans and bond holdings. The entity sold off approximately EUR 3.2 billion of its assets, reducing its balance sheet by approximately 25% during the year. These disposals generated only limited losses. In fact, the secondary market for loans and securities was particularly strong in Japan in 2009.

All of these initiatives will be continued in 2010.

Iberian Peninsula: confirmation of the quality of the franchise and commercial prospects

In Spain, the year was characterized by an increase in the financing needs of the territorial administrations, and notably those of the regions. Under these conditions, the decrease in new lending to EUR 1,173 million was the result of a highly selective commercial policy, optimizing the use of available funding.

Dexia Sabadell exceeded its commercial objectives for 2009 and remains a significant player in Spanish local authority financing.

These results confirm the quality of the franchise and the potential of the Spanish market, which will continue to expand along with local authorities' growing investment needs.

In Portugal, the growth of commercial operations was more restrained due to the maintenance of the debt limits set by the Portuguese government and the impact of a new electoral cycle at the start of the fourth quarter (general and municipal elections in September and October).

Lastly, the commercial investments Dexia Sabadell made in the area of debt restructuring paid off: the total volume of assets restructured in the local public sector during 2009 came to EUR 480 million, much higher than the volumes achieved for all types of restructuring operations in 2008 (EUR 399 million, including project finance).

INTERNATIONAL - ENTITIES IN RUN-OFF

Australia

Existing outstanding loans are still managed locally until a more fitting definition of the entity's structure is selected.

Central and Eastern Europe

With the exception of Dexia banka Slovensko, the various entities present in Central and Eastern Europe ceased all activity. Existing outstanding loans, many of which have already been transferred to Dexia Credit Local's information systems, are managed on a day-to-day basis by a centralized platform in Vienna, with the help of a small team maintained in each of the originating countries.

Since January 2009, all of Dexia banka Slovensko's (Slovakia) commercial operations have been reporting to the Retail and Commercial Banking (RCB) business line [(1)]. The commercial operations of Dexia banka Slovensko remained good overall in 2009, with total outstanding loans reaching EUR 1,674 million, 4% higher than as of December 31, 2008. Buoyed by renewed confidence following the crisis, customer deposits were up 9% year-on-year from the EUR 1,723 million low point achieved as of December 31, 2008 to EUR 1,874 million. In 2009, Dexia banka Slovensko also initiated a cost reduction plan that resulted in a reduction of headcount by more than one hundred people and in the closing of six branch offices. Lastly, at the end of 2009 Dexia banka Slovensko launched a EUR 25 million capital increase which was finalized in early 2010. As a result, Dexia Credit Local's stake in Dexia banka Slovensko increased from 85.5% to 88.7%.

Mexico

The local entity will now merely carry on its balance sheet the remaining assets, the management of which has been transferred to Dexia Credit Local New York Branch.

Sweden

Following the branch being placed in run-off (it is expected to be closed at the end of the first half of 2010), its existing outstanding loans have been transferred to Dexia Credit Local.

Switzerland

No new loans were made after the start of the year, and the plan is to close the Dexia Credit Local subsidiary in 2010.

India: disposal in 2009

The Indian entity was sold mid-year to local investors.

(1) The summary tables for new lending and commitments shown (points 2 and 3) in the present chapter of the business review for the year just ended do not, therefore, include the data for Dexia banka Slovensko.

Outstanding loans

OUTSTANDING LONG–TERM PUBLIC SECTOR LOANS (1)

(EUR millions)	December 31, 2008 (2)	December 31, 2009	Change
PRINCIPAL MARKETS	**124,447**	**123,725**	**-0.6%**
France and International Headquarters	81,047	80,209	-1.0%
Iberian Peninsula (Spain and Portugal)	11,191	12,583	+12.4%
Italy	32,209	30,933	-4.0%
OTHER MARKETS	**77,185**	**60,249**	**-21.9%**
Germany	12,984	10,959	-15.6%
Sweden (3)	3,084	0	-100.0%
Switzerland	5,378	4,919	-8.5%
United Kingdom	8,090	8,790	+8.7% (5)
United States, Canada and Mexico	38,179	27,666	-27.5%
Australia	233	311	+33.5% (5)
Central and Eastern Europe (4)	1,573	1,693	+7.6%
Israel	794	894	+12.6%
Japan	6,870	5,017	-27.0%
TOTAL DEXIA CREDIT LOCAL	**201,632**	**183,974**	**-8.8%**

(1) Presented at current exchange rates.
(2) Compared with the business review published for December 2008, the figures for 2008 in this table incorporate the transfer of the PSP from Spain to PWB and the off-balance sheet figures for France and Switzerland. The data for Central Europe has been cut off at the month of August 2008.
(3) The outstanding loans of the Swedish activity as of December 31, 2009 have all been transferred into the outstandings of France and International Headquarters.
(4) Excluding Dexia banka Slovensko, whose commercial activities are reported under the Retail and Commercial Banking line of business.
(5) Increases in outstandings are attributable notably to changes in exchange rates.

2.2 SHORT-TERM LOANS

Total outstanding short-term loans amounted to EUR 6.8 billion as of December 31, 2009, down 29% from the previous year [1]. France accounted for 95% of total outstanding short-term loans.

(1) At the same scope as in 2009 and reincorporating all off-balance sheet items.

3. PROJECT FINANCE

3.1 ORIGINATIONS

LONG–TERM ORIGINATIONS – PROJECT FINANCE (1)

(EUR millions)	December 31, 2008 (2)	December 31, 2009	Change
PRINCIPAL MARKETS	**6,204**	**975**	**-84.3%**
France and International Headquarters	3,221	302	-90.6%
Iberian Peninsula (Spain and Portugal)	1,933	420	-78.3%
Italy	1,050	253	-75.9%
OTHER MARKETS	**3,116**	**412**	**-86.8%**
Germany	318	0	-100.0%
Sweden	123	0	-100.0%
Switzerland	0	0	-
United Kingdom	1,003	114	-88.6%
United States, Canada and Mexico	974	281	-71.1%
Australia	467	0	-100.0%
Central and Eastern Europe (3)	184	17	-90.8%
Japan	47	0	-100.0%
TOTAL DEXIA CREDIT LOCAL	**9,320**	**1,387**	**-85.1%**

(1) Presented at current exchange rates.
(2) Compared with the business review published for December 2008, the figures for 2008 in this table incorporate the transfer of the PSP from Spain to PWB and the off-balance sheet figures for France and Switzerland. The data for Central Europe has been cut off at the month of August 2008.
(3) Excluding Dexia banka Slovensko, whose commercial activities are reported under the Retail and Commercial Banking line of business.

The year was one of recovery and refocusing for the project finance business, following the sharp slowdown in the months following September 2008.

The recovery came quickly, thanks to Dexia's visibility and experience in its key countries and sectors, and the commercial relationships it has developed with strategic project finance customers.

However, in terms of signed financing contracts and therefore new commitments, total originations came in at only EUR 1.4 billion in 2009, well below the EUR 9.3 billion achieved in 2008 and the EUR 3 billion target set in the annual budget. In 2009, 60% of all new transactions were for the energy and environment sector, and 40% were for public-private partnerships (PPP), essentially in the social infrastructure (hospitals, prisons, universities, etc.) and transportation sectors.

In 2009, originations demonstrated the Group's strong proximity to the public sector, as they were generally equally distributed among borrowers whose revenues are provided directly by various regional and national authorities and borrowers participating in sectors regulated by public authorities.

Dexia acted as Mandated Lead Arranger (MLA) and interest rate hedging bank on practically all of the transactions signed in 2009.

Business review by location

FRANCE

In the social infrastructure sector (hospitals, prisons, universities, etc.), Dexia participated in three PPP transactions:

- the restructuring of the University of Paris IV Sorbonne - Clignancourt University Center;
- the construction of the University of Saint-Quentin-in-Yvelines (as financial advisor);
- the construction of the cycling stadium in Saint-Quentin-in-Yvelines.

In the energy sector, Dexia also participated in the funding of wind farms, located essentially in the Centre, Picardie and Haute-Normandie regions.

Dexia took total commitments of EUR 72 million on these four transactions.

INTERNATIONAL HEADQUARTERS

In the energy sector, Dexia financed a major offshore wind farm in Belgium, 45 kilometers off the coast of Zeebrugge, with Dexia Credit Local taking a EUR 36 million share in the financing (deal shared with Dexia Bank Belgium).

In the energy and environment sector, Dexia participated in the pre-hedging of the interest rates and the financing of a water desalination and electrical generation plant in Bahrain. In order to accompany its long-standing customer Suez Environnement, Dexia also acted as Arranger for the financing of a desalination plant in the Australian state of Victoria. Dexia Credit Local took a total share of EUR 72 million in these two operations, which were carried out by two major French customers.

Dexia signed two PPP financings in the transportation sector, with Dexia Credit Local taking a EUR 75 million share of the financing of:

- two tramway lines in Antwerp in Belgium (deal shared with Dexia Bank Belgium),
- the R1 highway in Slovakia (deal shared with Dexia banka Slovensko).

NORTH AMERICA

In the United States, two PPP totaling USD 102 million (EUR 71 million) were signed in the transportation sector: financing of the I-595 highway in Florida and the tunnel for the port of Miami.

In Canada, Dexia participated in the PPP financing of two hospitals in Ontario for a total of CAD 103 million (EUR 68 million); on one of them, Dexia also guaranteed the subscription and sale of a portion of the bond issue.

In the renewable energies sector, Dexia financed six wind power projects in the United States for a total of USD 216 million (EUR 150 million), and a photovoltaic project in Canada for CAD 34 million (EUR 22 million).

UNITED KINGDOM

In the renewable energies sector, Dexia took a share of GBP 26 million (EUR 29 million) as Arranger of the funding for an offshore wind farm.

Acting as Arranger, Dexia financed GBP 65 million (EUR 73 million) of the PPP project for the renovation of the M25 ring road in London.

IBERIAN PENINSULA

In the renewable energies sector, Dexia participated for a total of EUR 73 million in the financing of solar thermodynamic and wind power projects.

In the environment sector, Dexia provided a total of EUR 75 million in the Barcelona region for the financing of various infrastructure for the cleaning and collection of waste, and for a sorting and composting facility for household waste.

Dexia also provided EUR 53 million in financing for the water authority of the city of Seville.

Dexia also provided EUR 23 million in financing for additional work on the courthouse buildings in Barcelona.

ITALY

In the renewable energies sector, Dexia provided EUR 24 million in financing for a wind farm in Sardinia.

In the transportation sector, Dexia provided EUR 150 million in financing to highway operator Strada dei Parchi.

3.2 LONG-TERM EXPOSURE

LONG-TERM EXPOSURE – PROJECT FINANCE (1)

(EUR millions)	December 31, 2008 (2)	December 31, 2009	Change
PRINCIPAL MARKETS	**21,644**	**19,739**	**-8.8%**
France and International Headquarters	11,366	10,351	-8.9%
Iberian Peninsula (Spain and Portugal)	4,173	4,334	+3.8%
Italy	6,105	5,054	-17.2%
OTHER MARKETS	**9,479**	**9,730**	**+2.6%**
Germany	585	462	-21.0%
Sweden (3)	145	0	-100.0%
Switzerland	89	84	-5.7%
United Kingdom	3,156	3,660	+16.0%
United States, Canada and Mexico	3,522	3,841	+9.1%
Australia	1,034	1,065	+3.0%
Central and Eastern Europe (4)	860	562	-34.6%
Japan	88	56	-37.0%
TOTAL DEXIA CREDIT LOCAL	**31,123**	**29,469**	**-5.3%**

(1) Presented at current exchange rates.
(2) Compared with the business review published for December 2008, the figures for 2008 in this table incorporate the transfer of the PSP from Spain to PWB and the off-balance sheet figures for France and Switzerland. The data for Central Europe has been cut off at the month of August 2008.
(3) The outstanding loans of the Swedish activity as of December 31, 2009 have all been transferred into the outstandings of France and the International Headquarters.
(4) Excluding Dexia banka Slovensko, whose commercial activities are reported under the Retail and Commercial Banking line of business

4. INSURANCE (DEXIA SOFAXIS)

Insurance

The volume of insurance premiums collected by Dexia Sofaxis fell 5% to EUR 347 million due to the loss of certain customers and the decrease in insurance companies' rates in a highly competitive market. Despite very active efforts to source new business with the different segments of our portfolio, this trend was more pronounced with customers who are not associated with administrative centers. The 2009 prospecting campaign with the latter resulted in the addition of the administrative centers for the French departments of Haute-Garonne and Loir-et-Cher, and fifteen departmental fire and rescue services (SDIS).

Competition is also very strong in the hospital portfolio.

The associated services business continued to make significant strides during the second half:

- the medical control activity was up 19% in 2009, reaching 15,000 acts. This upward trend was manifest in both the second-opinion and the initial appraisal activities, demonstrating authorities' increased interest in ways to reduce absenteeism;
- the activity of recourse against responsible third parties also rose sharply, with a 22% increase in the number of files reviewed, resulting in a very significant increase in collections;
- a similar trend was also observed with psychological assistance cases.

Services

The services activity (excluding statutory insurance contracts) also increased sharply during the second part of the year. Total revenues were close to the targets set in the initial operating budget, i.e. a 25% increase over 2008. The Group's positioning in risk prevention and risk management within local public structures was confirmed. In terms of customer segments, the active growth strategy adopted with General Councils and Regional Councils is paying off, and has generated a number of important references.

International development

Insurance operations in Italy were strengthened by the creation of strong synergies with the Dexia Crediop sales force. This new approach, in line with the overall Public and Wholesale Banking strategy, enabled the Group to target forty-five large local authorities in Northern Italy.

5. ASSETS UNDER MANAGEMENT BY THE PUBLIC AND WHOLESALE BANKING BUSINESS LINE

Total assets under management from deposits and other investment products for the Public and Wholesale Banking business line amounted to EUR 8.9 billion as of December 31, 2009, down 11.6% from the previous year [1] :

- in France, total assets under management from deposits, investment and other asset management products amounted to EUR 6.6 billion, down 4% from December 31, 2008 [2]. Total new deposits of EUR 3.1 billion consisted of: EUR 0.2 billion in demand deposits, EUR 1.2 billion in term deposits, and EUR 1.7 billion in certificates of deposit and medium-term notes (MTN) issued by Dexia Credit Local and marketed by Dexia CLF Banque;
- in Israel, deposits increased 14% year on year to EUR 1.1 billion. Of that amount, demand deposits accounted for EUR 0.3 billion, term deposits for EUR 0.3 billion and certificates of deposit for EUR 0.5 billion;
- in Italy, total assets under management increased 65% to EUR 0.6 billion, and consisted essentially of demand deposits (only EUR 11 million in term deposits);
- on the Iberian Peninsula, total assets under management increased 37% to EUR 0.4 billion, and consisted essentially of demand deposits (only EUR 12 million in term deposits);
- in the United Kingdom, total term deposits fell 35% to EUR 137 million.

6. LONG-TERM FUNDING

Senior debt [a] [b] (in EUR millions)	New issues in 2008	New issues in 2009		
		Total	Guaranteed	Non-guaranteed
France				
Dexia Municipal Agency	9,917	7,960	-	7,960
Dexia Credit Local	4,654	20,805	17,374	3,431
Italy				
Dexia Crediop	2,736	913	-	913
Germany				
Dexia Kommunalbank Deutschland	8,149	4,172	-	4,172
SUBTOTAL - EUROPE	**25,456**	**33,850**	**17,374**	**16,476**
United States				
FSA - Financial products (GICs)	816	0	0	0
TOTAL	**26,272**	**33,850**	**17,374**	**16,476**

(a) The data include public offerings and private placements and borrowings on the retail and subsidized markets. They exclude all intercompany loans.
(b) The data include all funding operations of 12 months and longer. The data for 2008 have been restated to include short-term funding (strictly less than two years and more than or equal to 12 months) to provide a more relevant comparison.

(1) Excluding Dexia banka Slovensko.
(2) At the same scope as in 2009 and reincorporating all off-balance sheet items.

The year featured an overall improvement in conditions of access to the primary bond market.

During the first quarter, the banking sector suffered further deterioration and liquidity remained tight. The uncertainty surrounding the modification of covered bond rating methodologies announced by the ratings agencies prompted prudence on the part of investors in this market segment. Under these conditions, banks had recourse above all to government-guaranteed debt issues in order to avoid an overly significant slowdown in the execution of their long-term funding programs. There were therefore fairly few non-guaranteed primary issues, while covered bond issues were down sharply.

The second quarter witnessed a relative return of investor confidence, although conditions had not yet returned to normal. The rebound in equity markets and the European Central Bank's (ECB) announcement in May of its plan to acquire EUR 60 billion of covered bonds whetted investors' appetite for risk. Consequently, primary non-guaranteed and covered bond issues were also strengthened in an environment marked by an improvement in spreads.

The second half confirmed the trend observed in the second quarter, with notably strong activity in the primary covered bond market, while the ECB concretely implemented its acquisition plan. Similarly, senior non-guaranteed offerings remained strong and varied in terms of risk profile. Concomitantly, there were very few guaranteed issues, as December was marked by concerns about sovereign risk (deterioration of Greece's credit rating and placement of Spain on credit watch).

In this environment, in 2009 the Dexia Group raised a total of EUR 45.7 billion, including EUR 33.9 billion for the Dexia Credit Local Group. The gradual return of market conditions to normal enabled the Dexia Group to steadily increase the non-guaranteed share of medium- and long-term funding, which accounted for 51% of total long-term funding raised during the year.

Issues with government guarantees

2009	Dexia Credit Local (consolidated)
Public issues	EUR 10.83 billion
Average maturity	2.3 years
Private placements	EUR 6.54 billion
Average maturity	1.9 years

The definitive guarantee agreement with the Belgian, French and Luxembourg States was signed on December 9, 2008 and discussions with the rating agencies were concluded in early January 2009, enabling Dexia to participate fully in this new segment during the entire first half of 2009.

The first quarter was devoted to developing guaranteed issues on the euro market. In February and March, Dexia Credit Local was able to launch two benchmark issues maturing in October 2011 and March 2011. The level of demand made it possible to raise EUR 3 billion and EUR 3.5 billion, respectively, and also to confirm the market's acceptance of the tripartite guarantee program and the AA rating of the Dexia Group's guaranteed issues. These two domestic market successes also enabled Dexia to affirm its presence in the international markets in foreign currencies with issues in yen (JPY 45 billion), Swiss francs (CHF 350 million) and pounds sterling (GBP 750 million). Lastly, the first half ended with a substantial inaugural offering in USD. Dexia launched its first "144a" issue [(1)] for a total of USD 4 billion via two USD 2 billion tranches (one fixed rate and one variable) maturing September 23, 2011. This transaction was a true success, with an order book of nearly USD 9 billion and a significant presence (50%) of U.S. investors.

In order to successfully execute its funding program, Dexia Credit Local continued to be active in the private placements segment, and notably by offering "extendible" issues that enable investors to satisfy their asset liquidity constraints. In all, EUR 6.5 billion were raised by private placement (average maturity of 1.9 years), including EUR 4.2 billion in extendible issues.

In light of the improvement in market conditions and to maintain its amortization profile in 2010 and 2011, the Dexia Group stopped raising long-term funding under the central government guarantee at the end of the first half. It should be noted that on October 14, 2009, Dexia and the three guarantor States signed an agreement designed to extend Dexia's guarantee program through October 2010. While funding with a term of less than one month has been excluded from the scope of the guarantee, the maximum term authorized has been increased to four years, which will continue to strengthen the Group's funding base. This program has been operational since January 2010.

The ceiling for use of the central government guarantee has been decreased from EUR 150 billion to EUR 100 billion, with a commitment from Dexia to limit its use to EUR 80 billion.

(1) The "144a" format enables a non-U.S. issuer to sell securities to "Qualified Institutional Buyers" without registering the issuer with the Securities and Exchange Commission.

Issues and funding without government guarantees

COVERED BOND ISSUES

2009	Dexia Municipal Agency	Dexia Kommunalbank Deutschland	Dexia Credit Local (consolidated)
Public issues	EUR 5,720 million	EUR 1,650 million	EUR 7,370 million
Average maturity	11.3 years	5.3 years	9.9 years
Private placements	EUR 2,241 million	EUR 2,449 million	EUR 4,690 million
Average maturity	15.6 years	10.6 years	13.0 years

The *obligations foncières* and *pfandbriefe* issued by Dexia Municipal Agency and Dexia Kommunalbank Deutschland, respectively, do not enter into the scope of the guarantee provided to the Dexia Group.

During the first quarter of 2009, the funding raised in the covered bond format was limited (EUR 1.3 billion), since the market was open only to a limited number of issuers. Dexia's covered bond issues were almost exclusively concentrated on private placements and were primarily handled by Dexia Kommunalbank Deutschland (EUR 1 billion), which was able to build on the depth of its domestic investor base.

Subsequently, Dexia benefited fully from the reopening of the primary market for covered bonds, enabling it to affirm the Group's franchise in this market segment. A total of four benchmark issues were launched by Dexia Municipal Agency and Dexia Kommunalbank Deutschland, covering a wide range of maturities. Dexia Kommunalbank Deutschland launched a EUR 1 billion issue maturing in five years in order to meet largely domestic demand. For its part, Dexia Municipal Agency solicited investors for 7, 12 and 15 years in order notably to meet the maturity requirements of French insurers. Dexia Municipal Agency's 15-year issue corresponded fully in terms of maturity and size to the market's new thrust. It was the first 15-year covered bond issued since June 2007. The seven-year deal enabled DMA to continue to execute its program while taking advantage of the significant improvement in spreads. Lastly, both Dexia Municipal Agency and Dexia Kommunalbank Deutschland increased the stubs of existing benchmark issues in order to take advantage of the significant improvement in spreads.

In order to complement their funding programs, Dexia Kommunalbank Deutschland continued its private placement activity while Dexia Municipal Agency took advantage of the market rebound to resume its activity in this segment, essentially through the use of registered covered bonds.

UNSECURED ISSUES

Public issues

2009	
Dexia Credit Local	EUR 2,383 million
Average maturity	3.8 years

In 2009, issues totaling EUR 2.4 billion were offered without a guarantee. Most of the funds were raised during the second half. Dexia Credit Local took advantage of renewed investor confidence to launch a 5-year EUR 1 billion benchmark issue in July. This issue was increased by an additional EUR 300 million in August under significantly better spread conditions. In addition to posting spread conditions within the boundaries described by the Dexia Credit Default Swap, this issue highlighted the Group's ability to obtain long-term funding without the benefit of the guarantee.

In order to round out its funding, in October Dexia Credit Local launched a 2.25-year EUR 1 billion variable-rate issue. This enabled the Group to take advantage of a new improvement in funding terms, as the cost of funding of this unsecured deal was in line with that of an equivalent guaranteed issue (including the cost of the guarantee). Lastly, Dexia Credit Local took advantage of an opportunity to return to the Swiss market by launching a 3-year CHF 125 million issue.

Private placements

2009	
Dexia Credit Local	EUR 887 million
Average maturity	4.1 years
Dexia Crediop	EUR 415 million
Average maturity	3.4 years
Dexia Kommunalbank Deutschland	EUR 73 million
Average maturity	7.5 years

The public issues activity was complemented by funding via private placements by both Credit Local (EUR 887 million) and Dexia Crediop (EUR 415 million). Dexia Crediop's private placement activity was restrained, insofar as this entity benefits from neither the Dexia guarantee program nor any domestic Italian guarantee program.

Retail issues

Dexia Crediop's retail activity was discontinued during the second quarter of 2008 in light of the financial crisis, the questions concerning the disposal of FSA, the setting in place of the tripartite government guarantee and the Dexia Group's restructuring plan. It was not possible to restart this activity in 2009, as the Italian retail banks favor their own issues in their offers to their retail clients due to the scarcity of liquidity. The improvement in conditions of access to the market resulted in the opening of new discussions with the Group's retail banking partners in Italy. As a result, three transactions totaling EUR 383 million were concluded by Dexia Crediop during the second part of the year.

SUBSIDIZED FUNDING

2009	Dexia Credit Local (consolidated)
Subsidized funding	EUR 276 million
Average maturity	10 years

In 2009, Dexia Credit Local raised EUR 161 million with Caisse des Dépôts in so-called Local Authority Funding Loans (*Prêts de Refinancement des Collectivités Locales* or PRCL), with an average maturity of 7.5 years. Dexia Credit Local continued its collaboration with the EIB, resulting in two funding operations for Dexia Crediop (EUR 115 million) and one each for Dexia Sabadell (EUR 200 million) and Dexia banka Slovensko (EUR 75 million), representing the balance of the authorizations, granted notably in France, that got freed up as the projects financed reached completion.

7. FINANCIAL MARKETS

Run-off portfolios

Under the transformation plan, Dexia Credit Local's bond portfolios were reclassified into two different portfolios: Financial products (FP) for what came from FSA, and Portfolio Management Group (PMG) for the rest.

These portfolios are managed on a run-off basis, in order to reduce the size of Dexia Credit Local's balance sheet and improve its risk profile. In 2009, the natural amortization of these portfolios and sales of bonds represented EUR 8 billion and EUR 9.3 billion, respectively. The loss on disposal was limited to EUR 50.4 million (excluding reversals of provisions).

As of December 31, 2009, the outstandings of these bond portfolios represented about EUR 100 billion for Dexia Credit Local (of which EUR 10.9 billion for Financial products), with an average term to maturity of 11.9 years.

Short-term risk management, and cash and liquidity management

The first quarter was marked by a gradual narrowing of cash swap spreads [(1)] (from 150 bp to 90 bp) and slow reopening of the money market. The materialization of the guarantee enabled Dexia Credit Local to maintain its short-term outstandings (short-term issues and interbank borrowings)at the same level as in the summer of 2008. Use of tenders by various central banks was thereby reduced by 35%.

The second quarter was marked by the growing role of long- and short-term guaranteed issues. Certificates of deposit volume totaled EUR 38 billion, a new record, with lengthening maturities (shift from overnight issues to 1- to 3-month issues).

This trend eased pressures on short-term funding considerably.

The establishment of 1-year tender offers by the ECB on June 25 enabled Dexia Credit Local to extend the average maturity of its short-term funding. Dexia Credit Local's participation reached EUR 19 billion.

The third and fourth quarters were characterized by a stabilization of the money market, and a decrease in cash swap spreads to 30 bp, returning it to the same level as in early 2008. Dexia Credit Local's short-term funding conditions improved, with outstandings stabilizing at the same levels as the second quarter. Dexia Credit Local took a EUR 8.6 billion share in the ECB's December 1-year tender offer, thereby extending the average maturity of its short-term funding. Only limited recourse was taken to guaranteed funding during the second half, with the increasing importance of the non-guaranteed program.
As of December 31, 2009, total unsecured short-term outstandings stood at EUR 24,3 billion.

Structuring, trading and distribution

STRUCTURING

Structured products for public sector customers
Debt structuring for public sector customers was down sharply compared with previous years: a total of 423 transactions with public sector customers were listed and covered by the structuring desk (local authorities, hospitals and social housing agencies) for an aggregate nominal volume of EUR 4 billion, including 372 transactions in France with an aggregate nominal volume of EUR 3.5 billion (EUR 7.8 billion in 2008).

Structured products for institutional customers
The structuring desk listed and covered 125 customer transactions carried out by Dexia Credit Local with institutional customers, for an aggregate nominal value of EUR 2 billion.

This activity has grown sharply compared with 2008, when 13 transactions were carried out for a total of EUR 0.2 billion.

Structured products for project finance customers
Interest rate management on project finance transactions was very brisk all year long, although lower than in 2008: a total of 36 derivatives were contracted, for an aggregate total of EUR 3.4 billion, versus 43 derivatives in 2008 for a total of EUR 5.8 billion.

(1) Spread between Euribor and the swap rate against Eonia.

TRADING

The transformation plan resulted in the transfer of the macro hedging of structured interest rate products to Dexia Bank Belgium in Brussels in November.

Trading in support of commercial activities was maintained during the transfer phase, although volumes remained low with 55 new transactions for a total nominal amount of EUR 420 million.

Mark-to-market profit improved, reaching EUR 9 million by the transfer date.

DISTRIBUTION

In 2009, the Distribution teams enabled Dexia to be joint lead manager on all the Group's euro-denominated public offerings and to be the leading private placement contributor for Dexia Municipal Agency. More than EUR 5 billion in public sales and EUR 2.4 billion in private placements were raised with German and French institutional customers.

Debt Capital Markets

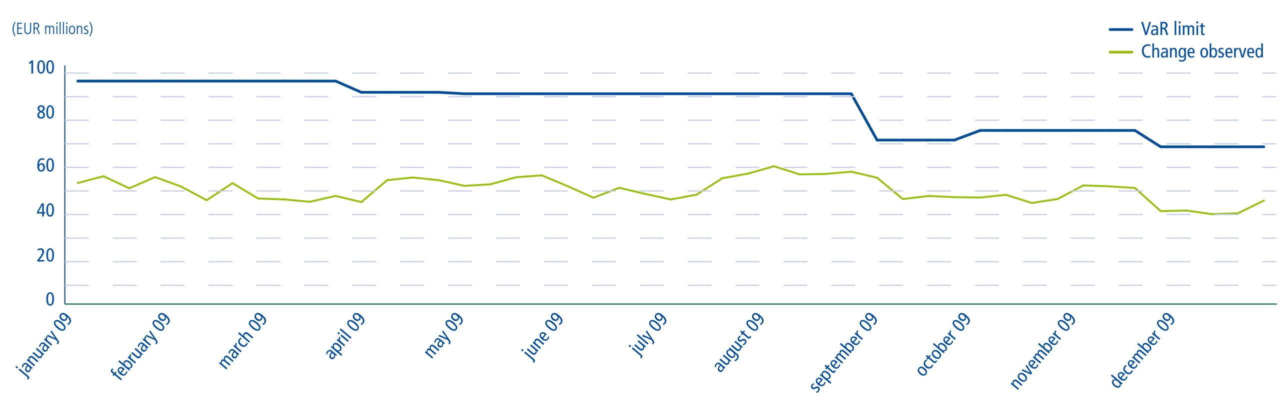
Dexia's Debt Capital Markets activity consists of the origination, structuring and syndication of public issues and private placements of bonds on behalf of the Group's customers. The teams, based primarily in Paris, Luxembourg and Brussels, work closely with the sales force in charge of customer coverage - for the public sector (local authorities, public utilities, etc.), financial institutions or project finance customers - to identify those solutions that best meet their needs. The Group's distribution teams, part of its financial markets operations, are charged with the sale of all transactions generated by Debt Capital Markets.The Debt Capital Markets activity is supervised jointly by the Public and Wholesale Banking line of business and the Treasury and Financial Markets (TFM) division.

During 2009, Dexia arranged (or participated in) 50 transactions either as bookrunner or lead manager, for an aggregate value of around EUR 9 billion. The issuers included notably the Flemmish Community of Belgium, the French Community of Belgium, the Belgian utilities Elia and Fluxys, the German state of Rhineland-Pfalz and various euro-denominated Dexia Group issues.

Value at Risk [1]

The following graph presents Dexia Credit Local's consolidated Value at Risk (VaR) on interest rates during the year:

VaR ON FINANCIAL RISKS [2]



(1) Value at Risk: a statistical assessment of the potential loss over a 99% confidence interval for a 10-day benchmark period for the financial markets activity.

(2) Market risk and balance sheet management.

8. FINANCIAL SECURITY ASSURANCE (FSA)

Dexia completed the sale of FSA's insurance activities on July 1, 2009. This transaction enabled Dexia to exit insurance, which is no longer a core business, and to reduce its exposure in the United States by approximately USD 400 billion.

FSA's insurance activities were disposed of through the sale of shares in FSA Holdings Ltd. by its parent company, Dexia Holdings Inc., to Assured Guaranty Ltd. The operations retained (Financial products), could not be sold to Assured Guaranty as they required an access to funding that Assured Guaranty was unable to supply. In exchange for the sale of shares in FSA Holdings Ltd., Dexia Holdings Inc. received from Assured Guaranty:

- USD 546 million in cash;
- 21.8 million in Assured Guaranty shares;

for a total price of USD 816.5 million, based on the June 30, 2009 price of Assured Guaranty shares (USD 12.38).

This disposal concludes the process initiated with the signature of a sale and purchase agreement on November 14, 2008.

On August 13, 2009, Dexia Holdings Inc. sold the shares of Assured Guaranty it had acquired in connection with the disposal of FSA to Dexia SA, generating a capital gain of USD 99 million.

On March 11, 2010, Dexia finalized a secondary public offering of all 21,848,934 of the ordinary shares of Assured Guaranty Ltd. that it held following the sale of FSA's insurance activities to Assured Guaranty. The transaction is expected to generate a gross capital gain of USD 225 million.

The Financial products activity, currently in run-off, consisted of gathering deposits from third parties (often from municipal issuers), to whom FSA agreed to pay out a fixed amount through guaranteed investment contracts (GICs). FSA reinvested these deposits in securities offering higher returns, in hopes of generating a positive net interest margin. FSA thereby built up a substantial asset position, with a USD 17.1 billion portfolio as of December 31, 2008.

The run-off of this portfolio was entrusted to a specialized subsidiary of Dexia Credit Local, with operational support provided by Dexia Credit Local New York Branch. The Belgian and French states are guaranteeing the assets of the Financial products portfolio. This guarantee was approved by the European Commission on March 13, 2009. It stipulates that Dexia would cover the first USD 4.5 billion in losses. If the losses end up exceeding USD 4.5 billion, the guaranteeing governments may receive Dexia common shares or preference shares. This mechanism was approved by Dexia's Extraordinary Shareholders' Meeting of June 24, 2009.

The Financial products activity is now fully consolidated in the financial statements of Dexia Credit Local and Dexia. In 2009, an USD 87 million net charge (cost of risk and impact on income) was recorded, bringing total specific and general impairment to USD 2,148 million.

Risk management

GENERAL GOVERNANCE

The Risk Management and Permanent Control department is responsible for monitoring all credit, market, liquidity and operational risks, within the meaning of French Banking Regulatory Committee (CRB) Regulation 97-02 as amended. The Chief Risk Officer is head of the department and a member of the Management Board.

The Chief Risk Officer represents Dexia Credit Local on the Group Chief Risk Officers Committee (Risk EXcom), which is chaired by the Dexia Group Chief Risk Officer, himself a member of the Group's Management Board.

The Risk Management and Permanent Control department is responsible for ensuring that all types of risk (including credit, operational and market risks) are compliant with the limits established by the Group's management bodies. The department recommends any measures it feels necessary for monitoring and reducing levels of risk.

The Risk Management and Permanent Control department adheres strictly to the provisions laid down by the Dexia Group Risk Management department concerning risk appetite, risk measurement methods, limits and reporting methods.

The Permanent Control department operates free of any external influence from the front office function. It does not report to any operational department, but has functional authority over the specialized permanent control staff in each of the operating units concerned.

In early 2010, the reorganization of the risk management function was completed, using an approach based on simplified governance and aligned on the Group's new organization. The function has been reorganized into cross-divisional business lines: Public and Wholesale Banking credit risk, market risks, and Retail and Commercial Banking risks, crossed with a geographical organization by consolidating entity.

The Chief Risk Officer of Dexia Credit Local is also Director of Public and Wholesale Banking credit risk for the Dexia Group. To enhance the independence of the risk management function, all of the Directors of credit risk in Dexia Credit Local's foreign subsidiaries and branches now report directly to the Chief Risk Officer of Dexia Credit Local.

RISK REVIEW OF 2009

In 2009, the activities of the Risk Management and Permanent Control department were strongly impacted by the financial crisis and by the transformation plan.

The reduction of Dexia Credit Local's risk profile was manifest in 2009 in a number of divestments, including the sale of FSA Insurance (finalized in July 2009), and by an active policy to reduce the run-off bond portfolio (EUR 17.3 billion in 2009). The divestitures and the reduction of the run-off portfolio resulted in a reduction of Dexia Credit Local's credit equivalent risk in 2009 (EUR 58 billion [1]). The weighted risks naturally followed the same trend and declined by EUR 5.1 billion during the year, while the core capital ratio (Tier 1) improved from 7.51% at the end of 2008 to 8.90% at end 2009. It is also worth noting that the cost of the risk (excluding Financial products) returned to normal, representing EUR 635 million in 2009 against EUR 2,196 million in 2008.

Substantial progress was made with liquidity. Dexia Credit Local and the Group had been facing a serious liquidity crisis following the bankruptcy of Lehman Brothers in September 2008 and the severe drying up of money and capital markets that ensued. In October 2008, the Belgian, French and Luxembourg states provided a guarantee on Dexia's short- and long-term funding. This guarantee has been extended until October 31, 2010 (details concerning the mechanics and the terms of renewal of the guarantee of Dexia's funding are provided in the «Significant events» section of the present report). The guaranteed amounts totaled EUR 50.4 billion as of December 31, 2009, compared with a maximum of EUR 95.8 billion in May 2009, which attests to the rebalancing of the Group's funding and the decrease in its balance sheet.

The Risk Management and Permanent Control department also assisted with the reorganization of the Treasury and Financial Markets (TFM) activity, the cut-back of trading operations and, in particular, the complete discontinuation of all credit trading operations. This resulted in a reduction of Dexia Credit Local's market limits (VaR 99% -10 days limit of EUR 107 million to EUR 54 million) and in a complete overhaul of all procedures.

One other notable achievement in 2009 was the continuing implementation of a model-based system for valuing illiquid exposures. Applied from the beginning of the year to assets available for sale, its use was extended to the valuation of all outstanding loans and other receivables as of December 31, 2009.

(1) Excluding FSA.

In the area of operational risk, 2009 was a year of strengthening existing procedures through the continuous collection of incidents and the updating of self-assessment scenarios. Collaboration with the other departments responsible for risk and control functions (in particular the Internal Audit, Compliance and Legal departments) has also been strengthened through the development of a common tool for monitoring the action plans induced by the recommendations of the Internal Audit department and by the risk assessments. Use of the tool began in early 2010.

Lastly, the main cross-divisional projects have continued and been developed:

- New models have been developed and will gradually be used to calculate regulatory capital as from December 31, 2010;
- Use of the Pillar 1 and Pillar 2 stress tests has been extended throughout the Group;
- Economic capital measurements have been refined and recalibrated to incorporate the lessons learned from the crisis.

In 2010, the efforts made to strengthen liquidity and reduce the Group's risk profile will continue in the same direction, while taking account of the agreement concluded with the European Commission. Risk appetite indicators will be put in place for Dexia Credit Local, in accordance with the guidelines that have been established for the Dexia Group.

Many projects will also be induced by regulatory standards: response to the recommendations of the Pillar 2 project; implementation of requirements regarding the calculation of risk-adjusted capital for financial markets activities (in particular the use of an integrated system for calculating historical VaR and the definition of stressed VaR); change in IFRS regulations regarding the provisioning and measurement of outstandings; changes linked to the new regulatory standards proposed by the Bank for International Settlements (BIS) in the context of a quantitative impact study notably with regard to the definitions of capital, buffer capital, the leverage ratio and counterparty risk.

1. BASEL II FRAMEWORK

Since January 1, 2008, Dexia Credit Local has used the Advanced Internal Rating Based Approach (AIRBA) to calculate its capital requirements and capital adequacy ratios.

The Group therefore used the AIRBA proposed in the first pillar of Basel II for the second time in 2009. Back-testing carried out during the year confirmed the sturdiness of these models, and the credit conversion factors [(1)] for all of the local public sector rating systems were able to be modeled. The rollout [(2)] of the development plan for the rating system used for GSFP-type (*Groupements sans Fiscalité Propre*) non-taxable groupings and public sector agencies continued, while reinforcing those aspects pertaining to the use test [(3)].

The year was also marked by the progress made with the implementation of Pillar 2. This system, which has been applicable since December 31, 2008, requires banks to demonstrate to their regulators that they are sufficiently capitalized given their risk profile. To accomplish this, they must notably have internal systems for calculating and managing their risk that are capable of making a valid assessment of their economic capital needs (Internal Capital Adequacy Assessment Process, or ICAAP). This process is based on two major processes: the analysis of risk by the Risk Management and Permanent Control department, and the preparation of the financial plan (including an allocation of capital and analyses of trends in the results of the business lines and the internal capital offer) by the Finance department.

Dexia made an initial presentation of its Pillar 2 approach on March 25, 2009 to the Group's twelve principal regulators. The regulators committee examined the Group's Pillar 2 in detail during the fourth quarter of 2009.

The Management Committee of Dexia Credit Local has been kept closely informed of all Pillar 2-related developments.

Pillar 3, which defines a set of qualitative and quantitative risk-related disclosures to be provided to market players, is to be applied the highest consolidated level of the Dexia Group, and has been an integral part of Dexia Credit Local's external communication policy since 2008.

Lastly, Dexia was closely involved in national and international discussions of amendments to the capital adequacy directive and, more generally, in the ongoing debates regarding the optimal level of capitalization for banks (dynamic provisioning, leverage ratio, definition of capital, etc.).

(1) Ratio of the unused portion of a commitments that will be drawn and at risk at the time of default to the as-of-yet undrawn amount of the commitment.
(2) Progressive implementation of the Basel II framework agreement.
(3) Period previous to the approval of the financial institution's use of the advanced approach under Basel II during which the institution must prove that it is incorporating the Basel II parameters into its day-to-day management in a durable manner.

2. CREDIT RISK

2.1 DEFINITION

Credit risk represents the potential loss (decrease in the value of the asset or default of payment) that Dexia Credit Local may incur due to the deterioration of the solvency of a counterparty.

2.2 GOVERNANCE

The Dexia Credit Local Risk Management and Permanent Control department oversees Dexia Credit Local's credit risk, under the aegis of the Management Committee and a number of specialized Risk Committees. Credit risk policy is defined at the Dexia Group level, and the Dexia Credit Local Risk Management and Permanent Control department is closely involved in the process. Authorization rules are defined by the Dexia Credit Local Risk Management and Permanent Control department and approved by the Dexia Group Risk Management and Permanent Control department. These rules are defined on the basis of the type of counterparty, credit rating and credit risk exposure.

The Dexia Credit Local Risk Management and Permanent Control department oversees the credit analysis/rating process and all control procedures concerning exposures.

Following the reorganization of the risk functions, Central Analysis Cells (CAC), specialized by type of counterparty (project, corporate, bank, ABS, international public sector and country), will be established at Group level to pool available expertise and provide all Group entities – and therefore Dexia Credit Local itself – with all of the analyses they will need. All decisions concerning these counterparties (commitments, provisioning) will remain the responsibility of the different entities and of Dexia Credit Local, in particular.

Analysis of matters not within the purview of the CACs continues to be performed directly by Dexia Credit Local and its subsidiaries/branches.

The following intercompany committees are organized by Dexia SA:

- the Risk Policy Committee (quarterly), which approves the rules of allocation of credit risk, which are then detailed in the credit risk policies;
- the Executive Risk Management Committee (weekly), which is responsible for determining risk management strategy and the organization of the function;
- the Management Credit Committee (weekly), which makes decisions on proposals involving very large amounts or high-risk credits.

The Chief Risk Officer of Dexia Credit Local is a member of the Executive Risk Management Committee and the Management Credit Committee.

The management of credit risk falls under the more general framework of the internal capital adequacy process (see part 8 "Economic capital").

Decisions regarding commitments and the monitoring of these commitments are made through of a series of committees. These are organized by business line, and include notably the Public and Wholesale Banking Credit Committees and the TFM Credit Committees. They approve all transactions that are not delegated to different subsidiaries and branches and operate under the authority of the Management Credit Committee. Each proposal submitted to a committee includes an independent analysis performed by the Risk Management and Permanent Control department of either Dexia Credit Local or the Group.

The Credit Committees make commitment decisions on proposals and meet weekly.

The specialized committees described below meet quarterly:

- Watchlist Committees monitor "sensitive" assets that have been placed under active surveillance;
- Default Committees qualify and monitor all counterparties in default in accordance with Basel II, employing the prevailing rules applied by Dexia;
- Impairment Committees approve quarterly allocations of provisions and monitor the cost of the risk;
- Credit Ratings Committees ensure that the internal credit rating system is applied correctly and that the credit rating process is adequate;
- The Credit Line Committee allocates and verifies limits for certain counterparties monitored by the credit risk knowledge center for financial market operations.

These Public and Wholesale Banking Committees are organized in the various subsidiaries and branches (the local committees), in the Head Office of Dexia Credit Local, and in the Head Office of the Dexia Group for all credit authorities that have not been delegated. The Dexia Credit Local Risk Management department chairs all of the Dexia Credit Local Committees. It systematically participates in all Dexia Group Committees and presents proposals concerning Dexia Credit Local and its various branches and subsidiaries. The department approves all credit proposals to be housed within Dexia Credit Local and its various branches and subsidiaries. The Dexia Credit Local Risk Management department has veto power over these proposals.

TFM Committees are organized solely at the Dexia Group level. The Dexia Credit Local Risk Management department participates systematically in these TFM Committees, decides on all proposals concerning Dexia Credit Local and its various branches and subsidiaries, and also has veto power over these proposals.

All delegations of powers to international entities for public sector customers and project finance operations were cancelled in late 2008. Very limited delegations were reintroduced mid-2009, mainly to the Italian and Spanish subsidiaries and solely in respect of public sector customers. All delegations granted to the commercial network in France have been maintained.

2.3 RISK MANAGEMENT

Dexia Credit Local manages its credit risk by measuring it, controlling it and taking all necessary steps to keep it as low as possible.

Credit risk limits are defined to manage the risk profile at the level of the Dexia Group as a whole and to limit any concentrations of risk. A limit is set for each counterparty in accordance with credit risk policies and represents the maximum exposure to credit risk that the Dexia Group is willing to accept for a given counterparty. The total exposure held by Dexia Credit Local and its subsidiaries and by any other Dexia Group entity for any given counterparty must remain below the limit set for that counterparty. Limits may also be imposed by business sector and by product. To take account of events as they occur, specific limits may be frozen at any time by the Risk Management department.

To measure its credit risk, Dexia Credit Local notably uses the entire internal rating mechanism set in place in connection with Basel II. Credit risk analysts are responsible for assigning credit ratings to all counterparties. Each rating corresponds to an assessment of the level of risk of the counterparty expressed through an internal scale which, unless otherwise justified, takes account of all potential risks related to the country in which it is established. Once it has been assigned, the internal rating is a key factor in the decisions made by the Credit Committee. By reviewing ratings every year, Dexia is able to proactively identify those counterparties that require more regular monitoring, which are then incorporated into a watchlist that is reviewed once a quarter jointly by the Credit Risk Management department and the Commercial department within a Special Mention and Watchlist Committee for assets under active surveillance.

General credit risk environment in 2009

The year was marked by the strength of economic stimulus policies, through initiatives undertaken by both states and central banks. The economic climate was unfavorable, however, marked by rising unemployment and the loss of consumer and entrepreneurial confidence. The year was also in many ways one of paradox. While the amount of outstanding corporate debt declined worldwide for the first time in at least 15 years, bond investors returned to capital market in force and a record volume of non-bank bonds were sold in Europe. In a context of low interest rates, this segment offered substantial premiums in the early part of the year which then tightened considerably.

Dexia Credit Local's main domestic credit markets experienced a similar trend, with an increase in lending to consumers and a decline in lending to businesses. The latter also diversified their sources of funding by taking increased recourse to the market, especially as the banking sector's ability to provide loans remained constrained by increased capital requirements. This explains in part the slowdown of the global market, which continued throughout the year with negative seasonally-adjusted net flows. The mortgage market, on the other hand, grew due to low interest rates and government incentives in favor of green investment.

Fundamentals of Dexia Credit Local's credit risk in 2009

Dexia Credit Local's portfolio reflected the deterioration of macroeconomic conditions in 2009. The average rating of the portfolios deteriorated during the year, and especially during the first quarter, causing the Group to set aside collective reserves to address the possible consequences of this deterioration. Dexia Credit Local's asset base stood up well and confirmed the low risk profile of Dexia Credit Local's business lines, which was also reduced significantly following the sale of FSA Insurance, finalized on July 1, 2009.

In 2009, in its management of credit risk, Dexia Credit Local continued to take account of the weakening of the economic system (increase in default rates observed, adverse macroeconomic conditions, etc.) stemming from the current financial crisis and continued to strengthen the procedures used to identify and track sensitive exposures and sectors. Moreover, all credit limits that needed to be were revised downward, and in particular on bank, large corporate and sovereign counterparties; some activities were suspended and the Group continued its initiatives to reduce its balance sheet (see below).

The fundamentals of the Public and Wholesale Banking business line remain very strong overall. In the area of corporate credit, a close monitoring was put in place for some more vulnerable areas, such as ports and highways which are subject to traffic risk. Authorizations were reviewed and credit limits lowered.

The year was marked by a significant decrease in the bond portfolio, with a freeze on all new purchases and a continuation of the program to sell off the existing bonds held in the portfolio. While there were no remarkable incidents or significant deterioration in terms of performance or expected loss, the impact of the crisis was felt nonetheless and resulted in the lowering of ratings. The deterioration was especially strong in the collateralized loan obligation (whose risk was, in large part, hedged) and residential mortgage-backed security segments in the United Kingdom and the United States. Ninety-seven percent of the bond portfolio is still rated investment grade. The decline in the ratings of the Financial products portfolio, with a longer maturity, was significantly weaker during the second half of 2009 than during the first half, and as of December 31, 2009 43% of the portfolio was rated investment grade. Sovereign risk was reduced substantially or entirely on those countries presenting a high degree of risk or considered more vulnerable. Bank counterparty risk trends were different depending on the counterparty, although the portfolio has not experienced any defaults. Indirect risk on monoline insurers was also reduced, following the discontinuation of the granting of liquidity lines in New York and the disposal of certain assets.

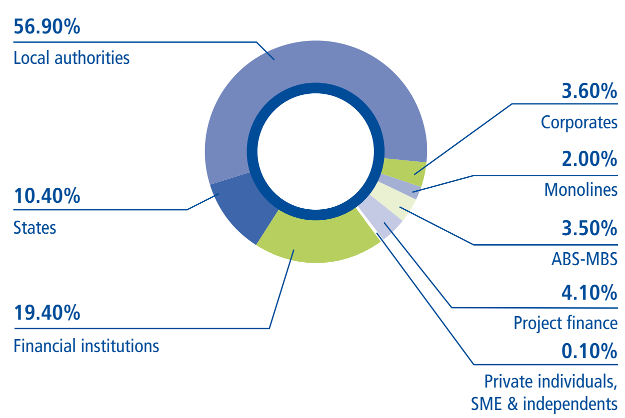
2.4 DEXIA CREDIT LOCAL PORTFOLIO

Exposure to credit risk includes:

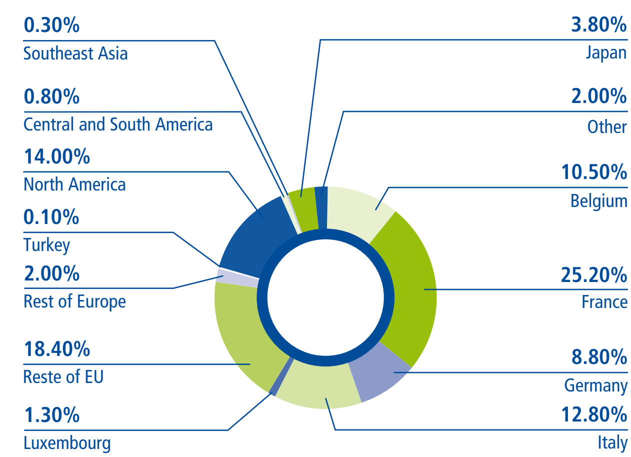
- the net carrying amount of all balance sheet assets other than derivatives (i.e. the gross carrying amount less specific reserves);
- the market value of derivatives;
- the total value of off-balance sheet commitments: the total commitment is equal either to the undrawn portion of liquidity facilities of the maximum amount that Dexia is required to honor on any guarantees given to third parties. When a credit exposure is guaranteed by a third party with a lower risk weighting, the principle of substitution is applied.

Dexia Credit Local (consolidated, excluding FP(1) and GF(2))

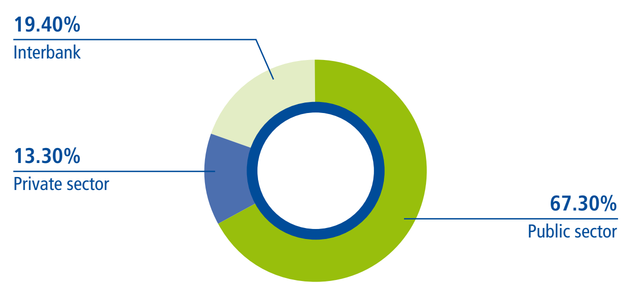
MAXIMUM CREDIT RISK EXPOSURE BY TYPE OF COUNTERPARTY - SPECIFIC



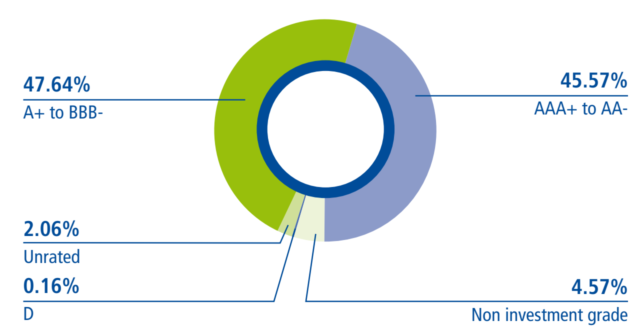
MAXIMUM CREDIT RISK EXPOSURE BY GEOGRAPHIC REGION



MAXIMUM CREDIT RISK EXPOSURE BY TYPE OF COUNTERPARTY - GENERAL



MAXIMUM CREDIT RISK EXPOSURE BY CREDIT RATING



IMPAIRMENT ON CREDIT RISK AND COUNTERPARTY CREDIT RISK

Loans and advances (EUR millions)	12/31/2008	12/31/2009	Change (value)	Change (%)
Non-performing loans under collection	275	589	314	114%
Provisions allocated	104	134	30	29%

Securities and derivatives (EUR millions)	12/31/2008	12/31/2009	Change (value)	Change (%)
Provisions on banks	336	323	-13	-4%
Provisions on SMEs	100	99	-1	-1%

(1) Financial products.
(2) Global funding

3. MARKET RISK

3.1 DEFINITION

Dexia Credit Local's market risk includes its consolidated exposure to adverse changes in market parameters, such as interest rates, exchange rates and, to a lesser extent, changes in equity prices and other market risks (basis risk, inflation risk, etc.).

Interest rate risk includes both general risk on changes in market interest rates and specific risk (spread risk) on changes in the credit spread of a particular issuer, class of assets or rating category.

Equity risk reflects the risk of the potential decline in the value of shares held. Currency risk reflects the potential decline in value due to fluctuations in foreign exchange rates.

Other market risks reflect a potential loss of value due to any changes in organized or OTC markets not already taken into account in the above definitions.

3.2 GOVERNANCE

The teams responsible for the management of financial markets risk (Financial Markets and Risk Management, or FMRM) act as a knowledge center, covering all Treasury and Financial Markets (TFM) activities for the Group as a whole.

FMRM is an integrated function within the Group. With a powerful, comprehensive approach to risk management, FMRM is responsible for the identification, analysis, monitoring, evaluation and reporting of all risks and results.

FMRM defines risk management policy and oversight through the drafting of detailed procedures and guidelines for each TFM function. FMRM also ensures that they are strictly enforced. The risk management teams are also responsible for defining the methods used to calculate the income statement and measure risk, and provide a consolidated measure of risks and performances for the financial markets activities of the Dexia Group as a whole.

Located within the operating entities, the local FMRM are responsible for the day-to-day monitoring of operations, including the evaluation and monitoring of risk at a local level (calculation of risk indicators, verification of limits and triggers, etc.), the production of local risk and results reports, reconciliations with the local accounting staff and reconciliation with the local information system.

Each operating entity is also responsible for monitoring and reporting to all local control and regulatory bodies.

Committees

The Market Risk and Guidelines Committee (MRGC) meets monthly and covers a broad range of topics, including: analysis of risk and profit and loss [1] warning threshold reports and related decisions; definition and revision of approval limits; proposed approvals of all new products; discussion of risk guidelines, governance and standards; risk concepts; and risk measurement methods.

If need be, an ad hoc MRGC will settle any specific problems with regard to the management of activities and/or risks.

In addition to the monthly MRGC meeting, a specific MRGC meeting is held each quarter to review the risk and results reports for each TFM line of business.

The Dexia Market Risk Committee (DMRC) meets every two months and acts as the supervisory committee for the MRGC.

The Risk Policy Committee and the Executive Risk Management Committee validate all significant changes to be made to the risk profile or to the governance of risk.

3.3 RISK MANAGEMENT

Risk measures

The Dexia Group has adopted the Value at Risk (VaR) risk measurement method as one of its main risk metrics. VaR measures potential loss over a 99% confidence interval for a 10-day period. Dexia uses several VaR techniques to obtain a precise measurement of the inherent market risk of its portfolios and various market activities.

- general interest rate and currency risk are measured using parametric VaR;
- specific interest rate risk is calculated using the traditional VaR method; and
- non-linear and individual risks are measured using the specific and historical VaR techniques, in order to obtain a more accurate assessment of exposure to market volatility.

(1) *Profit and loss warning thresholds which alert staff to a deterioration of earnings, are expressed as a percentage of VaR limits, i.e. generally 50%, 75% and 100% for triggers 1, 2 and 3, and discontinuation of activity at 300% of VaR.*

Dexia Credit Local's exposure to market risk, measured in terms of VaR, comes mainly from general and specific (spread) interest rate risk, reflecting the daily volatility observed in credit markets. Dexia Credit Local does not hold any open trading positions in equities, exchange rates or any other risk factors.

Dexia Credit Local uses the Group's VaR model to calculate its regulatory capital requirements on interest rate and currency risk within its trading activities. Dexia Credit Local's trading activities were reduced dramatically during 2009, following the closure or transfer of its interest rate and credit trading operations to Dexia Bank Belgium (DBB) under the terms of Dexia's transformation plan.

The VaR techniques employed are continuously optimized. In 2009, backtesting did not generate any exceptions to general interest rate or currency risk or credit spread-related risk, which proves the effectiveness of the techniques employed for the main risk factors.

In addition to the measurements and performance warning thresholds provided by the use of VaR techniques, Dexia uses a wide range of other measures to assess the risks associated with its different businesses (limits for nominal volumes, maturities and authorized markets; limits for interest rate, spread and options sensitivity (Greeks); and scenario analysis).

Stress testing is increasingly important to any rigorous risk management system, as it explores a range of low probability events outside the probabilistic scope of VaR measurement techniques. VaR measures estimated market risk under traditional, everyday conditions, while stress testing quantifies it under abnormal circumstances.

The various probabilistic scenarios were continuously revised and updated during 2009.

Bonds in the held-to-maturity portfolio (banking book) are not subject to VaR limits, due to their different investment horizon. Under the Dexia transformation plan, much of the portfolio has been placed in run-off.

Exposure to market risk

VALUE AT RISK

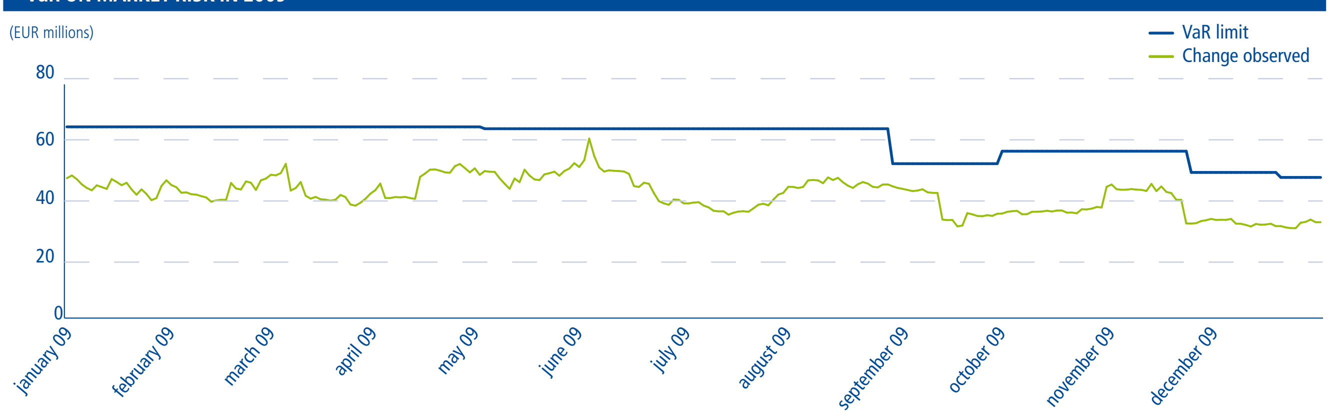
Details regarding the VaR used by the TFM activity (excluding the held-to-maturity portfolio) are provided in the table below.

The limits were revised sharply downward in accordance with the principle of reduction of risk appetite laid out in the Dexia transformation plan. The TFM limit was reduced from EUR 107 million at December 31, 2008 to EUR 54 million in the first quarter of 2009.

	VaR on Dexia Credit Local's market risk [1]				
(EUR millions)	Average	% limit	Maximum	% limit	Limit for the quarter
Q1	39.13	64%	48.02	79%	60.68
Q2	43.21	72%	56.65	94%	60.04
Q3	35.61	74%	43.38	90%	48.08
Q4	31.83	73%	41.47	95%	43.38

(1) Excluding EUR 10 million equity limit.

VaR ON MARKET RISK IN 2009*



(*) VaR on interest rates & spread risk on market scope.

BOND PORTFOLIO

Dexia Credit Local manages bond portfolios, most of which have been placed in run-off, with an aggregate value of EUR 89.2 billion as of December 31, 2009 (excluding the Balance Sheet Management [BSM] and Financial products [FP] portfolios).

As the interest rate risk on these bond portfolios is hedged, they are not very sensitive to changes in interest rates.

As of December 31, 2009, the sensitivity of the fair value to a one-basis-point increase in the spread amounts to EUR 93 million for the bond portfolio (compared with EUR 96 million / basis point as of June 30, 2009 [(1)]).

In light of the illiquidity of the markets and the reduced visibility for prices-spreads in the valuation process, models have been used to value the portfolio of assets available for sale (AFS portfolio) since 2008.

The credit spreads supplied by this model were based on the components of credit plus a liquidity premium. In 2009, methodological and operational improvements were made to the advanced model to include all illiquid assets available for sale. This advanced model was also applied to loans and advances (part of the available-for-sale portfolio was reclassified into loans and advances in 2008) as of December 31, 2009, in accordance with IFRS.

4. BALANCE SHEET MANAGEMENT

4.1 DEFINITION

The risks associated with balance sheet management (BSM) include structural market risk (interest rate risk, currency risk, on- and off-balance sheet equity risk generated by the business lines) and liquidity risk.

The detailed definitions of structural interest rate risk, currency risk and equity risk are provided in the section on market risks.

Liquidity risk is defined as the probability that the bank will be incapable of satisfying its expected and unexpected current and future cash needs.

4.2 GOVERNANCE

Committees

Overall BSM risks are managed at the monthly meeting of the Group's Asset & Liability Management Committee (ALCO). The Group ALCO sets limits and ensures that the appropriate strategy is adopted given the Group's BSM overall risk. It decides which hedges must be put in place (investments/divestments to be carried out for the insurance activities) and validates the internal transfer pricing mechanisms used within the Group. Group entities have their own local ALCOs. They manage specific local risks under the guidelines defined by the Group ALCO.

The Funding & Liquidity Committee (FLC), by delegation from the Group ALCO, centralizes and coordinates the decision making process for all liquidity issues. The FLC is in charge of monitoring changes in short- and long-term funding needs and establishing Dexia's overall funding strategy. It is also responsible for examining and updating the stress scenarios that must be considered with regard to liquidity; for establishing emergency action plans and proposing corrective measures to improve the Group's liquidity profile; and for coordinating the general reporting of liquidity to the Group's various boards as well as to the rating agencies, regulators, central banks and states.

The FLC meets both weekly and monthly (expanded committee).

4.3 RISK MANAGEMENT

Risk measures

Interest rate risk

BSM is used to reduce the volatility of the income statement, in order to protect the profits generated by the business lines and to preserve the Group's overall creation of value.

The different Group entities use the same methods to measure balance sheet risk. Currently, the primary indicator used is a calculation of the sensitivity of the net present value of the BSM positions. In 2010, Dexia will optimize the calculation of Earnings at Risk (EaR) in stress scenarios within the different Group entities in order to incorporate this indicator into the decision making process.

Exposure to risk, as measured in both economic and accounting terms, is generated primarily by long-term European interest rates and results from the structural imbalance between Dexia's assets and its liabilities. Risk sensitivity measurements reflect the exposure of the balance sheet to first- and second-order sensitivity. VaR calculations are used to provide complementary measurements.

(1) Including the Dexia Municipal Agency and tender option bond (TOB) portfolios.

Equity risk

The Value at Risk technique is used to measure the sensitivity of the portfolio to adverse changes in equity prices, volatility and correlation. Among others, the market risk management framework includes earnings at risk and stress test measurements that provide an indication of the maximum accounting loss under different scenario calculations. The equity portfolios of the banking entities have been placed in run-off.

Dexia Credit Local's portfolio amounted to only EUR 2.9 million as of December 31, 2009.

Currency risk (structural)

Although Dexia's reporting currency is the euro, many of its assets, liabilities, revenues and costs are also denominated in a number of other currencies. The Group ALCO establishes the hedges to be used to offset structural currency risk, in order to reduce the volatility of income.

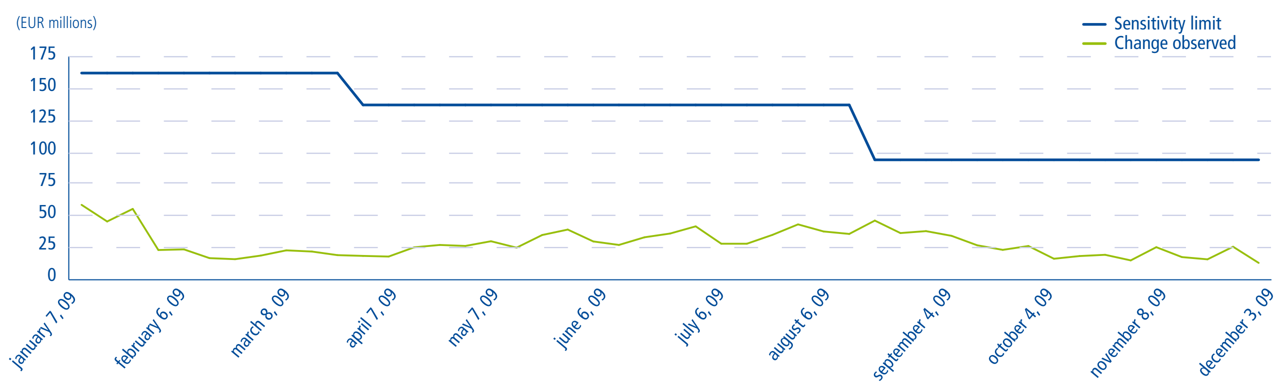
BSM exposure

BSM exposure to interest rate risk (sensitivity)

Interest rate risk sensitivity measures the change in the net economic value of the balance sheet caused by a 1% increase along the entire interest rate curve. The long-term ALM sensitivity amounted to negative EUR 13 million as of December 31, 2009 (versus negative EUR 59 million the previous year). The limit of sensitivity to interest rates amounted to EUR 94 million as of December 31, 2009, versus EUR 162 million the previous year.

This trend is fully consistent with the new BSM strategy, which seeks to minimize the volatility of the income statement while preserving overall creation of value.

BANK ALM SENSIVITY IN 2009



The Financial products portfolio had exposure of EUR 10.9 billion as of December 31, 2009. Interest rate risk amounted to negative EUR 6.2 million (compared to a limit of EUR 42 million).

4.4 LIQUIDITY RISK

Strong improvement of the liquidity profile

Substantial progress was made in improving liquidity in 2009.

In an amendment signed October 14, 2009, the guarantee on a significant portion of Dexia's short- and long-term funding granted in October 2008 by the states of Belgium, France and Luxembourg was extended until October 31, 2010.

The following changes were made to the guarantee mechanism:

- the ceiling on guaranteed outstandings was lowered from EUR 150 billion to EUR 100 billion;
- the maximum term of new long-term funding commitments issued was lengthened to four years.

In addition, since October 16, 2009, Dexia has renounced the benefit of the guarantee on all new contracts with a term of less than one month and on all new contracts with no fixed maturity date. Dexia was easily able to replace this guaranteed funding with unsecured funding.

On October 30, 2009, the European Commission temporarily authorized the extension of the guarantee until the end of February 2010. Under the terms of the agreement entered into with the European Commission on February 5, 2010, an early exit from the guarantee mechanism was announced.

In 2009, the Dexia Group raised a total of EUR 45.7 billion (of which EUR 33.9 billion for the Dexia Credit Local Group) in medium- and long-term debt securities, with an average term of five years. The share of the loans not covered by the tripartite sovereign guarantee increased continuously during the year, to 51% by year end.

This good performance was made possible by:

- the reopening of the covered bonds market in the second quarter of 2009, which enabled Dexia to issue a total of EUR 13 billion in covered bonds in 2009 through its three issuers, Dexia Municipal Agency and Dexia Kommunalbank Deutschland and Dexia Lettre de Gage Banque;

- renewed access to unsecured funding, especially starting in the third quarter of 2009, resulting in the sale by the Dexia Group of medium- and long-term unsecured issues totaling EUR 10.3 billion in 2009 (of which EUR 4 billion by Dexia Credit Local).

The short-term funding profile also improved significantly during the second half of the year due to the gradual increase in funds raised via the bilateral and triparty repo market and better access to unsecured short-term liquidity.

Overall, the Group's short-term funding requirement fell sharply in 2009 due to the active balance sheet reduction strategy undertaken by the Group since the fourth quarter of 2008 (EUR 15 billion of assets in the run-off bond portfolio were sold in 2009, with an average term of 4.5 years) and the strength of the long-term issuance program.

The combination of all of these factors resulted in a significant reduction of outstanding short- and long-term guaranteed debt. These outstandings amounted to EUR 50.4 billion as of December 31, 2009, compared with a maximum of EUR 95.8 billion in May 2009.

In 2010, the efforts to improve liquidity are continuing, with a target of become completely unreliant on the guarantee by June 30, 2010, meaning that the Group will no longer issue any new funding covered by the tripartite central government guarantees after that date at the latest.

Management of liquidity risk

Dexia has revised its liquidity risk management strategy, due to the financial and liquidity crisis. The strategy is now based on the general principle that Dexia's future funding requirements will never exceed its demonstrated ability to obtain secured financing. In other words, Dexia ensures that its short-term funding requirements can always be met through the use of liquid assets in the interbank market.

Dexia strives to maintain a liquidity buffer sufficient to meet all outflows of cash provided for under different scenarios. This liquidity buffer consists of unencumbered securities accepted as underlyings by those central banks to which Dexia has access.

The Group's future funding needs are assessed dynamically and exhaustively, taking account of liquidity requirements generated by existing and planned transactions (both on- and off-balance sheet). The ability to obtained secured funding is determined in a prudent manner, drawing upon the lessons learned from the current crisis. Dexia's ability to cover its future liquidity needs by obtaining secured funding is verified under both a normal scenario and a scenario with several stress factors built in. These include stresses specific to the bank and market stresses, as well as a combination of the two.

Short-term funding requirements are monitored on a daily basis. Longer-term funding needs (up to three years) are monitored on a monthly basis. More generally, the management of liquidity risk lies at the very heart of the definition of Dexia's three-year financial plan. The results of this monitoring are presented on a weekly basis to the Funding & Liquidity Committee, which determines the major strategic foci of the Group's liquidity management. This supervision is subsequently verified and updated regularly in accordance with best risk management practices and incorporating all local regulatory constraints.

The diversity of Dexia's sources of funding reduces the Group's liquidity risk. Dexia's main sources of funding are:

- retail deposits (mainly in Belgium, Luxembourg and Turkey);
- long-term funding:
  - secured debt,
  - unsecured debt, with or without sovereign guarantees (including the debt securities distributed through Dexia's network);
- short-term funding:
  - bilateral and triparty repo transactions,
  - central bank tender offers,
  - a wide variety of unsecured short-term sources of funding, some with the benefit of sovereign guarantees.

Dexia takes a centralized approach to its liquidity risk management. Although the various Group entities manage their own liquidity positions, Dexia's funding strategy is managed on a centralized and integrated basis.

In June 2009, the Belgian Banking, Finance and Insurance Commission (CBFA) established a monthly stress test observation ratio for liquidity. This ratio measures the liquidity position of a bank under exceptional circumstances by comparing potential liquidity requirements with the bank's available on- and off-balance sheet liquidity. This approach combines the impact of a so-called "idiosyncratic" (bank-specific) shock with the consequences of a general liquidity crisis.

The assumptions of this stress are based mainly on the impossibility of obtaining unsecured funding, the impossibility of selling or securitizing illiquid assets, and a limited or lack of recourse to certain sources of funding.

5. LEGAL RISK

Dexia Credit Local's activities do not entail any risks other than those traditionally associated with the distribution of Financial products to customers. During 2009, no significant change was observed in the number of disputes with customers, which remained few.

The most significant disputes concerning Dexia Credit Local's subsidiaries are describe below:

- Financial Security Assurance Holdings Ltd. and its subsidiary, Financial Security Assurance Inc. (hereafter referred to as Assured Guaranty Municipal Corp., or "Assured Guaranty") (both designated by the initials FSA) 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 Department of Justice, the U.S. tax authorities and the Securities and Exchange Commission (SEC) on the grounds that they violated the laws and regulations in force by marketing guaranteed investment contracts (GICs)[1] entered into with the issuers of municipal bonds. Several U.S. states have initiated parallel, similar investigations.

  In connection with these proceedings, a large number of banks, insurance companies and brokerages, including FSA, Dexia and/or Assured Guaranty have been assessed damages and interest, in both class actions and individual suits, for breaches of antitrust laws and securities regulations. Among these proceedings, which are currently being handled by the U.S. Federal District Court of New York, some still mention FSA, Dexia and Assured Guaranty, which have all requested that these suits be dropped.

  Under the terms of the sale of FSA to Assured Guaranty, Dexia has retained the Financial products business and agreed to indemnify FSA and Assured Guaranty for all losses related to this activity that they may incur as a result of the investigations and lawsuits mentioned above.

  Dexia is not able at present to reasonably predict the duration and the outcome of the investigations and legal proceedings in progress, or their potential financial repercussions.

- Investigations are under way in Italy into the use of derivatives by local authorities, and Dexia Crediop, like other banks, has testified about its activities and practices before a parliamentary commission. The bank has responded to requests for documentation under the terms of the investigations in progress. Two customers have instituted legal proceedings against the bank.

  Under Italian law, debt may be restructured only if it leads to a reduction in the cost borne by the community. In those cases, the legal question raised is whether or not the cost to be taken into consideration includes the cost of hedging transactions. Both of these cases, which involve only modest financial stakes, are in their initial phase. Their outcome cannot be reasonably estimated at this point.

- Dexia banka Slovensko had set aside a reserve of EUR 100 million in 2008 in connection with foreign exchange transactions carried out by customers who turned out to be unable to meet margin calls on these transactions. In June 2009, one of these customers instituted legal proceedings against the bank asking for EUR 162 million for breach of law and contracts. For its part, Dexia filed pleadings applying for compensation for the loss caused to it by that counterparty.The court has appointed a specialist to assess the damages and Dexia banka Slovensko's procedures, and all parties to the case have hired their own experts. The customer's expert witness puts the damages suffered by his client at EUR 110 million. This estimate is contested by the bank which, considering the suit to be without merit, has not set aside any provision. At this stage of the proceedings, Dexia is not in a position to forecast the outcome of the dispute.

- In May 2002, a complaint was filed concerning Dexia's purchase of shares held by the State of Israel, alleging a breach of corporate law. In April 2009, the Central District Court dismissed the class action claim filed by the plaintiffs. In June 2009, the latter appealed their case to the Supreme Court. Both parties must submit their arguments mid-2010 for a decision in November 2010.

6. OPERATIONAL RISK

6.1 DEFINITION

Dexia defines operational risk as the risk of a financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes risks related to information systems, legal issues and compliance, but excludes strategic risk.

The definition of operational risk developed by Dexia is inspired, in a non-exhaustive manner, by the definition provided by the Basel Committee, which puts the emphasis on losses (negative financial impacts). Therefore, Dexia's policy also requires the collection of data concerning any events that generated financial gains.

6.2 GOVERNANCE

The management of operational risk is based on strong governance, which requires clearly defined responsibilities of roles.

The Management Board of the Dexia Group meets weekly to regularly examine changes in the risk profile of the Group's various activities and make all necessary decisions.

The Risk Policy Committee, a strategic committee made up of representatives of the Management Board, approves Group-wide policies. The Risk Policy Committee meets quarterly.

(1) The guaranteed investment contracts (GICs) were issued by subsidiaries of FSA Holdings in exchange for funds paid by U.S. local authorities or by issuers of securitized debt securities. The GICs, which had varying terms and repayment conditions, entitle their holders to receive interest payments at a guaranteed rate (fixed or variable). The principal and interest on the contracts were guaranteed by FSA Inc., and remain so after the acquisition of that company by Assured.

The Operational Risk Guidelines Committee, chaired once a quarter by the Group Chief Risk Officer, details the approved policies in guidelines adapted to business activities. It transversally reviews all operational risk events and related analyses. Dexia Credit Local is represented on the ORGC by the member of the Dexia Credit Local Management Board in charge of the Public and Wholesale Banking business line.

The Operational Risk Management Committee, chaired once a month by the Group Chief Operational Risk Officer, develops consistent Group-wide operational risk procedures, including those for business continuity, crisis management, information security and insurance. This committee includes the Operational Risk Officers of the Group's main entities, including Dexia Credit Local.

The line management in each entity has primary responsibility for operational risk. For each field of activity they appoint an operational risk correspondent whose role is to coordinate the collection of risk event data and self-assessments, with the help of the local operational risk management unit.

6.3 RISK MANAGEMENT

Dexia's operational risk management system is based on the following key factors:

Operational risk database

The systematic capture and follow-up of risk events is one of the most important requirements stated by the Basel Committee, whatever the approach chosen for the capital calculation (Standardized or Advanced Measurement Approach): "time series of losses may provide useful information for assessing exposure to operational risk and developing a strategy to control/mitigate this risk."

Consequently, the collection of operational risk event data allows Dexia Credit Local to comply with regulatory requirements and to obtain valuable information that it can use to improve the quality of its internal control system. Strict reporting guidelines have been formulated and distributed at the Dexia Credit Local Group level, to ensure that important information is passed on in due time (the threshold for mandatory reporting is set at EUR 2,500). The Operational Risk Management (ORM) function provides the Management Board with a report of all major operational risk events, including the action plans to reduce the risks, as defined by the line management.

Risk and control self-assessment

In addition to building a time series of losses, it is also necessary to identify Dexia Credit Local's exposure to the major types of operational risk through a risk-mapping of all its significant activities. This is achieved through the performance of bottom-up Risk and Control Self-Assessments (RCSA) in all Group entities. The RCSAs not only call for the identification and assessment of all major risks and controls, they may also result in the definition of initiatives to reduce these risks. They provide an overall view of most of the risk areas in the different entities and activities, and allow results to be reported to management at every level of the organization. In 2009, RCSAs were conducted in every department in the Group's Head Office and its international subsidiaries, and they will be repeated at regular intervals.

Management of information systems security and business continuity

The information systems security policy and all related guidelines, standards and practices aim to ensure the security of Dexia Credit Local's information assets.

Thanks to the security programs and well-defined responsibilities in place, all of the business lines operate in a secure environment.

As required by the Group's policy on business continuity, the business lines must perform impact studies for all critical activities. They must define and establish recovery plans and ensure that the business continuity plans of the different functions are tested and updated at least once a year. Based on the information it receives in regular reports, the Management Board validates all recovery strategies, residual risks and action plans in an effort to achieve continuous improvement.

Management of insurance policies

Dexia Credit Local also reduces the operational risks to which it is exposed by subscribing group insurance policies, covering professional liability, fraud, theft and business interruption. Through this insurance group policy, the Group seeks to establish insurance-related recommendations covering the various risks to which it is exposed, and to implement these recommendations at both the Group and Dexia Credit Local levels. The Group also oversees centralized negotiations with brokers and insurance companies.

Definition and monitoring of action plans

Line management defines the corrective measures inherent to the major risk events or significant risks identified. The operational risk management function provides regular monitoring of and quarterly reports for all of the activities.

This process promotes improvement of the internal control system and reduction of risk in an appropriate fashion over time.

Increased coordination with other functions involved in the internal control system

A new software application was developed in 2009 to cover most of the components of the operational risk management system and to make certain key features available to other central functions (internal audit, compliance, permanent control and quality control). The installation of this software in 2010 will enable all of these functions to use a common language and common reference systems, and will enable consolidated information to be produced for line management, in particular in respect of any action plans or recommendations to be followed over time.

7. STRESS TEST

A stress testing action plan was put in place in 2009: the stress testing program was significantly expanded, covering all type of risk, business lines and entities.

Pillar 1 stress tests (individual stress tests of the Basel II internal credit rating models) were performed, in particular for Dexia Credit Local on the internal rating systems used for French local authorities, U.S. municipal customers and the project finance business. The Dexia Group has achieved the goal it had set of covering more than 80% of its weighted credit risk.

The Pillar 2 (general) stress tests performed by the Dexia Group on the basis of a historical scenario and an expert scenario involving economic recession led the Group to maintain its Tier 1 core capital ratio at well above 8%.

Finally, in 2009 Dexia was one of the 22 European institutions subjected by the Committee of European Banking Supervisors (CEBS) to a common stress testing exercise, built on different scenarios involving the deterioration of credit quality. In this exercise, Dexia's Tier 1 core capital ratio also remained well above 8%.

In addition to the traditional stress tests used for market risk and liquidity risk, Dexia now has a battery of stress tests (sensitivity analyses, development of stress scenarios and assessments of potential vulnerabilities, etc.) allowing it to assess the potential impact of one or a combination of hypothetical events on its financial well-being, and affording it a global vision over the possible deformation of the components of its income statement or of its capital adequacy ratios under stressful conditions.

8. ECONOMIC CAPITAL

Economic capital is defined as the potential deviation of the economic value of Dexia Credit Local in relation to the expected value over a given confidence interval and a given time horizon. The quantification of economic capital is organized into three stages: identification of risks (definition and mapping updated annually through the subsidiary and branch level), measurement (essentially using statistical methods) and aggregation for the Group as a whole using an inter-risk diversification matrix. Most risks are capitalized on the basis of a measurement of expected loss; some risks, however, are not capitalized if other management methods (limits, scenarios, governance, etc.) are considered to be better suited to cover them.

Capitalized risks are assessed with a higher degree of severity (99.97% for one year).

In 2009, the timeliness and quality of the economic capital calculation process was improved even further. Analyses and reports have been adapted to the Group's new organization and projections of economic capital have been incorporated into the Group's financial planning process, notably through risk appetite and analysis of the profitability of new loans and originations.

Dexia Credit Local had economic capital of EUR 4,893 million as of December 31, 2009.

Credit risk accounts for approximately 70% of the economic capital used.

Market risk, which includes currency risk and equity risk, is the second largest risk factor.

Operational risk (including commercial risk) is the third largest risk factor.

The financial resources available significantly exceed the total economic capital required by the business lines to withstand the impact of any extremely severe unexpected losses.

9. MONITORING AND REPORTING

First-level monitoring is provided by the front office teams of the Head Office, branches and subsidiaries as part of their ongoing controls of their counterparties' businesses. They are responsible for ensuring that credit limits are respected each time a new lending decision is presented to the Credit Committee or for locally-delegated approval.

Second-level monitoring is provided by the Risk Management and Permanent Control department, which monitors all of the Dexia Credit Local group's exposures, past-due loans and non-performing loans. Changes in the quality of the commitments and compliance with credit limits are examined on a regular basis and are reported to the Management Boards and to all appropriate committees as part of the documentation required by CRB Regulation 97-02 as amended. Every quarter, the Management Board reviews a risk update of all changes in the various risks. The consolidated monitoring of risk within the subsidiaries and branches uses the processes already described.

10. INFORMATION SYSTEMS SECURITY

Information systems security includes all measures taken to shield data from any threat to its confidentiality, integrity or availability.

All these measures are described in the Dexia Credit Local information systems security policy manual, which defines all applicable principles by area of security, along with the roles and responsibilities of the various participants in the IS security process, using a body of strict guidelines, specific security policies, rules and operating procedures as well as the guidelines provided by ISO standard 27000/17799.

Under the supervision of a specialized steering committee, each operating department participated in the preparation of a business continuity plan (BCP). Under the plan, the impacts of a disaster affecting IT equipment or facilities or information systems or even a loss of service are analyzed from a "business unit" perspective in order to identify all mission-critical activities. The results of this analysis were used to establish business recovery times that are compatible with operating requirements. The implementation of this recovery strategy is based on the use of formal, documented technical guidelines, procedures and organizational structures. The BCP and these procedures are all updated once a year, and are tested in accordance with a schedule defined by the Management Board. The results of the tests are reported to the steering committee.

Dexia Credit Local has also placed critical systems for data production with a service provider, in a single center under highly secure physical conditions and connected via redundant high-speed links with a point-to-point link between the IT production site and Dexia Credit Local Head Office. Dexia Credit Local has also set up a mirror site to prepare for any failure in these systems. Dexia periodically backs data up and can very quickly substitute this site for the main site, if need be. This system was successfully tested in 2009.

Information systems security is managed by three players:

- the IT Security Committee recommends security policies to the Management Board, establishes specific directives for each area and ensures that they are implemented. The committee includes representatives from the various "functional" stakeholders, including risk management, compliance, IT and logistics. The Committee meets every two months, and is chaired by the member of the Management Board in charge of risk management and permanent control;
- the Information Systems Security Officer is responsible for recommending security policies and directives to the IT Security Committee. He oversees the practical implementation of the rules that make up the security policy, increases employee awareness and provides advice to the various departments. The IT Security Manager is a member of the Operational Risk Management, Permanent Control and Security department, which guarantees his independence from the operations area;
- IT departments are responsible for designing and implementing all security hardware and software, and for implementing all associated operational rules and procedures. They also perform first- and second-level controls over the correct application of security. The job of IT Security Manager was created within the IT department in order to coordinate these actions.

The business continuity plans of the subsidiaries and the branches are reviewed every year to assess the adequacy of each entity's plan and to put together, if necessary, the appropriate action plans.

11. PAYMENT SYSTEMS SECURITY

Dexia Credit Local uses the following payment systems:

- the Swift network is used for interbank settlements on transactions negotiated by the front office traders in the Financial Markets activities department and any funds transfers requested by other Dexia Credit Local departments (especially on the international business managed by the Head Office and on settlements of foreign invoices);
- the French Ministerial Budget and Accounting Control Service (SCBCM) network is used for drawings and collections on loans to public sector customers;
- the French Retail Clearing (CORE) and CRISTAL/TARGET2 systems are used for most payments to private sector customers;
- lastly, some payments to private sector customers may be made by check.

Dexia Credit Local does not provide its customers with payment means.

Payment systems security is controlled by a body of procedures and measures:

- lending and financial markets back offices are responsible for payment processes, and front office traders are prevented from accessing these systems;
- rules regarding the approval of payments are clearly defined. Specifically all payments must be authorized by two different members of the back office concerned. The only exception to this rule is for payments of amounts under EUR 1,000,000 initiated automatically by the Financial Markets information system, which require only one authorization. Authorization thresholds in foreign currencies are established and updated regularly;

- there is an effective segregation of duties between users and operators. Existing profiles accurately reflect all defined rules. The process for authorizing access to payment systems has been incorporated into the bank's user authorization management procedures. More particularly, back offices and the IT Security Manager are all required to perform controls;
- management of messages (technical and functional) from the Swift network has been properly secured;
- hardware used for payments (servers, card readers, cards, etc.) is situated in protected areas, and accessible only to officially authorized persons. These measures are covered by documented procedures;
- the bank's business continuity plan includes a body of procedures guaranteeing continuity of payment in the event of a disaster. These measures are operational, and the plan is tested regularly;
- with regard to compliance, the Financial Markets back office department is responsible for controlling financial flows.

As provided for by its audit program, the Internal Audit department reviews payment systems security as often as is dictated by its assessment of the risk. Any recommendations issued are monitored regularly to verify that they have been carried out.

12. RISK MONITORING IN SUBSIDIARIES AND BRANCHES

Each subsidiary and branch has its own local risk management structure. These structures:

- are segregated strictly from the front offices;
- report to the Dexia Credit Local Risk Management and Permanent Control department either directly (branches) or functionally (subsidiaries).

Operating results

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 CHANGES IN THE SCOPE OF CONSOLIDATION

The details of the scope of consolidation and all changes therein are presented in organization chart and in list form in the notes to the financial statements.

The major changes in the scope of consolidation of the Dexia Credit Local Group compared with 2008 are related to the sale to Assured Guaranty (hereafter "Assured") of FSA Holdings's insurance activity, which was deconsolidated as of April 1, 2009.

FSA Insurance's results for the first quarter of 2009 remain consolidated in each line of the income statement, and are offset in "Net gains (losses) on other assets:" the sale price was set in the contract signed November 14, 2008 and is no longer dependent on the results generated by the operations that were sold.

In its December 2008 publication, Dexia Credit Local consolidated the insurance activities of FSA Insurance that were sold in accordance with the recommendations of IFRS 5 "Non-current assets held for sale," as the sale had not yet taken place but was considered highly likely. Pending the approval of the rating agencies and the opinion of the regulatory authorities, the assets and liabilities of the divested businesses have been presented on a separate line of the assets and liabilities of the consolidated balance sheet, while the impact of these operations on the income statement has not been broken out.

The conditions precedent to the sale were lifted on June 10, 2009, and the transaction was finalized on July 1, 2009.

In consideration, Dexia Credit Local received USD 546 million in cash and USD 270.5 million in Assured stock. On August 13, 2009, Dexia Holdings Inc. sold these 21,848,834 shares to Dexia SA Établissement Stable for USD 369 million, generating a capital gain of USD 99 million (EUR 71 million).

The companies deconsolidated as of June 30, 2009 as a result of this transaction were:

- Financial Security Assurance Holdings Ltd.;
- Financial Security Assurance Inc.;
- FSA Insurance Company;
- Transaction Services Corporation;
- CLFG Corp.;
- FSA Portfolio Management Inc.;
- FSA Services (Australia) Pty Ltd.;
- Financial Security Assurance (UK) Ltd.;
- FSA Services (Japan) Inc.;
- Financial Security Assurance International Ltd.;
- FSA Administrative Services LLC NY;
- Commercial Mortgage Company III-R2, Inc.;
- Enterprise Company R, Inc.;
- FSA Credit Protection Ltd. UK;
- FSA Services (Americas) Inc.;
- FSA Mexico Holdings Inc.;
- FSA International Credit Protection Ltd. (Cayman);
- FSA Seguros Mexico SA.

On December 11, 2009, under the terms of its restructuring plan, the Dexia Group sold its 20% stake (10% held by Dexia Credit Local and 10% held by Dexia Bank Belgium) in Crédit du Nord to Société Générale. Dexia Credit Local received EUR 338 million, generating a capital gain of EUR 77 million, and acquired Crédit du Nord's 20% stake in Dexia CLF Banque for EUR 13 million. Following this transaction, which allowed Dexia to standardize its commercial strategy for customers in France, Dexia Credit Local held 100% of Dexia CLF Banque.

The other major changes in the scope of consolidation in 2009 concerned the deconsolidations of Floral on January 1, 2009 and of Dexia Épargne Pension on April 1, 2009. An agreement regarding the sale of this subsidiary was entered into at the end of the year with BNP Paribas, and is being reviewed by the regulators: the impact of this transaction will be recorded in the interim financial statements for the first half of 2010.

1.2 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Dexia Credit Local were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission at the balance sheet date. They are presented in accordance with French National Accounting Council (CNC) Recommendation 2009-R.04 dated July 2, 2009.

1.3 CONSOLIDATED INCOME STATEMENT

The primary components of consolidated net income (loss) are presented below for the years ended December 31st.

(EUR millions)	2008	2009	2009/2008 change
Net banking income	1,974	1,852	-6.2%
Operating expenses	(789)	(554)	-29.8%
OPERATING INCOME BEFORE COST OF RISK	**1,185**	**1,298**	**9.5%**
Cost of risk	(3,387)	(630)	-81.4%
OPERATING INCOME	**(2,202)**	**668**	**N/A**
Income from investments in associates	(53)	(1)	N/A
Capital gains (losses) on other assets	(1,036)	(102)	N/A
Amortization and impairment of goodwill	(1,181)	(6)	N/A
PRE-TAX INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4,472)**	**559**	**N/A**
Corporate income tax	556	(239)	N/A
NET INCOME (LOSS)	**(3,916)**	**320**	**N/A**
Minority interests	(360)	51	N/A
NET INCOME (LOSS) – GROUP SHARE	**(3,556)**	**269**	**N/A**
Basic earnings per share (EUR)	*(40.85)*	*3.09*	
Fully diluted earnings per share (EUR)	*(40.85)*	*3.09*	

The Dexia Credit Local Group's results improved significantly in 2009 compared with 2008, which had included the substantial impacts of the amplification of the financial crisis and the transfer of FSA Holdings's insurance business to Assured. FSA's insurance business, which had contributed a full year's results in 2008, was consolidated in each line of the income statement for one quarter in 2009, and is offset in "Gains and losses on other assets" by a EUR 163 million loss for the financial year.

a. Net banking income

In 2009, consolidated net banking income decreased 6.2% to EUR 1,852 million, from EUR 1,974 million in 2008.

Net banking income has three components: net interest income, the technical margin of insurance companies and other income.

(En EUR millions)	2008	2009	Change (value)	Change (%)
Net interest income	1,769	1,298	-471	- 26.6 %
Technical margin of insurance companies	339	25	-314	- 92.6 %
Other income (loss)	(134)	529	663	NA
NBI	**1,974**	**1,852**	**-122**	**- 6.2 %**

NET INTEREST INCOME

Net interest income includes all interest income and expenses on all on-balance sheet instruments, as well as derivatives, regardless of the type of portfolio in which they have been classified. Net interest income fell EUR 471 million (26.6%) during the year, from EUR 1,769 million to 1,298 million. It was particularly affected in 2009 by the weight of the remuneration paid on the guarantee provided by the three states to Dexia Credit Local and its branches (charge of EUR 251.2 million, compared with EUR 12.2 million in 2008), and to Dexia Holdings Inc. on the Financial products portfolio (charge of EUR 60.5 million).

TECHNICAL MARGIN OF THE INSURANCE COMPANIES

This line was used only to report the credit enhancement activity of FSA's insurance branch, which was sold to Assured. This line includes only those specific results that cannot be assigned to either of the other two lines in net banking income (NBI). The technical margin of the insurance companies amounted to EUR 25.1 million for one quarter of operations in 2009, against EUR 339 million for a full year in 2008.

OTHER INCOME (LOSS)

Other income primarily includes net fees and commissions, gains and losses on financial instruments at fair value through profit or loss (held for trading, foreign exchange and hedging), and gains and losses on financial assets available for sale.

(EUR millions)	2008	2009	Change (value)	Change (%)
Net fees and commissions	118	108	-10	-8.5%
Gains (losses) on financial instruments at fair value through profit or loss	(357)	337	694	N/A
Gains on financial assets available for sale	81	81	0	0.0%
Other income and expenses	24	3	-21	-87.5%
OTHER INCOME (LOSS)	**(134)**	**529**	**663**	**N/A**

Net fees and commissions fell sharply in 2009 due to the decreased activity in the project finance sector.

Gains and losses on financial assets available for sale were generated by decreases (disposal or repayment) in balance sheet items, including loans, borrowings and other securities classified as available for sale.

In 2009, the item includes the capital gains on the disposals of the shares of Credit du Nord and Assured for respectively EUR 77 million and EUR 71 million, and EUR 81 million in losses on disposals of assets carried out as part of the Group's strategy to reduce its overall exposure.

"Gains (losses) on financial instruments at fair value through profit or loss" were EUR 694 million higher in absolute value.

This increase is explained by two main events:

- improvement in the mark-to-market of the credit default swaps on the FSA insurance operations that were sold off (USD 605 million loss in 2008 compared with USD 595 million gain at end March 2009), for a total improvement of USD 1,200 million (EUR 859 million) year on year;
- change in specific credit risk on liabilities measured at fair value at Dexia FP Holdings Inc. and FSA Global Funding Ltd. (EUR 307 million gain in 2008 compared with a EUR 123 million loss in 2009, for a total negative difference of EUR 430 million).

b. Operating expenses

Operating expenses decreased EUR 235 million (29.8%) to EUR 554 million in 2009 from EUR 789 million in 2008.

This sharp decline is attributable to the cost reduction initiatives undertaken by the Dexia Group since late 2008.

(EUR millions)	2008	2009	Change
Payroll costs	(343)	(317)	-7.6%
Other administrative expenses	(349)	(178)	-49.0%
Amortization, depreciation and impairment of tangible and intangible assets	(56)	(52)	-7.1%
Amortization of the acquisition costs of insurance contracts	(41)	(7)	-82.9%
TOTAL GENERAL OPERATING EXPENSES	**(789)**	**(554)**	**-29.8%**
NBI	**1,974**	**1,852**	**-6.2%**
Operating ratio	***40.0%***	***29.9%***	

The operating ratio improved from 40.0% to 29.9%. This reflects the fact that costs decreased much faster than revenue in 2009.

PAYROLL COSTS

The EUR 26 million (7.6%) decrease in payroll costs comes mainly from the implementation of a staff reduction plan and the reduction of the share of variable compensation.

OTHER ADMINISTRATIVE EXPENSES

Other administrative costs fell 49.0% year on year, to EUR 178 million in 2009 from EUR 349 million in 2008. In 2008 they included a EUR 43 million restructuring provision in respect of the implementation of the Dexia transformation plan, and a EUR 60 million provision covering the disposal of FSA.

AMORTIZATION OF THE ACQUISITION COSTS OF INSURANCE CONTRACTS

This heading was created in order to incorporate FSA's insurance activity: Certain general operating expenses relating to insurance contract acquisition costs are deferred and amortized over the life of the contracts. The premiums relating to these same insurance contracts are also amortized over the same period. The heading posted a loss of EUR 6.6 million in 2009 for one quarter of activity of the insurance branch of FSA that was sold to Assured, compared with a EUR 41.4 million loss for a full year in 2008.

c. Cost of risk

The cost of risk includes three distinct components, the details of which are presented below.

(EUR millions)	2008	2009	Change
Impairment of fixed-income securities available for sale	(1,191)	5	1,196
Impairment and losses on credit enhancement business	(1,381)	(272)	1,109
Impairment and losses on customer loans	(815)	(363)	452
TOTAL	**(3,387)**	**(630)**	**2,757**

FIXED-INCOME SECURITIES AVAILABLE FOR SALE

In 2008, this consisted primarily of impairment recognized by FSA on its Financial products portfolio.

CREDIT ENHANCEMENT

In 2009, this line included one fiscal quarter of impairment on the insurance business of FSA sold to Assured, compared with a full year's worth of impairment in 2008.

CUSTOMER LOANS

The cost of risk on customer loans in 2009 included:

- additional impairment of EUR 231 million on the Financial products portfolio, which has now been marked down by EUR 1,253 million as of December 31, 2009. At the same time, the impact of the crisis on the RMBS sector in the United States led to the setting aside of a collective impairment reserve of EUR 239 million (EUR 300 million as of December 31, 2008) on the same portfolio;
- a EUR 132 million charge on the Group's banking activities.

The quality of the portfolio of financial assets (customer loans and securities) and the policy for reserving these assets when they must be written down for impairment are demonstrated in the ratios below:

As of December 31	2008	2009
Impaired financial assets / Total financial assets	0.76%	0.96%
Specific impairment / Impaired financial assets	59.6%	60.0%
Specific impairment / Total financial assets	0.46%	0.57%

d. Income from investments in associates

The share in the net losses from investments in associates amounted to EUR 1 million in 2009, compared with EUR 53 million in 2008. The EUR 52 million improvement is attributable mainly to the impact of the significant loss recorded in 2008 by Kommunalkredit Austria, due notably to the reserves set aside on the Icelandic banks and on Lehman Brothers for EUR 71 million and EUR 11 million respectively. This company was deconsolidated on October 1, 2008 and no longer contributed to the results of the Dexia Credit Local Group in 2009.

e. Corporate income tax

The Dexia Credit Local Group had corporate tax expense of EUR 239 million in 2009, compared with a tax credit of EUR 556 million in 2008.

Corporate income tax was marked in 2009 by the setting aside of reserves for the deferred tax assets of several entities following the decision to reduce their activities. These reserves amounted to respectively EUR 251 million and EUR 8 million for the New York and Tokyo Branches, EUR 4 million for Dexia Kommunalkredit Bank and EUR 5 million for Dexia Asia Pacific.

f. Net income (loss)

Net Income-Group share amounted to EUR 269 million in 2009, compared with a loss of EUR 3,556 million in 2008.

Minority interests went from a loss of EUR 360 million to a profit of EUR 51 million.

The Group's share of net income (loss) yields the following returns on equity:

	2008	2009
Return on equity	-63.06%	4.62%

ROE is calculated as the ratio of the Group's share of net income (loss) to average shareholders' equity (excluding minority interests and after allocation of net income [loss]). In 2008, it reflected the very sharp deterioration of earnings.

1.4. CONSOLIDATED TOTAL ASSETS AND EQUITY AS OF DECEMBER 31, 2009

Total consolidated assets fell 13.04% to EUR 360 billion as of December 31, 2009 from EUR 414 billion the previous year.

a. Interbank transactions

As of December 31, 2009, the Group was a net borrower on the interbank market in the amount of EUR 50.1 billion, compared with EUR 55.3 billion as of December 31, 2008, for a decrease of 9.4%.

b. Customer loans

As of December 31, 2009, the total amount of sums receivable from customers had registered a slight decline of 3.9% to EUR 239.2 billion (compared with EUR 248.9 billion the previous year) due to the low level of commercial activity in fiscal 2009.

c. Securities portfolio

Total investments in government paper, bonds and other fixed-income securities and in equities and other variable-income securities, decreased 23.2% to EUR 51.9 billion, from EUR 67.6 billion as of December 2008. The EUR 15.7 billion decline in the securities portfolio during 2009 is attributable to the Group's policy of reducing its liquidity gap by selling off EUR 11 billion in securities investments, and to the repayment of EUR 5 billion in standby bond purchase agreements (SBPA).

d. Equity and ratios

The equity of the Dexia Credit Local Group, excluding minority interests, increased by EUR 3.0 billion year on year to EUR 0.9 billion as of December 31, 2009, from a net deficit of EUR 2.10 billion the previous year.

Note that equity benefited from favorable changes in reserves for "Unrealized or deferred gains and losses," which increased by EUR 2.8 billion during the year.

Excluding the impact of these unrealized items, equity would have increased by only EUR 270 million; this reflects primarily the EUR 269 million in net income recognized for the year.

Details of changes in equity are presented in the notes to the consolidated financial statements.

From a capital adequacy standpoint, Dexia Credit Local had consolidated regulatory capital of:

(EUR millions)	2008	2009
Total equity	9,982	11,123
o.w. Tier 1 (core) capital	6,007	6,668

Dexia Credit Local has applied the Basel II principles since January 1, 2008.

In light of the application of the Basel II principles regarding equity and risk volumes, the Tier 1 ratio came in at 8.9% (7.5% in 2008) and the capital adequacy ratio at 14.9% (12.5% in 2008).

2. PARENT COMPANY FINANCIAL STATEMENTS

2.1 INCOME STATEMENT

(EUR millions)	2008	2009	Change
Net banking income	(2,343)	1,760	4,103
Operating expenses	(348)	(224)	124
OPERATING INCOME BEFORE COST OF RISK	**(2,691)**	**1,536**	**4,227**
Cost of risk	(331)	(813)	(482)
OPERATING INCOME	**(3,022)**	**723**	**3,745**
Capital gains (losses) on non-current assets	(2,364)	66	2,430
PRE-TAX INCOME (LOSS) FROM CONTINUING OPERATIONS	**(5,386)**	**789**	**6,175**
Corporate income tax credit (expense)	449	(90)	(539)
NET INCOME (LOSS)	**(4,937)**	**699**	**5,636**
Basic earnings per share (EUR)	*(56.71)*	*8.03*	
Fully diluted earnings per share (EUR)	*(56.71)*	*8.03*	

Dexia Credit Local reported net income of EUR 699 million for fiscal 2009, compared with a loss of EUR 4,937 million in 2008.

Net banking income was positive at EUR 1,760 million, thanks to strong reversals of impairment that had been reserved for on the entire investment portfolio. In 2009, Dexia Credit Local reversed a total of EUR 1,447 million of the EUR 3,133 million in impairment reserves it had charged in 2008 due to the crisis conditions affecting issuers' spreads. This item also includes the EUR 251 million expense for the central government guarantee (EUR 12 million in 2008).

Operating expenses fell sharply, by EUR 124 million, as a result of the cost cutting policy initiated at the end of 2008 under the Dexia Group transformation plan.

The cost of risk amounted to EUR -813 million, compared with EUR -331 million in 2008. The charge in 2009 includes EUR 770 million for impairment on the value in use of the Dexia Holdings Inc. subsidiary, of which Dexia Credit Local holds a 90% share. This subsidiary is carrying FSA's residual operations (i.e. the Financial products portfolio).

The gain recorded on non-current assets reflects essentially Dexia Credit Local's EUR 153 million gain on the sale of its stake in Crédit du Nord, offset by additions to reserves on subsidiaries whose operations have been halted.

2.2 BALANCE SHEET

The Company had total assets of EUR 180 billion as of December 31, 2009, a decrease of 15.5% from the EUR 213 billion reported the previous year. This sharp decrease reflects the reduction of the Dexia Credit Local Group's risk profile.

a. Assets

CUSTOMER LOANS

Outstanding customer loans, excluding credit institutions, amounted to EUR 49 billion as of December 31, 2009, against EUR 51 billion in 2008.

SECURITIES HELD FOR TRADING, SECURITIES AVAILABLE FOR SALE AND SECURITIES HELD TO MATURITY

The total value of these securities reached EUR 63 billion, against EUR 86 billion at the end of 2008. Changes in the various portfolios are presented in the notes to the financial statements. These securities consist mainly of French and foreign bonds, negotiable debt securities and government securities. This 27% decrease is related to the sale of a portion of the portfolio. These sales were intended to reduce the liquidity gap and the Group's risk profile.

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, AFFILIATED COMPANIES AND OTHER LONG-TERM EQUITY INVESTMENTS

Total long-term equity investments decreased EUR 0.4 billion year on year to EUR 2.6 billion as of December 31, 2009 from EUR 3 billion, following the sale of the Holdings in Crédit du Nord and Kommunalkredit Austria.

Dexia Credit Local did not make any significant new investments in 2009, and all represented less than 5% of the capital of these entities.

b. Liabilities

BANKS AND FINANCIAL INSTITUTIONS

Dexia Credit Local had total interbank debt of EUR 84 billion as of December 31, 2009, compared with EUR 130 billion the previous year. This significant decrease was achieved through the bank's strong program of refinancing its funding needs during the year.

As of December 31, 2009, EUR 10 billion of the bank's funding came from central banks (EUR 48 billion in 2008).

DEBT SECURITIES

Debt securities traditionally represent a significant portion of Dexia Credit Local's liabilities, and they amounted to EUR 67 billion as of December 31, 2009 (EUR 40 billion in 2008). The year-on-year increase reflects the high volume of refinancing carried out in 2009. This policy was made possible by the use of the guarantees provided to the Dexia Group by the three states and by the gradual return to normal of market conditions.

Most of the Group's long-term debt is issued by Dexia Municipal Agency.

SUPPLIER PAYMENT TERMS

In application of Articles L.441-6-1 and D.441-4 of the French Commercial Code, every year Dexia Credit Local must publish an aging balance analysis of its trade accounts payable by due date. Dexia Credit Local's trade accounts payable represented an immaterial portion of the Company's total liabilities. Dexia Credit Local generally pays its suppliers at 45 days by default, unless a contractual agreement signed with the supplier provides for payment at 30 or 60 days.

Dexia Credit Local had trade accounts payable of EUR 0.55 million as of December 31, 2009, all of which are due in less than 30 days.

3. FIVE-YEAR FINANCIAL SUMMARY

	2005	2006	2007	2008	2009
EQUITY					
Capital stock (EUR)	1,327,004,846	1,327,004,846	1,327,004,846	500,513,102 (1)	500,513,102
Number of shares	87,045,757	87,045,757	87,045,757	87,045,757	87,045,757
SIMPLIFIED INCOME STATEMENT (EUR)					
Revenues	4,823,522,282	5,720,380,887	6,286,809,567	9,182,903,606	4,466,379,454
Earnings before income tax, depreciation, amortization and net impairment charges	581,231,271	674,274,260	1,083,821,549	566,890,589	486,708,671
Corporate income tax expense (credit)	65,109,549	60,748,365	(107,696,679)	448,898,743	(90,171,250)
Earnings after income tax, depreciation, amortization and net impairment charges	424,907,461	472,624,576	319,477,197	(4,936,685,153)	699,114,408
Dividends	341,219,367	300,307,862	396,058,194	None	None
PER SHARE DATA (EUR)					
Revenues	55.41	65.72	72.22	105.50	51.31
Earnings after income tax and before depreciation, amortization and net impairment charges	5.93	7.05	13.69	1.36	6.63
Corporate income tax expense (credit)	0.75	0.70	(1.24)	5.16	(1.04)
Earnings after income tax, depreciation, amortization and net impairment charges	4.88	5.43	3.67	(56.71)	8.03
Dividends	3.92	3.45	4.55	0.00	0.00
EMPLOYEE DATA					
Employees as of December 31	1,513	1,472	1,612	1,737	1,472
Managerial staff	1,120	1,068	1,178	1,267	1,123
Other staff	393	404	434	470	349
Gross payroll (EUR)	105,254,010	116,441,912	129,010,486	134,280,062	134,004,648
Payroll taxes and employee benefits (EUR)	40,323,671	40,387,857	37,544,986	49,038,929	41,976,934

(1) By resolution of the Combined Shareholders' Meeting of December 22, 2008, Dexia Credit Local increased its capital by EUR 3.5 billion in cash and then reduced its capital stock by EUR 4.3 billion resulting in final capital stock of EUR 500.5 million.

Capital stock and share data

1. CAPITAL STOCK AND NUMBER OF SHARES

Dexia Credit Local has capital stock of EUR 500,513,102, divided into 87,045,757 shares, each with one voting right and none of which is pledged.

There are no other securities giving access to the capital stock of Dexia Credit Local.

2. SHAREHOLDER STRUCTURE

The capital stock of Dexia Credit Local is held directly and almost exclusively by Dexia SA. In accordance with Article 14 of the Company's by-laws, each member of the Board of Directors holds one registered share of its stock.

No material changes have taken place in the shareholder structure in the past five years.

	2005	2006	2007	2008	2009
Capital stock (EUR)	1,327,004,846	1,327,004,846	1,327,004,846	500,513,102	500,513,102
Number of shares	87,045,757	87,045,757	87,045,757	87,045,757	87,045,757
Dexia SA	99.98%	99.98%	99.98%	99.98%	99.98%
Individual investors	0.02%	0.02%	0.02%	0.02%	0.02%

Indirect ownership of the capital of Dexia Credit Local:

- Ethias Group, the Belgian federal government, the French central government and the three Belgian Regions each hold more than 5% of the Bank's capital;
- Arco Group, a Belgian limited liability cooperative company and Holding Communal de Belgique, a Belgian corporation, each hold more than 14% of the Bank's capital;
- Caisse des Dépôts et Consignations holds more than 17% of the Bank's capital.

3. DIVIDENDS PAID DURING THE PAST THREE YEARS

Dividends paid in respect of the three previous years:

(EUR)	2006	2007	2008
Net dividend per share	4.49 (1)	4.55	0
Amount per share eligible for the tax allowance (Article 158.3-2 of the French General Tax Code)	4.49 (2)	4.55 (2)	0
Total amount eligible for the tax allowance (Article 158.3-2 of the French General Tax Code)	390,835,448.93 (2)	396,058,194.35 (2)	0

(1) Including EUR 1.04 under the terms of the Extraordinary Shareholders' Meeting of September 4, 2006.
(2) At a rate of 40%.

In light of the results obtained in 2008, the Shareholders' Meeting of May 14, 2009 decided not to pay a dividend.

In order to build up the Company's equity, the annual Shareholders' Meeting of May 21, 2010 will not be asked to pay a dividend.

Human resources and environmental data

1. HUMAN RESOURCES MANAGEMENT

1.1 EMPLOYEE AGREEMENT

In the absence of any agreement between the Company's management and the labor unions, management decided to unilaterally apply, as of January 1, 2009, a fixed, general gross wage increase of EUR 500 for all employees earning gross annual salaries of EUR 38,800 or less.

1.2 GROUP EMPLOYEE SAVINGS PLAN

The following agreements were applied to calculate the amounts paid in 2009 in respect of 2008:

- the discretionary profit-sharing agreement dated June 30, 2008 in respect of fiscal years 2008, 2009 and 2010;
- the French legal profit-sharing agreement dated June 29, 2007 in respect of fiscal years 2007, 2008 and 2009;

Discretionary profit-sharing

Under the terms of the June 30, 2008 agreement, the amount of discretionary profit-sharing represents 0.35% of the Gross Operating Income (GOI) of the consolidated Dexia Credit Local Group excluding FSA and excluding the impact of any changes in exchange rates.

Discretionary profit-sharing is paid only when the actual GOI of the consolidated Dexia Credit Local Group excluding FSA and excluding the impact of any changes in exchange rates is equal to at least 91% of the budgeted amount.

Employees must have been with the Group company at least three months to qualify for discretionary profit-sharing.

Discretionary profit-sharing is paid based on two criteria: 60% is prorated on the length of service of each beneficiary and 40% is proportional to the gross annual compensation paid for the year in question (capped at three times the annual social security ceiling at December 31 of that year).

The amounts paid out under the discretionary profit-sharing program may be paid directly to the beneficiaries or invested in the Group employee savings plan (PEG). The employer makes a 30% matching contribution for all discretionary profit-sharing invested in Dexia stock via a mutual fund.

The following amounts were paid in past years in respect of discretionary profit-sharing (gross amounts excluding matching contribution):

- FY 2007: the amount allocated came to EUR 4.45 million (payment in 2008);
- FY 2008: in light of the financial position of the Dexia Credit Local Group, no discretionary profit-sharing was paid in 2008;
- FY 2009: the amount provisioned came to EUR 3.70 million (payment in 2010);

An amendment was signed in mid 2009 (in respect of fiscal years 2009 and 2010 for the payments to be made in 2010 and 2011) to take account of the change of scope resulting from the sale of FSA.

French legal profit-sharing

The amount set aside for the special reserve for French legal profit-sharing (RSP) is the higher of the RSP calculated by the statutory formula and the RSP calculated using an extraordinary formula that is capped under the terms of the French legal profit-sharing agreement dated June 29, 2007.

Eligibility for French legal profit-sharing is subject to the same seniority requirement as that imposed for discretionary profit-sharing.

The amount due is prorated on the employee's salary, and is capped at four times the social security ceiling, and the total amount paid to an employee within a single year may not exceed three-fourths of that same ceiling.

Employees are required to allocate their individual profit-sharing payments to either the PEG or to a restricted savings account. Starting in fiscal year 2009, they can also be collected directly by the beneficiaries.

The following gross amounts were paid in past years in respect of French legal profit-sharing:

- FY 2007: the amount allocated came to EUR 10.51 million (payment in 2008);
- FY 2008: in light of the financial position of the Dexia Credit Local Group, no French legal profit-sharing was paid in 2008;
- FY 2009: the amount provisioned came to EUR 9.89 million (payment in 2010).

Employee stock-ownership program

Employees of Dexia Credit Local are eligible to participate in the employee stock ownership program established for the entire Dexia Group, with the understanding that no new ESOP was set in place in 2009.

Only shares issued by Dexia SA, the Group's Belgian holding company, may be included in mutual funds or directly held by employees as part of the Group employee savings program.

1.3 KEY HUMAN RESOURCES DATA WITHIN THE UES

(Dexia Credit Local and Dexia CLF Banque)

	2008	2009
Employees present as of December 31	1,629	1,426
Under fixed-term contracts	159	116
Under long-term contracts	1,470	1,310
Analysis of changes in long-term contracts during the year		
New hires	144	46
Terminations	(15)	(161)
Resignations	(61)	(55)
Working hours		
35-hour workweek	Master agreement of November 14, 2000, with effect from January 1, 2001	
Absenteeism (all classifications of personnel)	4.10%	4.08%
Part-time employees (% of total workforce)	7.2%	8.1%
Compensation (EUR)		
Gross payroll	117,900,549	104,211,614
Employer payroll taxes	70,150,827	61,475,495
Average annual salary - men	68,135	66,856
Average annual salary - women	49,115	51,197
Training		
% of gross payroll	4.22%	3.77%
Number of days (all training programs)	4,880	3,634
Health and safety conditions		
Number of times the Health and Safety Committee met during the year	5	9
Employee benefit programs (EUR)		
Contribution to the funding of employee council programs	1,455,008	1,524,120

1.4 COMPENSATION PAID TO CORPORATE OFFICERS AND TO FINANCIAL MARKETS STAFF

Group procedures stipulate that the Compensation Committee of Dexia SA [(1)] is responsible for all compensation policy-related issues. The Committee's proposals are submitted to the Board of Directors of Dexia SA, which approves the appropriate actions to be taken. Once validated by the Dexia SA Board of Directors, the compensation policy is submitted to the Board of Directors of Dexia Credit Local for approval.

Dexia's compensation policy is set with three key principles in mind. It must be:

- consistent with appropriate market practices;
- transparent;
- compliant with regulations.

This policy is applicable to both the fixed and variable components of compensation, as well as to the long-term incentives extended to certain executives.

(1) At its meeting of November 27, 2009, the Board of Directors of Dexia Credit Local decided not to create a special committee for the Company itself and that, in accordance with the provisions of Article 43-1 of CRB Regulation 97-02 as amended, the functions that would have been performed by the Compensation Committee of Dexia Credit Local will be carried out by the Compensation Committee of Dexia SA. The latter will inform the Board of Directors of Dexia Credit Local of those of its decisions that are likely to affect compensation at Dexia Credit Local.

Specific provisions are applicable to corporate personnel who play an active role in the Group's management and staff members whose activity has a material impact on the Group's risk profile. The persons primarily concerned are:

- members of the Board of Directors of the Dexia Group (Directors);
- members of the Management Board and the Executive Committee of the Dexia Group, and members of the Executive Committees of the five largest group entities (officers);
- staff whose work has or is likely to have an impact on the risk profile of the Group (certain employees involved with the trading and asset management activities [(1)]).

Information concerning the Directors and officers of Dexia Credit Local is provided in the "Terms and compensation of Directors and officers" section of this report.

The variable compensation of staff members whose work has or is likely to have an impact on the risk profile of the Group (employees of the Trading & Structuring departments of Dexia Credit Local's TFM activity) is based on a fixed envelope calculated on the basis of the results of the Financial Markets activity concerned, and is subject to the approval of the Compensation Committee. That portion of any individual's variable compensation exceeding EUR 75,000 will be spread over four years, and receipt of the amount receivable in each of those years is conditioned upon performance constraints and remaining within the Group's employment.

1.5 ORGANIZATIONAL CHANGES AND SOCIAL RESPONSIBILITY

Corporate development plan

The first half of 2009 was marked by the preparation of a corporate development plan for Dexia Credit Local. This project falls within the framework of the Dexia Group's transformation plan, which calls for a reduction of the size of the balance sheet (discontinuation or restriction of international operations), a resizing of all Financial Markets activities, and a general cost reduction plan.

Dexia Credit Local's corporate development plan also calls for a significant change of the sales organization in France. This new organization will more effectively cover the needs of the bank's customers and satisfy all of their requirements using a local approach, supported by teams specialized by market.

The entire corporate development plan was presented on February 19, 2009. Active discussions were held with the labor unions up until July, in 38 different employee council meetings. These discussions led to some adjustments of the initial plan, especially with regard to the commercial organization, and enabled Dexia Credit Local to establish a Reduction in Force Plan at the end of June.

Out of a sense of social responsibility, the plan includes a voluntary departure program that allows employees to leave by choice, accompanied by an external solution (work contract, creation of business, long-term training program resulting in certification, etc.) and without having to be laid off.

In addition, all efforts have been made to reassign staff within the organization in order to limit the impact on total employment: individual monitoring of all employees to be reassigned; establishment of a centralized tracking of vacancies throughout the Group; definition of training and career development programs to promote reassignment, etc.

Thanks to these various initiatives - voluntary departures and significant efforts to promote employee mobility and reassignment - Dexia Credit Local was not obliged to make any involuntary layoffs. In all, 222 employees left the Company under the terms of the Reduction in Force Plan.

New organization

This first phase of the transformation (see above) was immediately followed by the presentation of the new organization of the functions, meeting four main objectives:

- create a lean structure at the Dexia Group level that allows a simple and clear organization to be set in place, in order to standardize and optimize the decision-making process;
- standardize the scope of the functions within all Group entities, in order to facilitate coordinated governance;
- increase delegation of authority to and the accountability of the entities, along with a strengthening of lines of authority and the Group's internal control procedures;
- enhance the supervisory role played by the Group, and expand its leadership and control duties.

The implementation of these targets was achieved through the imposition of two new organizational models: a directive, functional model, or prescriptive model, and a strong functional model.

These two organizational models define the nature of the proposed relationships between the Group and the entities within any given function. They concern all decisions regarding people, strategy, the budget and the establishment of norms and standards within the different functions.

The prescriptive model means that the head of the function has formal decision-making responsibility for all issues that may arise. The function has the initiative and responsibility for these issues, which it discusses with the executive managers of the entities concerned.

The strong functional model means that the person responsible for the function takes the initiative for all subjects that arise and shares the decision with the Directors of the entities concerned.

The risk, finance, internal audit and compliance, legal and tax affairs functions are organized under a directive model.

The operations & IT, human resources and communication functions are organized on a strong functional model, with the exception of the back office for financial market operations which, in order to adapt to TFM's organization, is organized on a prescriptive model

The projected new organization includes the transfer of about 60 staff members between Dexia Credit Local and Dexia SA and the elimination of some twenty positions. It also includes the creation of different types of positions, notably within the risk function.

(1) Dexia Credit Local has no employees involved in the asset management activity.

Agreements and initiatives concerning the management of employment

On November 14, 2009, the Group's management and all of the trade unions signed an agreement that reflects the will of all of the parties to protect employment by using an employment and skills forecast and by establishing an operating procedure to set up the necessary mobility initiatives for all employees affected by the elimination or transfer of positions.

This agreement provides for a comprehensive strategy to support employee mobility: information regarding the mechanics of the system, access to vacant positions, assessment of employees' skills and preferences, setting up of all necessary training, and post-transfer assistance in the new position.

The goal of this agreement is to help preserve and grow the talent within the Company and reinvest the employees back into a challenging career path.

The transformation of the Company and the implementation of the Reduction in Force Plan had important consequences for the working conditions of the Company's staff. From the human resources perspective, the year was characterized by the departure or the internal reassignment of approximately 30% of the workforce.

These developments, and the potential problems they engender, led senior management to implement in the second half of 2009 an action plan designed notably to assist with change management and to prevent as much as possible any psycho-social risks.

The first part of this plan was the putting in place in the first half of 2010 of a diagnostic tool for the identification of areas in which unhappiness and stress in the workplace are the most present or are increasing, in order to take preventive or corrective measures.

The second part consists of a managerial motivation program aimed at engaging team leaders, at all levels, in a special training program designed to heighten their motivation to perform their duties effectively in a climate of change.

The 250 managers present in France have undergone motivational training, and all without any hierarchical distinction being made, in order to work on the management of their teams and to offer solutions to incentivize them. This program, which began in late 2009, will continue throughout 2010 as several initiatives are put in place.

The third part consists of individual support by making telephone support service available to each employee, allowing any employees experiencing difficulties to speak with an independent psychologist.

Finally, during the last quarter of 2009, senior management presented an action plan promoting employment of the elderly. This plan is based on several measures aimed at keeping the elderly in the workplace, and in 2010 it will result notably in specific negotiations with the Group's social partners.

Fiscal 2009 was also the first year that the agreement on professional gender equality was implemented, in order notably to reduce the wage gap.

For several years, Dexia Credit Local has also been firmly committed to promoting the mainstreaming of the disabled. The total cessation of all recruitment decided at the end of 2008 did not permit the Group to continue with the deployment of this program. It will resume once the Company's ability to mainstream has been restored.

2. SUSTAINABLE DEVELOPMENT

The following text is a summary of Dexia Credit Local's sustainable development policy in 2009, as required by Articles 1 and 2 of Decree 2002-221 of February 20, 2002, in application of Article L.225-102-1 of the French Commercial Code. The information provided herein will be expanded upon in detail for the Dexia Group as a whole on the Group website www.dexia.com.

2.1 COMMITMENTS TO AND MEMBERSHIP IN INTERNATIONAL AND DOMESTIC INITIATIVES

Dexia Credit Local's deep commitment to sustainable development is reflected in its involvement in three United Nations programs.

Program	Objectives
United Nations Environment Programme (UNPE) "Statement by Financial Institutions on the Environment & Sustainable Development."	This statement is intended to encourage signatory banks and financial agencies to commit to sustainable development, notably by helping to preserve the environment.
United Nations Global Compact	Launched in July 2000 and placed under the direct authority of the Secretary General of the U.N., the "United Nations Global Compact" brings together companies that commit to implementing the goal of "sustainable development" on the basis of ten principles in the areas of human rights, labor standards, the environment, and anti-corruption measures.
United Nations Environment Programme (UNEP) "Declaration on Climate Change by the Financial Services Sector."	Launched in June 2007, on the eve of the G8 Summit in Potsdam, the "Declaration on Climate Change by the Financial Services Sector" is the financial services sector's first global commitment to address this problem. The signatories recognize the contribution of human activities to climate change and undertake to incorporate this issue into their decisions on a daily basis.

In 2009, Dexia Credit Local manifested these commitments through a series of concrete initiatives.

Commitments undertaken by Dexia Credit Local in line with the "Declaration on Climate Change by the Financial Services Sector"	Actions taken by Dexia Credit Local in 2009
Promote awareness and understanding of the risks and opportunities associated with climate change.	• Organization of regional presentations to customers of the institutional and regulatory environment for energy-efficient renovation of buildings and what Dexia has to offer in this field. • Founder and partner of the Rubans du Développement Durable sustainable development awards, which recognized twelve municipalities this year in areas such as energy autonomy, participation in an Agenda 21 assessment, etc. • World Bank Symposium: two events regarding cities and climate change gathered experts from 80 countries under the aegis of the World Bank, the French central government, the French Development Agency and Caisse des Dépôts. Dexia Credit Local led a workshop on financing the urban investments to combat the impact of climate change.
Quantify these risks and opportunities and incorporate them into lending activities.	• Implementation of the energy guidelines adopted by Dexia in November 2008 (establishment of a quantitative goal to limit the CO_2 footprint of loans to the energy sector).
Help customers manage the risks and opportunities associated with climate change by assessing their exposure and providing products and services that improve their ability to adapt.	• Implementation of decision aids for the thermal renovation of buildings. • Dexia is proposing a "Zero CO_2" long-term leasing offer that includes, in addition to a fleet assessment, proposed replacement scenarios, green driving training and the offsetting of vehicular CO_2 emissions, for the public sector. • Implementation of the stimulus plan for the construction and public works industry, with the creation of a global budget of EUR 2.3 billion in subsidized loans.
Reduce Dexia Credit Local's direct impact on climate change and its carbon footprint, assessing and disclosing the bank's annual emissions with transparency.	• Implementation of measures to reduce the impact of business trips. • Implementation of measures to reduce CO_2 emissions generated by energy use in Dexia's main buildings.

2.2 SUSTAINABLE DEVELOPMENT AT THE LOCAL AND REGIONAL LEVELS

In 2009, Dexia Credit Local maintained the organization of the range of products it provides to assist customers with sustainable development in two strategic areas:

Environment and energy sector

ENERGY EFFICIENCY PERFORMANCE OF BUILDINGS

In 2009, Dexia Credit Local expanded the scope of application of the software tool it developed in partnership with Promodul, an association of building industry professionals. Assisting local authorities with the energy-efficient renovation of their buildings, this innovative offer has, since 2009, been available to social housing corporations ("social landlords") for the energy-efficient renovation of their properties.

Dexia Credit Local negotiated a global budget of EUR 300 million with the EIB to be used to finance the French National Agency for Urban Renewal's (ANRU) urban renewal projects with local authorities that have set in place an Agenda 21, a "Territorial Energy & Climate Plan" or a "Mayors' Pact." EUR 125 million has been allocated to social landlords, notably for the thermal renovation of their stock of social housing.

Under the terms of a comprehensive stimulus plan for the industry, Dexia was given responsibility by various federations in the building and public works industry – CAPEB, FFB, FNTP, FNSCOP-BTP – for the distribution of a EUR 650 million budget of subsidized loans to local authorities and social landlords. As financial partner, Dexia Credit Local has matched that budget with EUR 1.65 billion in loans. Of the EUR 2.3 billion in subsidized financial resources, EUR 1.3 billion are specifically allocated to thermal renovation.

RENEWABLE ENERGIES

Dexia Credit Local has made the financing of renewable energies a major strategic focus in its commitment to the fight against climate change.

The Bank has put together a range of solutions (including loans and operating leases) well suited to the specific needs of the different types of technologies, including photovoltaic solar, wind, and wood energy.

Dexia Crediop and Société Générale Corporate & Investment Banking, in their capacity of Mandated Lead Arrangers (MLA), participated in an EUR 84.4 million financing for development, construction and operational launch of the Campidano wind energy production site in Sardinia. Dexia Crediop acted as modeling bank for the financing of the project.

In October 2009, as part of a consortium of fourteen banks, the Dexia Credit Local London Branch signed with Centrica, the parent company of British Gas, the first major project financing of offshore wind power assets in the United Kingdom. This historic deal was structured as the refinancing of a portfolio of Centrica's operational offshore wind farms, generating total power of 220 MW. The portfolio, known under the name of Boreas, includes the offshore wind farms of Lynn (97 MW) and Inner Dowsing (97 MW) and the onshore wind farm of Glens of Foudland (26 MW). The turbines currently generate enough green power for the needs of approximately 175,000 homes in Great Britain.

GREEN TRANSPORT

Dexia Credit Local provides its customers with a variety of services to promote green transport and the renewal of public transport infrastructure.

Reduction of vehicular fuel consumption

In France, with its "Zero CO_2" products, Dexia Location Longue Durée offers its customers a comprehensive strategy for the prevention (green driving lessons), reduction and offsetting of the CO_2 emitted by their fleet, including a carbon audit of the fleet and its replacement with green vehicles.

Expansion of the public transport product offer

The regional council of Languedoc-Roussillon has chosen Dexia to finance the purchase of 25 large capacity railcars. Twenty trains will be fully electric, and five will be diesel-electric. They will replace the entire carriage stock of the regional TER express train services, as part of a sustainable transport policy.

Social welfare sector

Along with its efforts on behalf of the environment and to promote energy efficiency, Dexia Credit Local is maintaining its support to the social welfare sector by establishing partnerships and providing customized financial structures.

HEALTHCARE

Dexia Credit Local is a traditional lender to the healthcare sector. Aware of the challenges introduced by the reforms of the Hospital 2007 and Hospital 2012 plans (Projected Resources and Expenditure Report [EPRD], capital expenditure, etc.), Dexia Credit Local has developed products and services, resolutely turned towards a comprehensive offer to accompany its customers in their analyses of the optimization of resources, well upstream from the financing of their capital expenditure programs.

Dexia Credit Local has concluded a 34-year public-private partnership as part of the construction and maintenance of a new hospital in Toronto (Canada). The goal is to replace the existing hospital with a new 470-bed building and to renovate the adjacent buildings at a cost of more than CAD 461 million. The transaction will be financed by a bond issue (CAD 250 million), by bank debt (CAD 165 million) and with equity (CAD 46 million).

Dexia has been selected as Lead Manager and Arranger of the financing of the construction of the Robert Schuman hospital in Metz. The operation will take the form of a EUR 116 million building lease. The European Investment Bank (EIB) will take a 50% share of the funding of the operation. The new facility will provide approximately 600 beds and regroup in a single place, in 2012, all cutting edge medical, surgical and other specialties. The signing with the EIB was held on November 12 at the ceremony to mark the launch of the project.

AUTONOMY AND AGING

In 2015, nearly one in every ten French citizens will be over 75 years of age. The loss of autonomy due to aging is a critical concern for Dexia, which offers its customers a range of products and services.

Dexia and Vivalib, a company specializing in the creation and adaptation of housing for seniors, launched a partnership to develop and fund a new concept of residential housing for seniors. This new offer is aimed at social landlords wishing to supplement their supply of moderately priced housing in center city and allow tenants a greater mobility within of their housing stock. It allows for home care of the elderly, thus delaying their entry into specialized, medical care facilities. The financing of the acquisition of these Vivalib residences is provided through a EUR 20 million global budget for PLS-type loans to promote affordable rental housing, set aside by Dexia.

ASSISTANCE TO THE DISABLED

To help its customers achieve compliance with the French Disability Act of February 11, 2005, in 2006 Dexia created "*Mission Handicap*" organizing awareness meetings with local elected officials. Dexia Credit Local has developed a Diagnostic Emploi job assessment tool, in addition to its Harmony (subsidized checks for in-home personal services) and Temps Fort Handicap (employee sensitivity training) programs for local authorities.

Dexia Credit Local has also partnered up with the firm Accesmétrie. This allows it to offer its customers free accessibility assessments. This offer was developed in 2009 with certain social landlords. Dexia has signed an agreement with the Federation of Enterprises for Social Housing (ESH) with the objective of training and supporting 20 social housing corporations in this issue.

ACCESS TO HOUSING AND URBAN RENEWAL

Social landlords are currently faced with a shortage of land in certain sensitive areas and high construction costs, which trouble the financial equilibrium of their operations. Under these conditions, Dexia Credit Local offers appropriate and secure funding, which improves the financials of the transactions and gives social landlords some additional leeway.

In July 2009, Dexia Credit Local signed a partnership with the Equalliance group to offer local authorities and social landlords solutions for the construction and management of student housing. Under the terms of this partnership, Dexia is publicizing Equalliance's offer with local authorities and social landlords and offers them PLS-type affordable rental housing loans to finance their operations. The two partners want to promote and finance an additional offer to promote the construction of student residences.

As a major participant with operators in the social housing industry, Dexia Credit Local was given by the EIB part of the France Logement Social social housing global budget to fund urban renewal operations and expand the supply of affordable rental housing. This Memorandum of Agreement signed between the French government, the EIB and Dexia Credit Local in October 2007, aims to support the construction of social housing under the National Urban Renewal Plan *(PNRU)* and the Social Cohesion Plan (PCS) and the restoration of social housing (under the *PNRU*).

In June 2009, the city of Rouen and Dexia Credit Local teamed up to support the urban and social renewal of the Grammont, la Grand'Mare, Châtelet, Lombardie and Sapins neighborhoods.

The total capital investment planned for urban renewal in Rouen amounts to over EUR 327 million. It meets specific needs in the fields of urban development and public amenities by helping social landlords with their housing projects.

The partnership agreement provides the city of Rouen with financing intermediated by Dexia Credit Local, matched by funding from the EIB. This allowed the city of Rouen to finance its 2009-2010 capital investments with total subsidized financing of EUR 26.9 million over 20 years, provided by Dexia Credit Local.

2.3 SOCIAL COMMITMENT

Through the Dexia France Foundation it created in 1993, Dexia Credit Local leads programs to promote civic spirit in youth with the greatest difficulty joining the mainstream, who come from the disadvantaged urban areas and rural regions in crisis.

The Dexia France Foundation is helping these youth to participate in the life of the housing projects in which they live in concrete, new ways, by taking on the environmental and social challenges they face to promote local and regional sustainable development.

Launch of the "Create solidarity and citizenship initiatives in your town!" call for projects

In 2009, the Dexia France Foundation launched a call for projects for young people in difficulty and accompanied by Mission Locale local youth centers to create solidarity initiatives in their neighborhoods in many areas such as housing, transport, the exchange of services, improvement of living conditions, eco-citizenship and the fight against illiteracy. The Foundation received close to 100 projects and 40 were selected. Among the winners were in Beaucaire, the supplying of electric scooters to young job seekers in order to raise awareness of green transportation solutions. In Fresnes, young people organized a system of home delivery of books for the elderly, with the help of the municipal library. In Compiègne, workshops were conducted for young people on "How to eat healthily on a small budget." In Lille, local youth have created a game that every year will inform close to 1,000 young Lille residents followed by Mission Locale local youth mainstreaming centers about simpler ways to find housing.

Citizenship Academy

Created by the Dexia France Foundation and the National Council of Missions Locales in 2007, the Citizenship Academy helps young people from disadvantaged neighborhoods throughout France each year to acquire the principles of citizenship, living it and expressing the concept fully. In 2009, nearly 100 young people from troubled neighborhoods throughout France participated in eight week-long training sessions. Many topics were addressed by these young people in workships, such as violence in their neighborhoods, youth poverty, participation in non-profit and citizenship activities, life in public housing projects and ecology.

This training program allowed them to meet and discuss citizenship with many well-known people from the local political and non-profit arenas.

Corporate skills sponsorship

In June 2009, Dexia Credit Local renewed its agreement with the National Council of Missions Locales to establish good practices for the employment of young people. In 2006, Dexia Credit Local and the Dexia France Foundation established a system that allows employees of the bank to take two hours a month out of their work schedule to sponsor young people participating in local Mission Locale youth mainstreaming centers. In 2009, close to 50 Dexia Credit Local employees assisted youth in their search for employment.

Dexia Credit Local is one of the first major companies to have incorporated the sponsorship of skills-building into its social policy

2.4 MANAGEMENT OF DIRECT ENVIRONMENTAL IMPACTS

The primary objective of Dexia Credit Local's policy of reducing its direct environmental impacts is to reduce the CO_2 emitted by energy consumption in its buildings and its employees' professional travel needs:

- energy consumption:

in France, Dexia Credit Local has been using only green power in its main buildings since January 1, 2008. This allows Dexia to avoid over 325 metric tons of CO_2 emissions, or the electricity consumed each year by 1,200 French people;

- optimization of business trips:

increased use has been made of videoconferencing since 2008, with the installation of five videoconferencing units (including one mobile unit) in Dexia Credit Local's building in Paris and two units in the Dexia Crediop building in Rome;

- Dexia is making a commitment in respect of its employees' commuting needs:
  - since 2007, Dexia Crediop has assumed a portion of these expenditures. Dexia Crediop also appointed a mobility manager and has formally documented its travel policy. Other concrete steps have been taken, such as a two-day mobility training program for employees, the creation of a parking lot for bicycles at Dexia Crediop's Head Office and participation in European Mobility Week,
  - Dexia Credit Local assumes 60% of the cost of public transportation passes for those employees who work at La Défense, and 50% for employees in the regional headquarters,
  - the Dexia Credit Local employee council website has a system for matching up employees interested in car pooling.

Dexia Credit Local is also maintaining its policy of generating less waste and using supplies responsibly:

- waste management and paper consumption:
  - selective sorting of waste: recycling areas are available on each floor of the Tour Dexia in Paris,
  - Dexia Credit Local has undertaken several measures to reduce its consumption of paper, such as improving the quality of the paper it uses (and decreasing the weight) and using only recycled, bleach-free virgin, PEFC-certified paper.

QUALITY ACTION PLAN

In 2009, Dexia Credit Local and certain of its subsidiaries initiated a quality action plan in connection with their own internal management and their relationships with their customers.

In 2009, Dexia Credit Local received confirmation of the ISO 9001 certification of all of its commercial, financial and administrative activities in France. Dexia Sofaxis's ISO 9001 quality certification and OHSAS 18001 (health and safety), ISO 14001 (environment) and SA 8000 (social accountability) certifications were also all renewed. Dexia Crediop's ISO 14001 certification was also renewed.

Terms and compensation of Directors and officers

In accordance with Article L.225-102-1 of the French Commercial Code, a list is provided below of the terms and functions performed of each corporate Director and officer, as well as the compensation they were paid between January 1 and December 31, 2009.

1. FUNCTIONS AND TERMS

Chairman of the Board of Directors

Jean-Luc Dehaene

69 years old

Chairman of the Board of Directors of Dexia SA

Dexia SA – Place Rogier 11 – B-1210 Brussels – Belgium

- Chairman of the Board of Directors of Dexia SA
- Vice Chairman of the Board of Directors of Dexia Bank Belgium
- Director of Dexia BIL
- Director of INBEV
- Director of Umicore
- Director of Lotus Bakeries
- Director of Thrombogenics
- Director of Novovil

Chief Executive Officer and Director (since February 4, 2009)

Pascal Poupelle

55 years old

Member of the Management Board of Dexia SA

Dexia SA – Place Rogier 11 – B-1210 Brussels – Belgium

- Vice Chairman of Dexia Crediop
- Chairman of the Board of Directors of Dexia Sabadell
- Director of Financial Security Assurance Holdings Ltd. (through July 2009)
- Permanent representative of Dexia Credit Local, member of SOFCA-GIE
- Chairman of the Board of Directors of LCL Obligations Euro
- Chairman of the Board of Directors of Dexia Sofaxis (since March 2009)
- Permanent representative of Dexia Credit Local, member of the Supervisory Board of Dexia Municipal Agency (since February 2009)
- Permanent representative of Dexia Credit Local, director of Dexia CLF Banque (since February 2009)
- Director of Dexia Holdings, Inc. (since July 2009)
- Director of Dexia FP Holdings, Inc. (since July 2009)
- Director of HF Services LLC (since July 2009)
- Director of FSA Asset Management LLC (since July 2009)
- Director of FSA Capital Markets Services LLC (since July 2009)
- Director of FSA Capital Management Services LLC (since July 2009)

Members of the Board of Directors

Fédération Nationale des Travaux Publics, represented by Patrick Bernasconi*

54 years old

Chairman of Fédération Nationale des Travaux Publics

9, rue de Berri – 75008 Paris

- Chairman of Fédération Nationale des Travaux Publics
- Chairman of Bernasconi T.P.
- Chairman of Science et Industrie
- Chairman of the Board of Directors and Chief Executive Officer of L'Immobilière des Travaux Publics
- Director of SMAVIE BTP
- Permanent representative of Fédération Nationale des Travaux Publics, member of the Supervisory Board of BTP Banque

* *Independent member.*

- Permanent representative of Fédération Nationale des Travaux Publics, Vice Chairman of SMA BTP
- Co-legal manager of SCI Bernasconi Frères
- Managing Partner of Casa Déco
- Director of Château des Deux Rives (since July 2009)

Fédération Française du Bâtiment, represented by Didier Ridoret*

58 years old

Chairman of Fédération Française du Bâtiment

33, avenue Kléber – 75016 Paris

- Chairman of Fédération Française du Bâtiment
- Co-legal manager of Elibois SARL
- Chief Executive Officer of Financière Ridoret SAS (merged into SAG SAS in December 2009)
- Co-legal manager of France Menuisiers SARL
- Co-legal manager of Menuiseries Niortaises SARL
- Chief Executive Officer of Ridoret Menuiserie SA
- Co-legal manager of Roche Alu SARL
- Co-legal manager of Roche France SARL
- Co-legal manager of Roche PVC SARL
- Chief Executive Officer of SAG SAS
- Co-legal manager of Pont de la Reine SCI
- Vice Chairman of the Supervisory Board of BTP Banque SA
- Permanent representative of Fédération Française du Bâtiment, Director, member of the Steering Committee of Union des Caisses de France du Réseau Congés Intempérie du BTP
- Permanent representative of Fédération Française du Bâtiment, non-voting board member of ECOFI Investissements SA
- Permanent representative of Fédération Française du Bâtiment, Vice Chairman of SMA BTP
- Permanent representative of Fédération Française du Bâtiment, Vice Chairman of SMAVIE BTP
- Legal manager of DIFRAHEL (since June 2009)
- Non-voting board member of SICAV BTP Obligations (since March 2009)
- Non-voting board member of SICAV BTP Associations (since June 2009)
- Non-voting board member of SICAV BTP Rendements (since June 2009)

Gérard Bayol
(Director through February 3, 2009)

56 years old

3, rue Théodule Ribot – 75017 Paris

- Permanent representative of Dexia Credit Local, member of the Supervisory Board of Dexia Municipal Agency (through February 2009)
- Director of Dexia Crediop (through February 2009)
- Chairman of the Board of Directors of Dexia Sofaxis (through February 2009)
- Permanent representative of Dexia Credit Local, Director of Dexia CLF Banque (through February 2009)
- Managing Partner of SCI Bayoli

Christophe Béchu*
(Director through January 22, 2009)

35 years old

Member of the European Parliament – Chairman of the General Council of Maine-et-Loire

Hôtel du Département – Place Michel Debré – 49000 Angers

- Permanent representative of the Maine-et-Loire department, Chairman of the Board of Directors and Chief Executive Officer (through June 2009) of SODEMEL (Société d'Equipement du Département de Maine-et-Loire)
- Permanent representative of the Maine-et-Loire department, Director of Terra Botanica
- Permanent representative of the Maine-et-Loire department, Chairman of the Board of Directors and Chief Executive Officer (through June 2009) of Terra Botanica

Julien Brami
(Director since November 27, 2009)

35 years old

Caisse des Dépôts – 56, rue de Lille – 75007 Paris

- Member of the Board of Directors of CDC Entreprises
- Member of the Board of Directors of CDC Capital Investissement
- Member of the Board of Directors of Fonds de Garantie des Assurances Obligatoires de Dommages (FGAO) (since October 2009)
- Director of Global Seguros
- Director of Global Vida

* *Independent member.*

Jean-Pierre Brunel*

66 years old

226, rue Georges Besse – 30000 Nîmes

- Director of Services Conseil Expertises Territoires
- Chairman of the Board of Directors of SA d'HLM Le Nouveau Logis - Centre Limousin

Christian Costrejean
(Director from February 4, 2009 through October 12, 2009)

40 years old

Caisse des Dépôts – 56, rue de Lille – 75007 Paris

- Director of CDC Entreprises Capital Investissement (since June 2009)
- Member of the Board of Directors of CDC Entreprises ELAN PME (from April through June 2009)
- Director of Fonds de Garantie des Assurances Obligatoires de Dommages (through November 2009)
- Permanent representative of CDC, Director of CDC Capital Investissement (through October 2009)
- Legal manager of Société Civile Immobilière TY KIRVI

Philippe Duron*

62 years old

Member of Parliament for Calvados – Mayor of Caen

Esplanade Jean-Marie Louvel – 14027 Caen cedex 09

Jean-Pol Henry*

66 years old

Honorary Vice Chairman of the House of Representatives

118, rue de la Madeleine – B-6041 Gosselies – Belgium

Pierre Mariani

53 years old

Chairman of the Management Board of Dexia SA

Dexia SA – Place Rogier 11 – B-1210 Brussels – Belgium

- Chief Executive Officer of Dexia SA
- Director of Dexia Bank Belgium
- Director of Dexia BIL
- Director and Chairman of the Audit Committee of EDF (since November 2009)
- Director of Crédit du Nord (from May 2009 through November 2009)

* *Independent member.*

Alain Quinet
(Director through February 4, 2009)

48 years old

Member of the Management Board of Caisse des Dépôts

56, rue de Lille – 75007

- Director of Dexia SA (through November 2009)
- Director of Accor
- Chairman and Chief Executive Officer of CDC Entreprises Capital Investissement
- Chairman of the Board of Directors of CDC Infrastructure
- Permanent representative of Caisse des Dépôts, Director of CDC International SA
- Director of CNP Assurances
- Member of the Supervisory Board of Compagnie des Alpes (through September 2009)
- Permanent representative of Caisse des Dépôts, member of the Supervisory Board of Compagnie Nationale du Rhône
- Director of Eiffage
- Chairman Chief Executive Officer of Financière Transdev
- Permanent representative of Caisse des dépôts, Director of Fonds Stratégique d'Investissement
- Director of Société Forestière de la Caisse des Dépôts
- Director of Icade SA
- Permanent representative of Financière Transdev, Director of Transdev

Philippe Rucheton
(Director since February 4, 2009)

61 years old

Member of the Management Board of Dexia SA

Dexia SA – Place Rogier 11 – B-1210 Brussels – Belgium

- Chairman of the Supervisory Board of Dexia Municipal Agency (since April 2009)
- Director of Dexia Asset Management Luxembourg (since February 2009)
- Director of Denizbank AS (since February 2009)
- Director of Dexia Holdings, Inc. (since June 2009)
- Director of Dexia FP Holdings, Inc. (since June 2009)
- Director of HF Services LLC (since June 2009)
- Director of FSA Asset Management LLC (since June 2009)
- Director of FSA Capital Markets Services LLC (since June 2009)
- Director of FSA Capital Management Services LLC (since June 2009)
- Director of Dexia Insurance Belgium (since May 2009)
- Director of Crédit du Nord (from May 2009 through December 2009)

Antoine Rufenacht*
(Director through September 24, 2009)

70 years old

Mayor of Le Havre

Place de l'Hôtel de Ville – 76600 Le Havre

- Legal manager of Société Financière Interocéanique
- Director of Etablissement Public Foncier de Normandie
- Legal manager of Société civile SFEC
- Chairman of Le Volcan (since April 2009)

His replacement, Alain Lambert, who was named by the Board of Directors on November 27, 2009 and resigned on February 18, 2010, did not receive any compensation.

Francine Swiggers

57 years old

Chairman of the Management Board of Arco Group

6, avenue Livingstone – B-1000 Brussels – Belgium

- Director of Dexia SA
- Director of Dexia Banque SA (since February 2009)
- Director and Chairman of the Management Board of Arcofin CVBA
- Director and Chairman of the Management Board of Arcopar CVBA
- Chairman of the Board of Directors and Chairman of the Management Board of Arcoplus CVBA
- Chairman of the Board of Directors and Chairman of the Management Board of Auxipar NV (through March 2009)
- Director of Auxipar NV (since March 2009)
- Chairman of the Board of Directors of Interfinance CVBA
- Chairman of the Board of Directors and Chairman of the Management Board of Arcosyn BV
- Director of Sofato
- Chairman of the Board of Directors of Procura
- Director of VDK – Caisse d'Épargne
- Member of the Board of Directors of De Warande
- Member of the Board of Directors of Hogeschool Universiteit Brussel

René Thissen*

63 years old

Member of Parliament – Member of the Municipal Council of Waimes

23, rue de Bouhémont – B-4950 Waimes – Belgium

- Director of Centre Hospitalier Chrétien
- Chairman of Contrat de Rivière Amblève (through May 2009)
- Director of Unio Brussels ASBL
- Chairman of the Board of Directors of Société Wallonne des Eaux
- Chairman of the Board of Directors of SAGIMA SA

Representatives of the employee council

Valérie Hudé

Jean-Claude Trochain (through February 2, 2010)

Pascal Cardineaud (from February 2, 2010)

* *Independent member.*

2. COMPENSATION AND REGULATED AGREEMENTS

2.1 INTRODUCTION

The compensation of members of the Management Board of Dexia SA – including that of Pascal Poupelle, the Chief Executive Officer of Dexia Credit Local – is set by the Board of Directors of Dexia SA based on the proposals of the Appointments and Compensation Committee.

The compensation of members of the Management Board of Dexia SA is periodically reviewed by the Appointments and Compensation Committee, with the assistance of a specialized, independent consultant.

The Board of Directors is firmly committed to complying with the legislative framework as it evolves on the basis of the provisions of the G20 Pittsburgh summit. Thus, at the request of the Belgian Banking, Finance and Insurance Commission, Dexia has filed with the latter a compensation policy that is compliant with the Belgian legislation (which will come into effect in 2010) and is applying the principles early this year.

2.2 SUMMARY OF DECISIONS MADE IN 2009 WITH REGARD TO THE COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD (1)

At its January 29, 2009 meeting, the Board of Directors of Dexia SA reviewed the proposal by members of the Management Board and Executive Committee of Dexia SA and members of committees of the Group's principal entities to receive no variable compensation in respect of fiscal year 2008.

This proposal was accepted by the Board. This initiative is a first in the entire financial sector. More than 50 leaders of the Dexia Group have collectively renounced their right to all of the variable compensation they were due for 2008.

At that same meeting, the Board of Directors also decided to terminate the supplemental pension system in place for certain officers in France.

Lastly, the Board of Directors decided that no stock options or stock grants would be allocated during 2009.

Moreover, pursuant to Decree No. 2009-348 of March 30, 2009, as amended by Decree No. 2009-445 of April 20, 2009, Dexia entered into an agreement with the French government in which the Company undertakes various commitments to good governance.

Also in 2009, the Dexia Group, led by the members of its Management Board, presented the corporate transformation plan to the European Commission, which approved the plan in early 2010.

The execution of the European Commission's decisions will have to be incorporated in the years ahead into the model used to assess the individual performances of the members of the Management Board.

2.3 COMPENSATION IN RESPECT OF 2009

2.3.1 Context

The Board of Directors of Dexia SA believes that executive compensation should be subject to special treatment in 2009.

The Board of Directors formally noted that all the objectives of the transformation plan had been achieved and even exceeded in 2009, with a reduction of the risk profile, the containment of costs and a return to profitability during four consecutive quarters, allowing Dexia to achieve net income of EUR 1 billion after taking a EUR 3.3 billion loss in 2008.

The Group's corporate officers received no variable compensation in respect of fiscal year 2008.

These circumstances justify the adoption of specific measures in respect of 2009.

Moreover, in light of the facts that 2008 was an atypical year and that the vast majority of the members of the Management Board assumed their functions only in late 2008 (see Dexia Credit Local 2008 annual report), comparison with previous years is not meaningful.

2.3.2 Fixed and variable compensation

The Chief Executive Officer's compensation is set by the Board of Directors of Dexia Credit Local, after discussion with the Appointments and Compensation Committee of Dexia SA.

The compensation of the members of the Management Board comprises both a fixed and a variable component.

2.3.2.1 FIXED COMPENSATION

Fixed compensation is based on the types and importance of the duties performed by each individual (and taking account of market benchmarks for similarly-scaled functions).

In 2009, no fixed compensation of members of the Management Board was increased.

(1) This term is used within this section to denote the members of the Management Board of Dexia SA, some of whom are members of the Board of Directors of Dexia Credit Local.

Summary of fixed component of compensation

(in EUR)	Fixed compensation paid in 2009	Other benefits [(1)]
Gérard Bayol	234,236	-
Jean-Luc Dehaene	20,000	-
Pierre Mariani	1,000,000	6,324
Pascal Poupelle	500,000	-
Philippe Rucheton	500,000	6,324

(1) Each member of the Management Board is provided with a company car for business and personal use. The related costs are not included in the amounts shown in this section. The amounts represent the annual lump sum payments for entertainment expenses.

2.3.2.2 VARIABLE COMPENSATION

The Board of Directors has decided to apply, starting in 2009, the principles of Belgian law that will apply to the variable compensation in respect of 2010 that is paid in 2011. These principles are:

- spreading of variable pay over three years;
- measuring performance over the long term;
- adjustment of the deferred portion in the event of poor performance;
- tying of the deferred portion to the Company's share price.

The Board of Directors, in respect of services provided in 2009 and in light of what has been stated above, decided to break with the principles applied in the past to focus the setting of variable compensation based on the successful implementation of Dexia's transformation plan and the involvement of each member of the Management Board in implementing the plan.

The Board of Directors also stated that variable pay in respect of fiscal year 2009 must be less than it would have been pre-crisis for the same job function.

The reduction in respect of 2009 applied to members of the Management Board is the same as that applied to the variable compensation of 300 main managers of the Group (i.e. an average reduction of more than one third).

2.3.2.3 CONDITIONS OF ALLOCATION AND PAYMENT OF VARIABLE COMPENSATION

In respect of 2009, the Board of Directors has set three conditions for the allocation and payment of variable compensation to members of the Management Board:

1. the Board of Directors decided that the variable pay awarded to members of the Management Board of Dexia SA would be conditioned on the non-renewal of the central government guarantees on interbank lending and bond issues after June 30, 2010, in accordance with commitments agreed to with the European Commission.

   Consequently, members of the Management Board shall not receive any amount if this condition is not met.

If variable compensation is awarded following the non-renewal of the central government guarantees on interbank lending and bond issues, the following principles shall apply:

2. each time a deferred portion of variable compensation is to be paid, the Board of Directors will check, upon recommendation of the Appointments and Compensation Committee, that the performance of the member of the Management Board has not deteriorated and that the commitments to the European Commission are still respected;
3. the deferred portion is indexed to the stock price during this period. This indexation allows the interests of the members of the Management Board to be closely associated with those of the shareholders over the very long term.

To take into account the penalty incurred by the beneficiaries due to the lockup of the amounts deferred, the member of the Management Board will be entitled to the equivalent value of the dividend paid during the spreading period.

2.3.2.4 SPREADING OF VARIABLE COMPENSATION

In accordance with the principles mentioned above, payment of the variable compensation of members of the Management Board will be spread over three years. The deferred portion is determined in the following manner:

- in n+1 (i.e. 2010), a member of the Management Board will receive:
  - for that portion between zero and EUR 50,000: 100%,
  - for that portion between EUR 50,001 and EUR 100,000: 50%,
  - for that portion greater than EUR 100,001: 33%.
- the member of the Management Board will collect the balance under the conditions described in Section 2.3.2.3., in n+2 (i.e. 2011) and n+3 (i.e. 2012).

The member of the Management Board must continue to be in the employment of the Group on the various payment dates, or he shall forfeit those deferred portions of his variable compensation, unless decided otherwise by the Board of Directors on the proposal of the Appointments and Compensation Committee.

2.3.2.5 APPLICATION OF THESE PRINCIPLES IN RESPECT OF 2009

The Board of Direction formally noted that all the objectives of the transformation plan had been achieved and even exceeded in 2009.

The Board of Directors notes that no stock options or stock grants were awarded during 2009. Similarly, no fixed compensation was increased.

Summary of compensation paid

(In EUR)	Variable compensation in respect of 2009 Amounts awarded under certain conditions (see 2.3.2.4) by potential payment date				
	2010	2011	2012	Total	% deferred
Pierre Mariani	308,333	245,833	245,834	800,000	61%
Pascal Poupelle	141,667	79,166	79,167	300,000	53%
Philippe Rucheton	141,667	79,166	79,167	300,000	53%

The percentages of deferred compensation are in the upper range of the Financial Stability Board's recommendations for good governance.

2.4 DISCRETIONARY SUPPLEMENTAL PENSION PLANS

Dexia Credit Local has never entered into any special agreement that would benefit any of its corporate officers.

Pierre Mariani and Philippe Rucheton participate in a new discretionary supplemental pension plan for members of the Management Board of Dexia SA with Belgian employment contracts. Upon retirement, they will be entitled to receive all of the capital generated by the investment of the annual contributions. The latter are calculated as a fixed percentage of his capped annual fixed compensation.

Annual premiums of EUR 547,900 were paid in 2009 for the benefit of the members of the Management Board of Dexia SA with Belgian employment contracts, including EUR 147,830 for the Chief Executive Officer.

Collective annual premiums of EUR 199,910 were paid in 2009 for supplemental death, permanent disability and health coverage for members of the Management Board of Dexia SA with Belgian employment contracts and EUR 5,780 for mandatory and supplemental death, permanent disability and health coverage for the member of the Management Board of Dexia SA with a French employment contract.

2.5 CONDITIONS OF TERMINATION

In the event Dexia should terminate its employment contract with Pierre Mariani, the latter shall be entitled to receive a one-time lump sum severance payment based on the AFEP-MEDEF rules in effect.

In the event Dexia should terminate its employment contract with Pascal Poupelle, the latter shall be entitled to receive a severance payment based on the arrangements in force within the Company.

In the event Dexia should terminate its employment contract with Philippe Rucheton, the latter shall be entitled to receive, within twelve months of a change of control, an indemnity equal to the fixed and variable compensation corresponding to a period of 18 months, notwithstanding any rules of common law which may, if appropriate, apply.

Gérard Bayol received a severance payment equal to 24.3 months of the average monthly salary he was paid in 2007 and 2008.

2.6 DIRECTORS' FEES

The amount of directors' fees paid to directors of Dexia Credit Local was set by the Shareholders Meeting of May 14, 2009 at EUR 225,000. A total of EUR 115,500 was paid in respect of fiscal year 2009. Detailed information regarding these attendance-based allocations is provided in the table below.

Furthermore, any directors' fees, or portions thereof, paid to a member of the Management Board by a Dexia Group company or an unrelated company in which that person exercises a directorship on behalf of Dexia would be deducted from that person's fixed or variable compensation.

Summary of Directors' fees paid by Dexia Credit Local

Member	Directors' fees paid in respect of FY 2008	Directors' fees paid in respect of FY 2009
Julien Brami	-	2,500
Jean-Pierre Brunel	21,000 (1)	21,000 (1)
Christian Costrejean	-	12,500
Jean-Luc Dehaene	0 (2)	0 (2)
Philippe Duron	10,714	5,000
FFB (Didier Ridoret)	6,429	7,500
FNTP (Patrick Bernasconi)	19,500 (1)	18,500 (1)
Jean-Pol Henry	9,643 (3) (3')	11,250 (3)
Pierre Mariani	0	0
Pascal Poupelle	0	0
Philippe Rucheton	0	0
Antoine Rufenacht	0 (4)	2,500
Francine Swiggers	14,143 (5) (6)	13,875 (6)
René Thissen	11,250 (3)	9,375 (3)
TOTAL	**92,679**	**104,000**

(1) Includes amount paid for participation in the Audit Committee.
(2) Dexia SA paid Jean-Luc Dehaene Directors' fees in respect of his functions at Dexia SA amounting to EUR 28,000 for FY 2008 and EUR 68,000 for FY 2009.
(3) Net of withholding tax.
(3') The EUR 8,036 figure reported in the 2008 report has been adjusted.
(4) Due to his request not to receive any fees in respect of 2008.
(5) Includes amount paid for participation in the Audit Committee, and net of withholding tax.
(6) Dexia SA paid Francine Swiggers Directors' fees in respect of her functions at Dexia SA amounting to EUR 64,000 for FY 2008 and EUR 46,000 for FY 2009.

2.7 STOCK WARRANTS OR OPTIONS GRANTED DURING THE YEAR TO DIRECTORS AND OFFICERS OF THE COMPANY

In 2009, Dexia did not grant any stock options and did not establish any stock ownership plan reserved for its employees, including its corporate officers.

Moreover, no stock warrant or option was exercised during 2009 and no performance shares were issued to the Directors and officers of Dexia.

Significant events and outlook

1. SIGNIFICANT EVENTS

The year 2009 was strongly marked by the impact of the financial crisis that shook the banking system in 2008 and by the transformation plan initiated by Dexia in November 2008 to reestablish a solid foundation for the Group. The strategic themes of this transformation plan, the different stages of which were announced in January 2009, are aimed at focusing Dexia back on its major commercial franchises, improving its risk profile and optimizing its cost structure.

Various measures were implemented in 2009 and in early 2010, and significant progress has already been made.

The February 2010 agreement with the European Commission will play a major role in 2010 and the years to come.

1.1 DIVESTMENT

Under the terms of the transformation plan Dexia sold off several of its assets in 2009, of which FSA Insurance was the largest. These divestments contributed to the reduction of the Group's balance sheet and its risk profile.

Sale of FSA Insurance

The sale of FSA Insurance to Assured Guaranty ("Assured") announced in November 2008 was finalized on July 1, 2009. The total consideration received on the sale amounted to USD 816.5 million, including USD 546 million in cash and 21.85 million shares of Assured stock (1), or 13.9% of Assured's capital of at the time of the closing.

Dexia retained FSA's Financial products portfolio, which was valued at USD 15.5 billion as of December 31, 2009. This portfolio has been placed in run-off, and the assets are partially protected by a guarantee from the French and Belgian states (2). This guarantee was approved by the European Commission on March 13, 2009 and stipulates that Dexia would cover the first USD 4.5 billion in losses, USD 2 billion of which had already been provisioned as of December 31, 2009. If the losses end up exceeding USD 4.5 billion, the guaranteeing governments will intervene, and in exchange will receive Dexia common shares or preference shares. This common share and preference share issuance mechanism was approved by Dexia's Extraordinary Shareholders' Meeting of June 24, 2009.

The sale enabled Dexia to divest itself of a USD 416 billion exposure in the U.S. market, including USD 113 billion in asset-backed securities.

Exit from Kommunalkredit Austria

Under the terms of the recapitalization plan for Kommunalkredit Austria announced on November 3, 2008, Dexia Credit Local sold its 49% stake in Kommunalkredit Austria and bought Kommunalkredit Austria's stake in Dexia Kommunalkredit Bank, bringing its total stake in that company to 100% .

This dual transaction was finalized on March 19, 2009. All of its impacts had already been taken into account at the end of 2008.

Sale of Crédit du Nord

Dexia sold Société Générale its 20% stake (10% owned by Dexia Credit Local and 10% by Dexia Bank Belgium) in Crédit du Nord for EUR 676 million in cash.

The sale, which as carried out under the terms of the Group's transformation plan, was finalized on December 11, 2009 and generated a capital gain of EUR 153 million (of which EUR 77 million for Dexia Credit Local).

At the same time, Dexia Credit Local acquired Crédit du Nord's 20% stake in Dexia CLF Banque for EUR 13 million in cash. Following this acquisition, Dexia Credit Local now owns 100% of Dexia CLF Banque.

Agreement of sale for Dexia Épargne Pension

In December 2009, Dexia signed an agreement to sell Dexia Épargne Pension, a Dexia subsidiary specialized in the sale of life insurance products in France, to BNP Paribas Assurance.

The transaction is subject to the approval of the competent supervisory authorities, and is expected to be finalized during the first half of 2010.

(1) On August 13, 2009 Dexia Holdings Inc. sold these shares to Dexia SA, who in turn sold them on March 11, 2010.

(2) The Financial products portfolio is subdivided into two parts:
- USD 11.2 billion in assets covered by the guarantee;
- USD 4.3 billion in high quality assets (100% investment grade) are excluded from the guarantee.

1.2 RIGHT-SIZING OF TRADING OPERATIONS

The reorganization of trading operations initiated in 2008 resulted in:

- the discontinuation of all proprietary trading operations;
- a 50% reduction of all VaR limits and the centralization of all other trading operations in Brussels;
- the centralization of the management of the run-off bond portfolios in Dublin.

1.3 ACTIVE REDUCTION OF THE BALANCE SHEET

In 2009, the Group continued the active balance sheet reduction strategy it initiated at the end of 2008.

The bond portfolio in run-off was reduced by EUR 24 billion in 2009, notably via the sale of EUR 15 billion in securities. As of December 31, 2009, the bond portfolio in run-off amounted to EUR 134 billion.

The Financial products portfolio amounted to USD 15.5 billion as of December 31, 2009.

The Group also sold off a total of EUR 1.7 billion in loans in 2009.

The undrawn liquidity lines in the United States were also reduced by USD 6 billion in 2009.

Dexia Credit Local recorded approximately EUR 81 million in losses on securities and securities reclassified into loans and advances.

This policy helped reduce Dexia Credit Local's balance sheet by an additional EUR 54 billion.

1.4 IMPROVEMENT OF THE LIQUIDITY PROFILE

Substantial progress was made in improving the Group's liquidity in 2009.

In October 2008, the Belgian, French and Luxembourg states provided a guarantee on a large portion of Dexia's short- and long-term funding in order to help the Group cope with the liquidity crisis it faced. In an amendment dated October 14, 2009, this guarantee was extended until October 31, 2010 and the following modifications were made to the mechanism:

- the ceiling on guaranteed outstandings was lowered from EUR 150 billion to EUR 100 billion;
- the maximum term of new long-term funding was lengthened to four years.

In addition, since October 16, 2009, Dexia has renounced the benefit of the guarantee on all new contracts with a term of less than one month and on all new contracts with no fixed maturity date. Dexia was easily able to replace this guaranteed funding with unsecured funding.

In 2009, the Dexia Group raised a total of EUR 45.7 billion in medium- and long-term debt securities, of which EUR 34 billion for the Dexia Credit Local Group. The share of borrowings not covered by the central government guarantee increased continuously over the course of the year, to 51% as of December 31, 2009 (49% for the Dexia Credit Local Group).

This good performance, combined with the active balance sheet reduction strategy, resulted directly in a large reduction of the amount of guaranteed debt outstanding. In this manner, the Dexia Group's total short- and medium-term guaranteed debt amounted to EUR 50.4 billion as of December 31, 2009, compared with a maximum of EUR 95.8 billion in May 2009.

By reducing its liquidity needs, Dexia should be able to exit the central government guarantee mechanism earlier than originally expected. The Group will no longer have to use the guarantee for its:

- deposit contracts: especially all interbank deposits, after March 1, 2010, earlier than provided for in the schedule agreed to with the European Commission;
- short-term debt issues: after May 31, 2010;
- long-term debt issues: after June 30, 2010.

1.5 COST REDUCTION AND RIGHT-SIZING OF STAFFING

To keep the Group's profitability centered on its most important franchises, Dexia announced in 2008 its intention to reduce its cost structure by 15% in three years, with a positive annual impact of EUR 200 million expected starting in 2009 that would increase to EUR 600 million by the end of 2011.

The Dexia Group exceeded its objective for 2009 by EUR 150 million, with an effective cost reduction of EUR 350 million for the full twelve months (EUR 120 million for Dexia Credit Local).

In 2009, the refocusing of the Group was accompanied by a complete review of all activities, with a direct impact on staffing.

A corporate development plan was presented to Dexia Credit Local social partners in February 2009. The voluntary resignation plan proposed and set in place during the first quarter under a Reduction in Force Plan enabled the Group to avoid any involuntary layoffs. In all, 222 employees left the Company under the terms of the Reduction in Force Plan.

1.6 EUROPEAN COMMISSION APPROVAL

A new milestone for the Dexia Group was reached on February 5, 2010, ending a long period of uncertainty. After several months of discussion, the states of France, Belgium and Luxembourg, and the European Commission signed an agreement of principle for the Dexia Group's restructuring plan, which was definitively ratified by the new commission on February 26, 2010.

This agreement allows the Group to continue to develop its primary business lines in its traditional markets, i.e. France, Belgium and Luxembourg, as well as in Turkey.

Dexia will align the lending activities of its Public and Wholesale Banking line of business with its capacity to issue covered bonds. The new lending of this line of business will be limited to EUR 15 billion in 2010 and to EUR 18 billion in 2014, and will have to generate a risk-adjusted return on capital (RAROC) of at least 10%.

This agreement, which is also a perfect fit with the Group's transformation plan, provides for the additional measures listed below. The implementation of this agreement will be analyzed by an independent specialist in a half-yearly report to the European Commission.

Additional divestitures

As part of the negotiations with the European Commission, it was decided that the Group would sell off its Holdings in Dexia Crediop in Italy (70% stake) and Dexia banka Slovensko in Slovakia (88.7% stake) by October 31, 2012, and in Dexia Sabadell in Spain (60% stake) by December 31, 2013.

Dexia also committed to divesting itself of AdInfo in Belgium (51% stake) by October 31, 2010, and of its insurance activities in Turkey by October 31, 2012.

Other measures

The agreement also provides for certain restrictions on dividends, hybrid instruments and acquisitions for the next two years. Accordingly, Dexia:

- will not acquire any financial institutions prior to December 31, 2011;
- can pay dividends of its common shares solely in the form of shares until the end of 2011;
- will pay coupons on its subordinated debt instruments only if it is contractually obliged to do so, and will not make any prepayments (calls) before the end of 2011.

Dexia will waive its right to the EUR 376 million convertible bond, which was supposed to be subscribed by the Grand Duchy of Luxembourg.

Creation of a "Legacy Division"

With the approval of the European Commission, Dexia will consolidate its run-off portfolios and certain non-strategic loans and off-balance sheet commitments of the Public and Wholesale Banking line of business into a specific division, distinct from its primary lines of business.

This division will include:

- the bond portfolio in run-off (EUR 134 billion as of December 31, 2009);
- a number of non-strategic loans to public sector entities (EUR 17 billion as of December 31, 2009);
- the Financial products portfolio (USD 15.5 billion as of December 31, 2009).

These assets will remain on the Group's balance sheet, and be backed by clearly identified and allocated sources of funding. All of the funding guaranteed by the states will be allocated to this division.

This new analytical segmentation will significantly improve the visibility of the Group's main lines of business.

1.7 DEXIA'S TEN COMMITMENTS

On November 9, 2009, Dexia, in its determination to build long-term, transparent, trusting relationships with its customers, announced ten commitments regarding the marketing of structured finance products to its customers in France. These commitments reflect the lessons learned from the financial crisis and the needs that the Group's customers have expressed. They espouse the principles embodied in the Gissler Charter code of conduct between banking institutions and local authorities, and form the backbone of Dexia's commercial policy in France in this area.

1. Dexia agrees not to offer its customers any new credit that would expose them to risk on the principal value of their borrowings on certain high risk indices (commodities, equities, currency, indices other than those of OECD members, etc.);
2. Dexia agrees to always offer its customers alternative solutions, both fixed and variable rate, for any new structured finance offer;
3. Dexia agrees to not offer any products with a potentially cumulative structural "snowball" effect, which Dexia has always refused to market;
4. Dexia agrees to provide any customer who so requests with a personalized diagnosis of its outstanding debt;
5. Dexia agrees to work with the financial managers of the local authorities to agree upon their acceptable financial risk profile, and commits to systematically provide:

- an analysis of the structure of the products and how they work, clearly indicating the drawbacks and the risks of the proposed strategies;
- a retrospective analysis of the underlying indexes;
- a simulation of the rate paid with various changes in the underlying indices, using stress scenarios;
- an annual valuation of the products.

6. Dexia agrees to present its products in accordance with the risk classifications proposed in the proposed Gissler Charter for the underlying indices and credit structures;
7. Dexia agrees not to sell any product to its customers without first obtaining the prior approval of the Risk Management and Compliance departments of the Dexia Group;
8. At the request of the executives of the local authorities, Dexia agrees to present to the deliberative bodies a full annual status report of all outstandings contracted with Dexia;
9. Dexia agrees to include within its published business review a precise analysis of all of its customers' structured finance outstandings (average interest rates, and first and last deciles);
10. For past operations not covered by the proposed Gissler Charter (which has no retroactive effect), Dexia agrees to provide those of its customers who would like the most suitable solutions to reduce any exposures that they deem excessive.

Moreover, Dexia has assigned qualified individuals the task of ensuring that the rules Dexia applies to the marketing of structured finance products contribute to the requirements for a balanced and autonomous management of local public finances: Michel Bouvard, member of Parliament for Savoie, Chairman of the Supervisory Committee of Caisse des Dépôts et Consignations; Bernard Cieutat, Honorary President of the French Court of Accounts; Jean-Louis Fort, former Secretary General of the French Banking Commission.

The committee met six times in January and February 2010, reviewing various topics including the analysis of the Group's internal rules of operation and marketing.

By submitting to the commission a code of ethics for structured products, prepared in conjunction with the associations of local elected officials, Dexia Credit Local has formalized - above and beyond the requirements laid down in the Gissler Charter - its commitments regarding the design, marketing and monitoring of structured products. The committee's work is still underway.

Once the committee issues an opinion of this code, that opinion will be made public.

1.8 QUALITY ACTION PLAN

In 2009, Dexia Credit Local maintained the ISO 9001 certification of all of its commercial, financial and administrative activities in France. Dexia Sofaxis's ISO 9001 quality certification and OHSAS 18001 (health and safety), ISO 14001 (environment) and SA 8000 (social accountability) certifications were also all renewed. Dexia Crediop's ISO 14001 certification was also renewed.

2. OUTLOOK

While the crisis revealed Dexia's weaknesses in its role as banker to the public sector, it also helped highlight the strengths and assets required for the Group to turn itself around:

- specialization and recognized expertise in local public sector and project finance;
- use of funding vehicles in the form of covered bonds, which have proved their great resilience since the outbreak of the crisis;
- credit outstandings whose profitability and risk quality give Dexia the time to drive the changes required in this business;
- a low risk for the sector as a whole.

Today, thanks to the continued implementation of the transformation plan, the agreement reached in early 2010 with the European Commission, refocusing the business back on its historical markets, and the planned end of the use of central government guarantees on its funding, Dexia can have a positive outlook for the future.

Dexia has regained its ability to assist a subnational public sector that has itself been impacted by the crisis and is facing new challenges.

2.1 SUBNATIONAL PUBLIC SECTOR UNDERGOING PROFOUND CHANGE

In 2008 and 2009, the news for the European subnational public sector (including local, regional and state authorities, as well as the public agencies attached to them) was marked by the maintenance of decentralization and territorial reorganization policies, and above all by the eruption of the economic and financial crisis and its spread to a great number of countries. The challenge faced is important, given the place of and role played by this sector in our economic development: the subnational sector accounts for one third of all public expenditure, and for two-thirds of all public sector capital investment in Europe.

a) Major institutional reforms

Decentralization and the strengthening of local accountability have been pursued actively in the new Member States of the European Union, but also in Spain (reform of the status of the Autonomous Communities), in Portugal (transfers in the field of education), in Germany (continued reform of federalism), in France (Act II of decentralization) and in England, where the process is underway with the publication in 2008 of the "Communities in control: real people, real power" White Paper.

Several European countries are also setting in place profound territorial reforms, with consequences such as municipal mergers, the expansion of inter-municipal cooperation, the elimination of a whole layer of local authorities or the creation of a regional level. In France, a bill regarding local government reform was adopted on first reading by the Senate on February 5, 2010, resulting in the opening of the way for ambitious new projects [1].

b) Growing impact of the crisis

In 2008, the crisis had not yet taken its full toll on local governments, most of which were well equipped to cope with it thanks to their financially sound and solid foundations. However, there were already some clear signs of the existence and reality of the crisis, especially in countries affected early on by the economic slowdown, such as Spain. For example, subnational revenues grew more slowly in 2008 than in previous years, increasing by 1.3% in 2008 compared with an average of 2.6% p.a. between 2000 and 2007 (in volume).

The years 2009 and especially 2010 will stand out as particularly difficult for the vast majority of European local authorities, with the accentuation of the decrease in revenue and a significant increase in expenditure.

REVENUE HIGHLY CONSTRAINED

Tax revenue growth in particular was especially subdued in 2008, unlike in previous years, increasing by 0.8% by volume in 2008 compared with an average of 3.0 p.a. between 2000 and 2007. This slowdown will prove even more pronounced in 2009 and 2010, mainly due to the decrease in tax revenues backed by volatile and cyclical economic flows, such as taxes on household and business income, VAT, consumption taxes and taxes related to real estate activity [2].

EXPENDITURE INCREASING SIGNIFICANTLY

Unlike revenue, spending is expected to increase in 2009 and 2010, as it did in 2008 (+3.4% in volume). In 2008, both current and capital investment expenditure increased considerably (+3.3% in 2008), continuing the trend observed over the last several years: sustained increase in public investment due to local decentralization initiatives, efforts to catch up and comply with European standards, and leveraging of structural and cohesion funds.

In 2009 and 2010, growth in current expenditure will reflect the social impact of the crisis and especially the increase in social transfers. Capital investment, which is too often a fiscal adjustment variable, may hold up thanks to the effective implementation of national and regional recovery plans. Based on fiscal stimulus, these plans should indeed help limit the possible decrease in local investment, or even stimulate it through various mechanisms [3].

(1) Creation of common councilors for both the departmental and regional levels; creation of metropolitan regions; encouragement of mergers of municipalities, departments and regions; completion of the inter-municipal cooperation map; and election of inter-municipal councilors by direct universal suffrage.

(2) In France for example, the transfer taxes levied by municipalities and especially by departments were reduced by 9.4% in 2008, and by an estimated 26% in 2009. The implementation in 2010 of significant subnational financial reforms in Spain, Italy, France, Germany, etc. will also have a significant impact on the profile and the future of local government revenues.

(3) Creation of funds for local investment; increasing capital allocations; acceleration of payment of capital investment grants and loans; advancing of programs already planned; easing of restrictions on the use of debt; relaxation of public procurement procedures; etc.

RETURN OF BUDGET DEFICITS AND USE OF DEBT

In 2008, increased spending and decreased revenues resulted automatically in a return to budget deficits for the European subnational public sector: this deficit amounted to EUR 37 billion in 2008, representing 0.3% of GDP, which remains relatively little when compared to the overall public deficit of 2.3% of GDP. This deficit is expected to increase in 2009 and 2010, generating a greater need for funding.

Total outstanding subnational debt (EUR 1,259 billion, or 10.1% of GDP and 16.4% of total public debt) increased by 4% in volume in 2008, an increase attributed largely to the Federated States in Germany, Belgium and Austria. For the local public sector alone, outstanding debt (EUR 704 billion, or 5.6% of GDP and 9.2% of public debt) increased by 1.4% in volume in 2008. This increase is not insignificant, indicating an important use by local government of debt to finance their investments. In 2009 and 2010, reduced margins of maneuver, including self-financing, are expected to result in even greater use of debt in many countries.

2.2 HIGH EXPECTATIONS OF THE SUBNATIONAL PUBLIC SECTOR

While this difficult environment has a considerable impact on the subnational public sector today, it also makes it a crucial player in the economic recovery. It is creating new expectations and new needs that Dexia, like all partners in this sector, must now take into account to provide the subnational sector with practical support in identifying and implementing effective solutions.

a) Heavy reliance on external funding

Outstanding subnational debt is expected to continue to grow after 2010, especially if communities confirm their ambition to play a countercyclical role. They will be increasingly constrained by higher social costs, despite the implementation of fiscal cost savings programs in some countries, and by the contraction of resources: income from taxes as well as grants from central governments, which are themselves under severe fiscal pressures.

These financing needs will be even more important insofar as they are part of a trend toward increased subnational government spending, reflecting the increasing trend toward decentralization in most European countries. While investment decisions may be postponed or called into question, given the increasing weight of deficits, it is more likely that the impact of (1) the stimulus plans, (2) the need to maintain existing assets (which represents in France, for example, 70% of total investment expenditure), and (3) the impact of European environmental, sustainable development, transportation and energy regulations and action plans will result in higher financing needs in the years to come.

b) Need for financial optimization

In light of the financial pressures on national and subnational public finances, local authorities will surely seek to optimize their resources, the management of their overall budget items, and especially their financial management, in order to maintain or increase their ability to invest.

They will accordingly probably be led to increase the use of public-private partnerships (PPP) and the outsourcing, or privatization, with external service providers of local public services and the related capital investments.

Similarly, they will continue to optimize the management of the risks of changing financial charges: while these currently represent less than 4% of current expenditure for the sector, increasing debt and the volatility of interest rates coming out of the crisis will require particular vigilance in this regard.

Finally, following this same logic, other avenues of financial optimization will be explored, such as the management of short-term cash balances, payments to suppliers or service providers, grants and guarantees received or paid, and even the hedging of different types of risks.

c) Need for accountability and transparency

The economic and financial crisis is also leading the local public sector to make new requirements of its partners. In a constrained environment, it is more important than ever to be able to rely on partners who are there for the long-term, and who are accountable and transparent.

In the field of capital investment, this requirement involves excellent listening skills and understanding of issues; being able to mobilize the skills required to provide appropriate solutions; transparency; and clarity in the presentation of tenders and monitoring of the solutions set in place. This is the price of a trusting and lasting relationship, one that can produce all the desired effects.

It is under these conditions that Dexia, in particular, adopted the code of conduct between banking institutions and local authorities and publicly announced its ten commitments for structured finance.

It is also in this spirit that since 2009 Dexia has entered into signed partnership commitments with any interested French local authorities, public housing agencies and healthcare institutions, formalizing the disclosure and monitoring commitments that exist between Dexia and its customers.

2.3 RENEWED AND GREATER RESPONSIVENESS

The crisis that affected Dexia during the fall of 2008 led the Group to develop an in-depth, rigorous transformation plan. Very significant progress has been made, and Dexia has already restored its profitability. Safer and stronger, Dexia has assembled the means to be the partner of reference for the subnational public sector in its traditional markets, and nowhere more than in France, and this for many years to come. It is now in running order to provide the most effective responses to meet the expectations and needs of its customers, whether they be local authorities or participants in the healthcare, medico-social, housing or social economy sectors.

a) Coverage of public sector financing needs

By progressively recovering full autonomy in its funding and concentrating its funding capacity on its traditional markets, Dexia now has the ability to assist its customers with their investment projects and help them set in place the bank financing they require.

Depending on the type of projects and the needs of each customer, alternative financing solutions may also be proposed, such as PPP, rental or other outsourced financing structures.

Dexia will finally be able to allow its larger customers to diversify their sources of financing by setting up bond issuance programs tailored to their financial strategy and needs.

b) Service offer dedicated to the optimization of resources

Because the optimization of the subnational public sector's resources has become an ongoing need to maintain its ability to invest, Dexia offers its customers a wider range of financial solutions to meet all their needs in the fields of:

- debt and cash management;
- rationalization of the management of their assets (real estate, office equipment and furniture etc.);
- insurance and social engineering (statutory insurance, organizational advisory services, etc.);
- optimization of the performance of their duties (pre-paid social benefits vehicles, etc.).

c) Ability to facilitate implementation of sustainable development policies

To help local players facing ever increasing environmental, societal and social demands, Dexia is continuing to develop solutions that contribute to local and regional sustainable development through the financing of renewable energy, the fight against climate change through environmentally-friendly financing projects and energy efficiency in public facilities, etc.

It is also helping to promote the mainstreaming of persons with disabilities or dependencies. Lastly, it will support projects that promote social integration. Dexia is, in France for example, since 2001 a major provider of loans to finance the creation of social rental housing (PLS), and is involved in the promotion of social rent-to-buy loans (PSLA) to give households with moderate incomes the chance to become homeowners.

d) Unique expertise in project finance

Dexia has a well-established reputation for expertise in the two main areas of project finance on which its has refocused and to which it provides all of the required functions (arrangement of debt, financial advisory services, interest rate hedging, financing agency, structuring of bonds solutions, capital investment, etc.):

- transportation and social infrastructure: road and railway networks, hospitals, schools, universities, courts, prisons, public lighting, etc., primarily in the form of public-private partnerships, whose scope now extends to investments such as the energy efficiency of public buildings and local and regional digital coverage technology;
- renewable energy and the environment: land and off-shore wind, thermal and photovoltaic solar, water and sanitation, waste treatment, provision of fluids, etc.

e) An organization dedicated to subnational public sector customers

Dexia, in its role as the local development bank, is dedicated entirely to local public sector players, understanding their issues and sharing their concerns. This is a unique characteristic that sets Dexia apart from its competitors and that it will continue to nurture.

For this purpose, Dexia established a new commercial organization in France that can both meet its customers' needs for proximity and provide them with the specialization they require.

An approach specifically tailored to each of the markets concerned (local authorities, healthcare, housing, private companies serving local authorities, public institutions, universities and participants in the local and social economy) combined with a carefully honed and enriched expertise enable Dexia to allocate the services and resources most appropriate for each.

3 Corporate governance and internal control

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Report of the Chairman of the Board of Directors prepared in application of Article L.225-37 of the French Commercial Code

The present report describes the principles and procedures in effect during 2009.

For the preparation of the present report, as a credit institution, Dexia Credit Local refers to French Banking Regulatory Committee (CRB) Regulation 97-02, as modified by the decrees of March 31, 2005, June 17, 2005, February 20, 2007, July 2, 2007, September 11, 2008, January 14, 2009, May 5, 2009, October 29, 2009 and November 3, 2009, which defines the aims, principles and procedures of internal controls, and to the reference framework published by the French Financial Markets Authority (AMF).

The present report, established by the Chairman of the Board of Directors of Dexia Credit Local, was prepared by the General Secretariat in cooperation with the Internal Audit department, which gathered the appropriate information from all of the operating and support departments concerned, and notably the Risk Management and Permanent Control department.

This report also takes account of the meetings of the Chairman of the Board of Directors and the Chairman of the Management Board, as well as the summaries of the Audit Committee's meetings.

1. PERFORMANCE AND ORGANIZATION OF THE DUTIES OF THE BOARD OF DIRECTORS

Dexia Credit Local applies best practices with regard to corporate governance, in accordance notably with those of its parent company (Dexia SA) and the AFEP-MEDEF corporate governance code. This is also true of the functioning of the Board of Directors and its specialized committees.

1.1 BOARD OF DIRECTORS

The Board of Directors is responsible for establishing the operational guidelines of Dexia Credit Local and ensuring that they are implemented. It acts out of concern for the Company, including its shareholders, customers and employees. There are no potential conflicts of interest between the duties of the members of the Board of Directors with respect to Dexia Credit Local and their personal interests or other duties.

As of February 2010, the Board of Directors is composed of twelve members, who are elected by the Shareholders' Meeting in light of their individual expertise and the contribution that they may make to the administration of the Company. Jean-Luc Dehaene has assumed the function of Chairman of the Board of Directors, while the function of Chief Executive Officer has been dissociated from the chairmanship and entrusted to Pascal Poupelle. As Chief Executive Officer, Pascal Poupelle has been granted the broadest powers to act under all circumstances in the name of Dexia Credit Local, which he represents in its dealings with third parties.

The Board is composed of four members representing the Company's virtually exclusive shareholder, Dexia, and eight other Directors, six of whom are independent members. The criterion used to ascertain independence is based on the recommendations contained in the AFEP-MEDEF corporate governance code. No non-voting members have been appointed.

The members of the Board of Directors are required to comply with a charter defining their responsibilities; this charter was drawn up in accordance with the principles embodied in Dexia Credit Local's code of ethics.

This charter, one of several documents available for viewing in the Company's registered office, reminds members in particular how important it is that they participate actively in the Board's work. The charter also reminds members of the Board of Directors that they play sensitive roles, and therefore are subject to the strictest requirements regarding the trading of Dexia shares. All transactions must be signaled in advance to the Chief Compliance Officer of Dexia Credit Local, and receive his prior approval.

The Board of Directors meets at least once a quarter. In 2009, it met six times, with a 78% attendance rate.

The Chairman of the Board of Directors and the Chief Executive Officer provide the members of the Board of Directors with all information – strategic information in particular – that they require to correctly perform their duties.

Prior to each meeting, the members of the Board of Directors are provided with an agenda and all reports and documents relating to items appearing on the agenda.

All appointments to the Board of Directors are made in compliance with the prevailing legislation and the terms of the Company's by-laws. At each Board meeting, the Chief Executive Officer presents the activity and the accounts for the preceding period. The Board also reviews the work of the Audit Committee, internal controls and risk monitoring on an ongoing basis.

In 2009, in addition to the issues relating to the management of the Company and within its authority, the Board of Directors addressed the specific subjects of: the liquidity situation; the transformation plan of Dexia SA and its consequences for Dexia Credit Local; the restructuring of international operations, and the sale of FSA; corporate governance and the recommendations of the AFEP-MEDEF code in particular; and regulatory changes, including all internal control-related modifications made to French Banking Regulatory Committee (CRB) Regulation 97-02 as amended. The Board also authorized the sale by Dexia Credit Local of its stake in Crédit du Nord.

In addition, the Board of Directors was systematically informed of all reports and follow-up letters issued by the regulatory authorities, as well as the responses issued by the senior management of Dexia Credit Local.

All information regarding compensation and benefits paid to Directors and officers of the Company are presented in the "Terms and compensation of Directors and officers" section of the management report.

1.2 SPECIALIZED COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors may create specialized committees, comprising between two and five members of the Board of Directors, including a Chairman. Committee meetings may be held in the absence of the Chairman of the Board of Directors. The Chairman of each specialized committee presents a report on its actions to the Board of Directors.

The Audit Committee includes three members of the Board of Directors [1]. The Audit Committee meets at least twice yearly, and met six times in 2009. In addition to the three traditional meetings held last year spent almost entirely on the examination of the Company and consolidated annual and six-month financial statements and the various business reviews for Risk Management, permanent control and periodic control, three extraordinary sessions were devoted to the review of the quarterly financial statements, the FSA issue, the liquidity position and the amendment to the central government guarantee agreement. Given the importance of the Audit Committee in verifying and monitoring the preparation of the financial statements, its assignments and resources are discussed in detail in the following part of the present report.

The Compensation Committee of the Board of Directors of Dexia SA is consulted about policies concerning the compensation and benefits provided to members of the Dexia Credit Local Management Board, as well as about the employee stock ownership policy. At its meeting of November 27, 2009, the Board confirmed its decision (in accordance with the latest amendment of CRB Regulation 97-02 as amended) not to create a Compensation Committee for Dexia Credit Local itself, but rather to continue to use the Compensation Committee of Dexia SA while complying with the provisions of CRB Regulation 97-02 as amended in respect of disclosures to the Board of Dexia Credit Local.

2. INTERNAL CONTROL

2.1 ORGANIZATION OF THE INTERNAL CONTROL FUNCTION

2.1.1 Role of the internal control function and the general architecture of the internal control process

A. ROLE OF INTERNAL CONTROL

Like all credit institutions, the Dexia Credit Local Group [2] is subject to the oversight of the French Banking Commission. The objectives and organization of the internal control function at Dexia Credit Local are defined by the Monetary and Financial Code and French Banking Regulatory Committee (CRB) Regulation 97-02 as amended (compliance with which is verified regularly by the Internal Audit department), and by the laws and regulations of the various countries in which Dexia Credit Local conducts business.

The internal control mechanism provided for by CRB Regulation 97-02 as amended states that several control processes should be established to ensure notably:

- compliance of transactions and internal procedures;
- accurate and reliable accounting and financial information;
- security of information systems;
- measurement and monitoring of risks and results.

(1) Jean-Pierre Brunel (Chairman), Francine Swiggers and Patrick Bernasconi.

(2) For both the Dexia and the Dexia Credit Local Groups, the notion of "Group" used in the present report includes the parent company and all consolidated companies.

More specifically, the roles assigned to the internal control function in place within Dexia Credit Local are designed to:

- **verify the effectiveness of the risk management process.**

  The internal control function is designed to provide the Management Board with a guarantee that the risks assumed by the Group are compatible with the policy established by the Board of Directors and the Management Board, and with the level of risk accepted;

- **ensure that the accounting and financial information produced is accurate and relevant.**

  The main purpose of the financial information is to present a true and fair view of the financial situation of Dexia Credit Local in a consistent, exhaustive and transparent fashion. The internal control process is focused on achieving this objective;

- **ensure compliance with all regulations and rules concerning ethics and compliance, both internal and external.**

  The proper functioning of Dexia Credit Local and of its subsidiaries requires the strict observance of all legislative and regulatory requirements in each of the countries in which the Group is present, and of all internal standards that have been established in addition to these obligations, particularly in matters concerning corporate governance, compliance and sustainable development. The internal control system should enable the Group to ensure compliance with these principles;

- **improving the functioning of Dexia Credit Local by ensuring an effective management of all available resources.**

  The decisions taken by the Management Board for that purpose must be put in practice quickly. The internal control procedures ensure the integrity of the flow of information, the compliance of the initiatives set in place and the verification of all results;

- **ensuring the effectiveness and operational efficiency of all of the business lines.**

  The proper functioning of operational processes is of constant concern at all levels of the decision-making process. Many initiatives have been taken toward this goal, in constant collaboration between the business and support entities, to measure these initiatives through the use of indicators and the preparation of regular reports.

Dexia Credit Local has established a body of procedures and controls as part of the organization of the internal control system designed to improve the Bank's compliance with all regulations and capital adequacy policies, while ensuring that available resources are managed effectively. The internal control process provides a reasonable assurance that the objectives described above will be achieved at a desired level.

It should be mentioned that this system, like any control system, cannot be considered an absolute guarantee of the proper achievement of the Company's objectives.

B. ARCHITECTURE OF THE INTERNAL CONTROL SYSTEM

The general architecture of the internal control system is based on a series of basic principles, which are adapted to all of the lines of business and support functions. Dexia Credit Local's internal control system is based on activities incorporated into all operating, support, management, accounting and other processes, which the Group's management is responsible for monitoring continuously, with successive levels of control.

There is, moreover, a clear segregation of functions designed to maintain and ensure a clear distinction between those operators who initiate actions or transactions and those responsible for their validation, control and regulation.

As part of this strategy, the general architecture of Dexia Credit Local's internal control system is based on an organization divided into three levels:

- the first level of control is performed by each employee and his superiors, in accordance with responsibilities that have been expressly delegated to him, procedures applicable to the activity he performs, and with instructions provided to him;
- the second level of control is performed by specialized functions, independent from the operations controlled and which report directly to the Management Board. This second level may also be of the responsibility of specialized committees composed of staff from operating, support and control functions, and chaired by a member of the Management Board, such as the Chief Compliance Officer or the Chief Risk Officer;
- the third level of control is performed by the Dexia Group internal audit function, which is responsible for continuously ensuring the efficient and effective performance of both of the levels of control defined above, within the parent company and all of its subsidiaries and branches.

C. INTERNAL CONTROL FUNCTIONS

Based on the internal control architecture outlined in the preceding paragraph, Dexia Credit Local has established functions that are segregated and adapted to the specific characteristics of each entity:

- **permanent control, excluding compliance.**

  This control function is responsible for verifying that the Risk Management system set in place is sound and effective, and guarantees the quality of all accounting and financial information and the quality of the Group's information systems.

  The organization of the permanent control function (excluding compliance) is discussed in detail in section 2.1.7 below;

- **compliance control.**

  This control function ensures that all regulations and procedures are continuously applied and that the Company runs no risk of administrative, disciplinary, financial or reputational sanction due to their absence or non-application.

  The organization of the compliance control function is discussed in detail in section 2.1.8 below;

- **periodic control, or internal audit.**

  This control function, carried out by the Internal Audit department of Dexia Credit Local, in close cooperation with the internal audit function of the Dexia Group, is responsible for monitoring the performance and the effective application of controls, in the parent company and all its subsidiaries and branches.

The organization of the internal audit function is discussed in detail in section 2.1.9 below;

- **internal reference documents.**

  To ensure that everyone participating in the internal control system has access to the same relevant information and instructions, the Dexia Credit Local Group has compiled a standard reference system of instructions.

  These reference documents can be divided into four major categories:

– charters have been drafted for each business line or activity, detailing the objectives and reference policies that the Group has established and creating a conceptual framework for the organization and running of the area concerned. Two examples are the Internal Audit and Compliance charters that have been set in place by the Dexia Group,

– codes provide a set of rules of conduct, or best practices to be observed by all employees in each activity, regardless of their direct and functional reporting lines. The code of ethics and compliance was updated in 2009 to take account of the various recent regulatory changes. This code is provided to all employees at the Head Office and in the subsidiaries and branches, and is accessible to all the staff via the Compliance section of the Group intranet,

– rules of conduct – also called directives – are the first-level operating impact of these charters and codes. They spell out the practical implications of the quality standards that have been set, define limits and organize the system whereby authority is delegated. In this manner, the rules of conduct established by Dexia Group Risk Management specify how all counterparty credit limits are to be determined throughout the Dexia Credit Local Group,

– procedures define – in compliance with all relevant charters, codes and directives – the organization, tasks and monitoring necessary for the performance of a given activity. Each employee must have access within his or her department or area to a procedure manual covering his or her function. Similarly, service contracts allow two departments or two Dexia Group entities with a customer-supplier relationship to formalize this by establishing the level of service expected.

Moreover, the definition of processes performed in connection with ISO 9001 quality certification, although focused primarily on customer satisfaction, has led the Company to develop a comprehensive control plan for its activity.

2.1.2 Chief Executive Officer and Management Board

The Chief Executive Officer is the Chairman of the Management Board and has ultimate responsibility for guaranteeing that the Bank's internal controls function properly. He defines and coordinates the internal control policies of the Dexia Credit Local Group. He also allocates resources and establishes deadlines for implementation of the actions that have been decided upon with respect to these policies. He verifies that the objectives that have been set are achieved, and that the internal control system meets all requirements. Lastly, he modifies these requirements whenever warranted by internal and external changes.

To assist him in this assignment, the Chief Executive Officer relies on the Management Board, whose members are continuously involved in the internal control system through their operating functions, their participation in various supervisory committees and the audit and other reports with which they are systematically provided.

The Chief Auditor, the Chief Compliance Officer and the Chief Risk Officer all report directly to the Chief Executive Officer.

The Chief Executive Officer of Dexia Credit Local is a member of the Management Board of Dexia SA and is responsible for the Public and Wholesale Banking business. He is responsible for the oversight of all of Dexia Credit Local's domestic and international subsidiaries and branches. The new organization put in place in November 2008 improves coordination between Dexia SA and Dexia Credit Local, and increases the authority of the Chief Executive Officer over all the entities that report to Dexia Credit Local, which contributes to greater control over the entire scope of Dexia Credit Local and to an optimized internal control function.

2.1.3 Operating departments

The heads of the operating departments are responsible for the application and smooth running of internal control procedures within their areas of activity, analyzing the risk on each transaction they initiate, and for verifying that such transactions are in compliance with the internal control procedures in their departments. In the event that a change in the internal or external conditions under which they work should affect internal control, they must propose or implement – depending upon their level of responsibility – any changes required in order to maintain risk management at the desired level.

2.1.4 Risk Management and Permanent Control department

The Management Board has entrusted the Risk Management and Permanent Control department with a dual responsibility: control and management of risk – in accordance with the guidelines established by the Management Board – and oversight of the Bank's permanent controls.

The Chief Risk Officer (CRO) is a member of the Dexia Credit Local Management Board and is a member of the committee placed under the authority of the Chief Risk Officer of the Dexia Group, which includes all of the Risk Officers within the entities and the functional Executive Vice Presidents at the Dexia Group level. Since late 2009 and in the context of the new organization of the Dexia Group's risk management function, the CRO of Dexia Credit Local reports directly to the CRO of Dexia, and has a strong functional link to the CEO of Dexia Credit Local. The Chief Risk Officer has no reporting relationship with the other units, and carries out his assignments free of any intervention by the operating functions.

The Risk Management and Permanent Control department is responsible for all of the risks generated by the banking activity, as defined by CRB Regulation 97-02 as amended, namely credit, market, liquidity and operational risks. As stated above, the Risk Management and Permanent Control department is responsible for the permanent control function within the Bank.

The department adheres strictly to the provisions laid down by the Dexia Group concerning risk measurement methods, exposure limits, and reporting procedures, all of which are defined by Group Risk Management.

In order to improve risk control in the Dexia Credit Local Group, under the terms of the new organization, the risk management function in place in each branch and subsidiary all report directly to the Chief Risk Officer. Previously, the subsidiaries reported to the CRO only on a functional basis.

2.1.5 Committees

MANAGEMENT OF CREDIT RISK

The following intercompany committees are organized by Dexia SA:

- the Risk Policy Committee (quarterly), which approves the rules of allocation of credit risk, which are then detailed in the credit risk policies;
- the Executive Risk Management Committee (weekly), which is responsible for determining risk management strategy and the organization of the function;
- the Management Credit Committee (weekly), which makes decisions on proposals involving very large amounts or high-risk credits.

The Chief Risk Officer of Dexia Credit Local is a member of the Executive Risk Management Committee and the Management Credit Committee.

Decisions regarding commitments and the monitoring of these commitments are carried out done through of a series of committees. These are organized by business line, and include notably the Public and Wholesale Banking Credit Committees and the TFM Credit Committees. They approve all transactions that are not delegated to different subsidiaries and branches and operate under the authority of the Management Credit Committee. Each proposal submitted to a committee includes an independent analysis performed by the Risk Management and Permanent Control department of either Dexia Credit Local or the Group.

The Credit Committees make commitment decisions on proposals and meet weekly.

The following committees meet quarterly:

- the Special Mention and Watchlist Committees monitor "sensitive" assets that have been placed under active surveillance;
- Default Committees qualify and monitor all counterparties in default in accordance with Basel II, employing the prevailing rules applied by Dexia;
- Impairment Committees approve quarterly allocations of reserves and monitor the cost of the risk;
- Credit Rating Committees ensure that the internal credit rating system is applied correctly and that the credit rating process is adequate;
- Credit Line Committees allocate and verify limits for certain counterparties monitored by the credit risk knowledge center for Financial Market operations.

These Public and Wholesale Banking Committees are organized in the various subsidiaries and branches (the local committees), in the Head Office of Dexia Credit Local, and in the Head Office of the Dexia Group for all credit authorities that have not been delegated. The Dexia Credit Local Risk Management department chairs all of the Dexia Credit Local Committees. It systematically participates in all Dexia Group Committees and presents proposals concerning Dexia Credit Local and its various branches and subsidiaries. The department approves all credit proposals to be housed within Dexia Credit Local and its various branches and subsidiaries, and has veto power over these proposals. TFM Committees are organized solely at the Dexia Group level. The Dexia Credit Local Risk Management department participates systematically in these TFM Committees, approves all proposals concerning Dexia Credit Local and its various branches and subsidiaries, and has veto power over these proposals.

All delegations of powers to international entities for public sector customers and project finance operations were cancelled in late 2008. Very limited delegations were reintroduced mid-2009, mainly to the Italian and Spanish subsidiaries and solely in respect of public sector customers. All delegations granted to the commercial network in France have been maintained.

MANAGEMENT OF MARKET RISK

- the Dexia and Dexia Credit Local ALM Committees (ALCO, monthly) make decisions in accordance with their individual authorities and limits, and establish strategies for interest rate, currency and liquidity risks for all Group entities and for Dexia Credit Local and its subsidiaries and branches for whom this activity is significant;
- the Market Risk and Guidelines Committee (MRGC, monthly) monitors compliance with the market risk limits set by the Dexia Group or Dexia Credit Local, analyzes operations and defines operational guidelines.

The role of these committees is explained in greater detail in the paragraphs on market risk and balance sheet management in the "Risk management" section of this report.

DIVERSIFICATION

- the New Products Committee (monthly) verifies prior to the launch of any new activities or products that the corresponding risks have been correctly analyzed, measured and managed, and that adequate risk management systems have been put in place. Each subsidiary has its own New Products Committee;
- the Commercial Risk Evaluation Committee (quarterly) follows sales activity and analyzes commercial risks in connection with sales of structured finance products and structured operations. It guides sales planning of these operations on this basis.

MAJOR IT, REGULATORY AND ORGANIZATIONAL PROJECTS

- project steering committees monitor the progress of projects, provide the corresponding resource planning, make all final decisions and organize reporting to the Management Board of the Dexia Credit Local Group;
- the IT Security Committee, whose main assignments are described below in the section on IT Security.

The tasks performed by most of these bodies are reviewed every quarter by the Management Board.

To ensure to the greatest extent possible that the skills within the Risk Management department are appropriate to each member's specific area of intervention, the risk management function will be changed during 2010 by reorganizing it into specialized knowledge centers in accordance with Dexia's various lines of business (Public and Wholesale Banking credit risk, Retail and Commercial Banking credit risk, and Treasury and Financial Markets credit risk), resulting in the establishment of Risk Committees specialized by knowledge center, the overall coordination of which will be carried out by Group-wide (horizontal) Committees.

2.1.6 Control of subsidiaries and branches

The Dexia Credit Local Group employs several tools to monitor and verify the operations of its subsidiaries and branches, depending upon the degree of their autonomy from the parent company. French subsidiaries that have been created to house a specific activity (special-purpose entities, or *filiales outils*) depend on the services provided by Head Office departments, and are included within the scope of the latter's internal control system. Control is therefore quite well integrated. The leasing companies and Dexia Municipal Agency are examples of these SPEs.

Other French subsidiaries, such as Dexia Sofaxis and Dexia CLF Banque, have a far more extensive scope of activity and operate using their own staff for all permanent control assignments. These subsidiaries have, consequently, established their own internal control systems within their organizations. These systems are modeled on the best practices developed at the Head Office, while taking into account the specific characteristics of these subsidiaries' own activities.

Foreign branches and subsidiaries have their own staff and engage in a range of activities, as appropriate to their local market. According to their size, they rely to a greater or lesser extent on the services provided by the Head Office departments. Like the French subsidiaries, foreign subsidiaries and branches have set up internal control systems that are adapted to their size, their activities and the specificities of the local market.

Control of the international entities is coordinated by the CEO of Dexia Credit Local in his capacity of head of the Public and Wholesale Banking business. He is assisted in this task by the Public and Wholesale Banking International department, the head of which is a member of the Management Board of Dexia Credit Local. This department, which is organized into geographical regions, has correspondents for each of the subsidiaries and branches who are responsible for the day-to-day monitoring of these entities, plans the meetings of the various corporate governance bodies, and for coordination with the appropriate Head Office departments.

The risk management and permanent control, compliance and internal audit functions are all overseen directly by the appropriate departments of the Head Office of Dexia Credit Local, with a specific organization for each function.

Under the new organization of the risk management and permanent control function, the Risk Officer of each subsidiary and branch reports directly to the Chief Risk Officer of Dexia Credit Local. Until the end of 2009, the subsidiaries reported to the CRO only on a functional basis. The CRO of Dexia Credit Local therefore participates in the recruitment, career development, evaluation, compensation decisions and target setting of his counterpart in each subsidiary and branch.

For all entities, control is based on a system of delegation of authority and regular reviews provided to the appropriate departments at Head Office (Risk, Finance, Legal, Compliance and Audit) and the Management Board of the Dexia Credit Local Group, and the participation of the members of the Management Board in the various administrative and decision-making bodies within each subsidiary.

2.1.7 Permanent control, excluding compliance

The Chief Risk Officer, a member of the Management Board, has oversight over all permanent controls other than compliance.

Oversight of the permanent control function is based on the use of decentralized risk measurement and monitoring teams within the Head Office departments, subsidiaries and branches, and on the use of permanent control committees to perform monitoring on a consolidated basis.

Second-level controls are also performed by the Risk Management and Permanent Control department, by the unit responsible for oversight of these controls. In order to guarantee all possible synergies between these various levels of control, this unit is housed within the Operational Risk Management, IT Security and Permanent Control department.

The architecture of this control is organized in accordance with the first two levels of the architecture presented in section 2.1.1.B of the present report.

It should be noted that in the context of the expansion of this function to the entire Dexia Group, this unit will be attached in 2010 to the General Secretariat. The synergies created with the operational risk units will, however, be maintained.

Permanent controls are based on a control plan whose results are reported to the Management Board of Dexia Credit Local every quarter. These controls cover the primary processes involved in the Bank's operations, and were selected in collaboration with the operating departments. The aptness of this selection is reviewed annually in a process that involves the challenging of the control plan. They incorporate both the business process mappings prepared in line with the ISO 9001 Quality project and the risk mapping and controls implemented for operational risk management purposes.

The subsidiaries and branches have taken into account all laws and regulations in the countries in which they operate and their own organization and size when setting up their permanent control systems.

These controls are performed on behalf and under the control of the Risk Management and Permanent Control department, which has functional authority to ensure that they are performed in a consistent and independent manner and prepares the consolidated reports. The department may request justified explanations of any malfunctions observed.

2.1.8 Compliance

The Dexia Credit Local Group participates in highly regulated sectors, and must at all times be in a position to verify that it remains in compliance with all laws, regulations and securities exchange rules. In addition to the aforementioned constraints, the Group has also developed its own internal rules. The rules of good conduct have been put together in two sets of documents: a general integrity policy and a compliance charter, which were updated in December 2009. They are included in the code of ethics and compliance distributed to all staff members. A specific front office code of good conduct was drawn up and is distributed to all employees concerned. The code of ethics and compliance was updated in 2009, notably to take account of the latest regulatory changes.

As part of its fight against money laundering and the financing of terrorism, the Dexia Group complies with all European and French regulations as well as all local laws in each of its international locations. In addition to these basic conditions, the Group has also implemented even stricter standardized criteria in terms of the acceptability and reputations of its customers. The Group strives to secure relationships only with counterparties whose identities are clearly established and who meet its own criteria in terms of integrity and responsibility. The general position paper regarding the prevention of money laundering and the fight against the financing of terrorism is being updated following the transposition into French law of the provisions of the Third Money Laundering Directive. It is accessible to all staff members. USA Patriot Act certification for all appropriate Group entities is available on the Dexia website.

During the year, all employees at Dexia Credit Local headquarters participated in training sessions regarding compliance issues. These training programs will be held in the regional offices in 2010. Furthermore, specific meetings were held for all personnel involved in the Financial Markets sector.

Compliance is organized as a single function, from the Holding Company of the Dexia Group all the way down to the foreign subsidiaries of Dexia Credit Local. Compliance is an independent function, and following the October 2008 reorganization it is functionally attached to the Secretary General of Dexia. The Chief Compliance Officer of Dexia Credit Local has Group-wide responsibility for the monitoring of compliance issues for the Public and Wholesale Banking (PWB) line of business.

At Dexia Credit Local, the Chief Compliance Officer reports directly to the Secretary General, who has been given responsibility for compliance with the French Banking Commission and has a functional relationship with the Chief Compliance Officer of the Dexia Group. The Chief Compliance Officer also serves as the French Ministry of Finance's anti-money laundering (Tracfin) correspondent, as part of the bank's obligations in the fight against money laundering and the financing of terrorism. The Chief Compliance Officer is formally accredited by the French Financial Markets Authority (AMF), acts as Investment Services Control Manager (RCSI) for both Dexia Credit Local and Dexia CLF Banque, both of which provide investment services; another member of the Compliance department staff is also a certified Investment Services Control Manager.

Each Dexia Credit Local Group entity has its own Compliance Officer. Their role is to ensure that the Group's general integrity policy and the compliance charter are respected in each of the entities, to update the rules in response to changes in the local activities or environment (legal or business) and to inform managers and employees about the importance of measures against money laundering, the financing of terrorism and market manipulation. They report to the Chief Compliance Officer of Dexia Credit Local on either a functional (subsidiaries) or a direct (branches) basis. The Compliance department has been involved with the transformation of the Dexia Group, notably with regard to the redeployment of its network of international locations.

In 2009, in accordance with Dexia Group policy, the Compliance action plan was successfully completed. The Compliance department performs a regulatory watch by continuously updating all of the applicable laws and regulations. A comprehensive guide to compliance procedures was prepared and is kept up to date. A control plan was organized and implemented. The mapping of compliance risks is updated every two years, and will be again in 2010.

Accordingly, in line with the new definition of the scope of intervention of the compliance function that includes the protection of personal information, the Compliance department has taken responsibility for updating the disclosures of processes carried out with the French Data Protection Agency (CNIL).

The Compliance department was also involved in defining the policy for marketing structured finance products. The compliance function now chairs the Ethics and Evaluation of Commercial Risks Committee (CEERC) at Dexia Credit Local and the Committee of Evaluation and Prevention of Commercial Risks (CEPCoR) for the Dexia Group.

2.1.9 Periodic control

Periodic control includes both the internal audit and bank inspection functions.

Internal audit is responsible for promoting internal controls within the Group and providing ongoing verification of the efficiency and correct application of the internal control systems in place.

To do so, internal audit notably assesses through its assignments whether the risks assumed by the Dexia Credit Local Group in the performance of its various activities and in all the entities which it comprises are identified and hedged adequately. It also verifies that the guidelines and directives of the Chief Executive Officer are applied.

A Group-wide internal audit charter lays out the fundamental principles governing the internal audit function within the Dexia Group, by describing its aims, role, responsibilities and operating procedures.

The Internal Audit department of Dexia Credit Local evaluates the functioning of the internal control system for all entities within the Dexia Credit Local scope, including the Head Office, the French commercial network, and all subsidiaries, branches, and representative offices in France and abroad.

The Internal Audit department is held accountable for the performance of its assignment by the Board of Directors and the Chief Executive Officer of Dexia Credit Local.

Internal Audit reports to the Chief Auditor, who in turn reports directly to the Chief Executive Officer of Dexia Credit Local and functionally to the Group Chief Auditor, as provided for by the internal audit charter. The Chief Auditor has direct access to the Chairman of the Board of Directors. He is also responsible for the bank inspection function.

In accordance with local regulations, the managers of the Internal Audit departments of the subsidiaries report to either the Chairman of the local Management Board, the Board of Directors or the Supervisory Board (or the Audit Committee), and report functionally to the Chief Auditor of Dexia Credit Local.

The Internal Audit departments of the New York and Tokyo branches report directly to the Chief Auditor of Dexia Credit Local.

The role of bank inspection is to carry out tests of compliance with fraud prevention procedures and to verify that the rules of compliance and the Company's rules of procedure are being followed.

Every year, the Dexia Credit Local Bank Inspection unit prepares an action plan including some twenty investigations and controls, involving the providing of investment services, employee ethics, and specific functions such as controls of trading rooms in the Head Office and the subsidiaries and branches. It also conducts investigations at the request of the Chief Executive Officer and the Chief Auditor.

Dexia banka Slovensko, the Slovak subsidiary, which is developing generalist banking activities, has both central and regional audit units, which are mainly responsible for supervision of the regional branches and agencies.

In all, thirty-six auditors and inspectors worked in the internal audit and bank inspection areas in 2009 (four additional posts were provided for but remained unfilled.

During the year 2009, the periodic control function worked on a number of new techniques: a new method for analyzing risk and establishing the audit plan, a shared tool for the internal audit function to monitor recommendations and a new reporting model using an updated "underlying" audit technique.

The new method addresses a desire to improve the effectiveness of the audit function by allowing it to identify with greater precision those audits that must be performed in critical "audit units," ones that are positioned at the source of key risks or which perform key controls for the objectives of the business lines and support functions, and consequently to reduce the emphasis on the less critical audit units. This new method also meets the need to take account of the transformations of Dexia's activities by enhancing the upstream phase of analysis of the risks associated with the activities of all of the Group entities (in order to "capture" all specific local objectives and risks), in cooperation with the heads of the lines of business.

The new method includes two major developments, namely a new "audit universe" and a new method for risk analysis: the process of reviewing the so-called audit universe (breakdown of Dexia's activities into processes and sub-processes called "audit units") has been designed to simplify it by reducing the number of audit units and organizing them into logical groups by lines of business, product or service, type of customer, distribution channel and support process. The new risk analysis method, employing the methodology propounded by the Institute of Internal Auditors, promotes a top-down approach, whose main steps are the following: identification of potential critical risks (categorized as strategic, operational, reporting and compliance) that would prevent the achievement of functional objectives, by line of business and/or support process; an assessment of Dexia's degree of vulnerability to these critical risks, by measuring the impact and probability of occurrence, which allows the most significant risks to be identified; and the identification of those audit units that are either at the origin of those risks or are responsible for preventing them.

Audit assignments are targeted on the audit units most at risk, those which, in all the lines of business and all the support processes, present the greatest number of key risks to the achievement of the Group's objectives. Those audit units that do not pose major risks are subjected to a simplified approach, which meets the regulatory requirements for coverage of audit universe. The first application of this approach was initiated in the second half of 2009 for the preparation of the 2010 audit plan for all Dexia Group entities.

The annual audit plan is established based upon these frequencies and submitted to the Management Boards of the entities concerned, and subsequently to their Audit Committees and/or their Board of Directors or Supervisory Board for approval.

Each audit gives rise to an adversarial review and a list of recommendations, which are incorporated into action plans. These are intended to correct any weaknesses discovered during the audits, in order to strengthen the internal control mechanism. Each action plan is approved by the Management Board of the entity concerned and is monitored regularly to ensure it is correctly implemented.

The results of the audits and the action plans are included in the annual management report provided for by CRB Regulation 97-02 as amended and in the half-yearly report presented to the Dexia Credit Local Management Board and to the Audit Committee (which reports to the Board of Directors). A copy of the annual report on internal controls is sent to the French Banking Commission.

The operations of the internal audit function are characterized by a high degree of integration: a single audit plan established for the entire Group, and is overseen by the five heads of the "Segments," which are defined as the lines of business and combined Group-wide support functions.

This organization has not modified the responsibilities of the Dexia Credit Local Internal Audit department. The existing auditors all continue to report directly to the Chief Auditor of Dexia Credit Local, who remains the primary contact for the Management Board of Dexia Credit Local, its Audit Committee and its banking regulators. The Chief Auditor continues to ensure that all risks generated by the activities of Dexia Credit Local, its subsidiaries and its branches are properly hedged. The Chief Auditor participates in the oversight of the audit function within the Dexia Group.

The internal audit function is based on two structures: the Internal Audit Management Committee (IAMC) and the Internal Audit Executive Committee (IAEC).

The Internal Audit Management Committee is composed of the Chief Auditor of Dexia SA, who serves as Chairman, and the Chief Auditors of Dexia Bank Belgium, Dexia Credit Local, and Dexia Banque Internationale à Luxembourg. The IAMC defines the Dexia Group's internal audit procedures, approves the Group's comprehensive audit plan, identifies the resources to be used, defines the segments, and appoints the segment heads.

The Internal Audit Executive Committee is composed of the Chief Auditor of Dexia SA, who serves as Chairman; the Chief Auditors of Dexia Bank Belgium, Dexia Credit Local, and Dexia Banque Internationale à Luxembourg; the heads of the various segments; and the head of the Audit Process Management & Organisation unit. The IAEC defines the audit universe and updates it regularly; validates the risk mapping prepared by each of the segment heads; prepares the Group's comprehensive audit plan for approval; sees that all audit assignments are optimally planned; suggests changes needed to the function's resources, procedures and tools; defines the training policy for the audit staff; analyzes the results of performance monitoring of the internal audit function; and validates all reports prepared for internal and external use.

An Audit Process Management & Organisation unit in place within Dexia SA and each of the operational entities is responsible for providing support to the audit function. The units' role is to define and update audit techniques and processes; manage audit planning; prepare progress reports for management; implement and maintain the tools required for the proper functioning of the audit process; coordinate the work with the operational risk and compliance staff; produce the performance indicators required for the audit assignments; and organize training programs for the auditors and quality reviews to ensure the proper application of all audit techniques and processes.

The transformation of the audit function, which is part of the reorganization of the Dexia Group planned for 2010, provides for the following principles:

- adaptation of the organization of the audit function to the new organization of the Group so that each member of the Management Board has a single, clearly identified audit contact who has an overview of all the risks within his area of responsibility;
- reinforcement of the control of subsidiaries and branches (in particular the subsidiaries and branches of Dexia's international network);
- review of audit methods, to improve the relevance and effectiveness of the audit process;
- full integration of the Audit Process Management & Organisation function to be sure of having a single definition of audit methods, and to provide monitoring of and support for their proper application throughout the Group;
- creation of a "Branch Investigation and Audit" structure at Dexia SA responsible for defining the Group-wide methods to be used and conducting Group-wide investigations (i.e. ones involving several Dexia Group entities).

The changes brought on by the application of the principles presented above result in:

- the merger of the respective roles of Group Head of Audit for Public and Wholesale Banking with the Chief Auditor of Dexia Credit Local and of Group Head of Audit for Retail and Commercial Banking with the Chief Auditor of Dexia Bank Belgium;
- the revision of the boundaries of intervention of the other Group Heads of Audit, so as to have two contacts for all of the heads of the support functions (Operations & IT, Finance, Risk, etc.) and the Group-wide functions (financial markets activities, liquidity, etc.);
- the maintenance of a minimal number of auditors in the international subsidiaries and branches, and the increased use of joint audits, i.e. audit assignments performed in the subsidiaries and branches by the central teams in collaboration with the local teams;
- the consolidation of the other auditors into "shared services centers" for France, Belgium (excluding Dexia Insurance Belgium), Luxembourg and Turkey, and the establishment of a pool of IT auditors. Consolidating the auditors into shared services centers by country will enhance integration and improve oversight of Group-wide audits;
- a closer monitoring of the supervisory bodies of the subsidiaries and branches (Audit Committees, Supervisory Boards), and of all audits performed by the local regulators.

Accordingly, the duties of the Chief Auditor of Dexia Credit Local are also changing. They include not only the current roles (presented in introduction above) but also:

- risk assessment of the PWB lines, preparation of the audit plan for these business lines, and monitoring of the related audits;
- management of the French shared services center.

Oversight of the audit of Group-wide and support functions will be divided between two "Group Heads of Audit" in the following manner:

- one Group Head of Audit will be responsible for the Risk, Finance, ALM (now referred to as balance sheet management, or BSM), financial markets activities and liquidity functions;
- the other Group Head of Audit will be responsible for IT and the rest of the support functions (Compliance, Communication, HR, etc.), and will also manage the pool of IT auditors, consisting of the current IT auditors of Dexia SA, Dexia Bank Belgium, Dexia Credit Local, Dexia Banque Internationale à Luxembourg and Dexia Technology Services.

The head of the Audit Process Management & Organisation unit defines, ensures the maintenance of and organizes the application of audit methods. When Group-wide projects are involved, he oversees the implementation of support tools for the principal audit processes. He coordinates all work and/or prepares the various reports produced by the audit function, organizes and participates in the Audit Committee of Dexia SA, and is responsible for the proper organization of the supervisory bodies in the entities and their subsidiaries and branches. Finally, he takes care of the planning of all of the assignments included in the audit plan, as well as any ad hoc assignments.

The head of the "Branch Investigation and Audit" unit defines a global framework and the standard methods and approaches to be adopted for investigations and the periodic monitoring of the branch network. He assumes responsibility for any investigations to be led Group-wide (involving several Group entities).

2.1.10 Dexia Group

Dexia's senior management group is the Group Management Board.

The Group Management Board is responsible for oversight of the Dexia Group and coordination of its various business lines and the specialized activities that support them.

As part of the Group's transformation plan, the Management Board of Dexia SA was renewed and reshaped by the meeting of the Board of Directors on November 13, 2008 in order notably to reduce the size of the Group's senior management team and to simplify the decision-making processes. The Management Board, which is chaired by the Chief Executive Officer, was reduced from ten to five members. The members of the Management Board have been granted specific authorities, namely for the Public and Wholesale Banking and Retail and Commercial Banking lines of business, and the Finance and Risk Management functions. The members of the Dexia SA Management Board have functional authority over their correspondents on the Dexia Credit Local Management Board.

The Group Management Board may meet in its expanded form, known as the Group Executive Committee, to address Group-wide or very significant issues. In addition to the members of the Management Board, the Executive Committee includes the heads of the Group's other control and support functions, namely the Executive Vice Presidents in charge of Treasury & Financial Markets; Operations & IT; Strategy, and Business Development; Human Resources; and Compliance, Legal and Tax.

The departments most specifically concerned by internal control are the following:

- the Internal Audit department, which reports directly to the Chief Executive Officer and Chairman of the Management Board, establishes all procedures used within the Group, coordinates and helps perform audits of horizontal functions in several entities, audits all Group functions, and audits the audit functions within the different entities;
- the Risk Management department, under the responsibility of the Chief Risk Officer, who is a member of the Management Board, oversees the Group's risk management policy. It establishes policies for risk limits and authorities, controls and measures the aggregate risk of the Group as a whole and puts standard methods in place in the various entities;
- the Group Chief Compliance Officer, who reports to the Secretary General, heads up the network of Compliance Officers within the various entities and ensures compliance with the integrity policy and the propagation of the ethical and compliant culture that has been one of the Dexia Group's chief assets since it was founded (see section 2.1.8).

2.2 PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

2.2.1 Financial statements

The principal goal of the financial statements is to present a true and fair view of a company's net worth, financial position and earnings. This task is particularly demanding for a financial institution, where the unit of account - money - is intertwined with the very purpose of the activity.

CRB Regulation 97-02 as amended, relating to internal control, stipulates in its section on accounting that the organization put in place must guarantee the existence of a set of procedures referred to as the "audit trail." This audit trail must allow all accounting information provided to be tied back to an original supporting document, and vice versa. This is the basic policy on which the Dexia Credit Local Group bases the organization of its accounting function.

A. DUTIES AND ORGANIZATION OF THE ACCOUNTING DEPARTMENT

The Accounting department of Dexia Credit Local plays a central role. It reports directly to the CFO of the Company, who is a member of the Management Board.

The Accounting department is responsible for preparation of the parent company financial statements of Dexia Credit Local, as well as those of any subsidiaries that do not have their own accounting department. It is also responsible for preparation of the consolidated financial statements of the Dexia Credit Local Group. A specialized unit monitors compliance with regulatory standards and principles of conservatism.

The Accounting department also monitors and verifies the accounting data produced by French and foreign subsidiaries and branches, as part of the consolidation process. In particular, it verifies that the information provided is consistent and complies with Group rules.

Generally speaking, the Accounting department has various means of obtaining the information it requires to fulfill its assignment of monitoring the accounting function in the broadest sense of the term. It is represented on all committees that may be relevant to its function, or is at least provided with a copy of the minutes of their meetings. Accounting staff frequently make site visits to foreign subsidiaries and branches. The department participates in changes to IT systems in order to ensure that its specific needs are taken into account.

In addition to the units in charge of the accounting IT system and standards, the accounting standards, control and development unit within the Accounting department includes an independent accounting verification team and a quality assurance team. The accounting system has been adapted to raise the level of quality and efficiency of its processes and to make the consolidated accounting information it produces more reliable on a continuing basis, especially in the context of the uniform application of International Financial Reporting Standards (IFRS) throughout the Dexia Credit Local Group. The independent verification team participates in the permanent control process. It strives to verify the materiality and the relevance of the controls performed during the quarterly account closings for the consolidation scope within the Head Office of Dexia Credit Local, and regularly carries out assignments in the international entities, with a frequency suited to the size and financial risks of the entity involved, notably to ensure that all accounting methods are properly applied.

Preparation of the parent company financial statements

In order to prepare the financial statements of the parent company, data is largely automatically posted to Dexia Credit Local's accounting system by the upstream management systems used to manage customer transactions, financial market counterparties and general operating expenses. When a transaction is recorded in any of these management systems, automated charts of accounts automatically generate accounting entries. These entries feed into the financial statements using a single accounting system incorporating dual standards (French GAAP and EU IFRS [IFRS as adopted in the European Union]).

The exhaustiveness and accuracy of the source entries are guaranteed by the internal control systems of the financial control departments. The team in charge of enforcing standards and policies validates the automated charts of accounts under both sets of accounting standards, as well as the processing of complex or unusual transactions. The latter are occasionally entered manually, but they are then covered by specific internal control procedures.

First-level controls are performed by accounting teams specializing by line of business, notably through the analysis of bank reconciliations and technical suspense accounts. Each month, all transactions recorded in the general ledger system are reconciled with those in the management systems, and tests of symmetry are performed on micro-hedged transactions. In order to verify the comparability of interest expense and income from one period to another, these items are measured against average outstandings to calculate more easily comparable average rates. Finally, these departments also draft reports summarizing the work performed and identifying any points requiring special attention or procedural improvements to be made in subsequent closings.

Additional checks are also performed by other units of the Accounting department during monthly, quarterly and annual closings. The work done by the business line accounting teams is reviewed periodically to ensure that all controls included in a standardized list have been correctly performed. The summary report issued by these accounting teams is also reviewed. The financial accounts are reconciled with the management accounts every quarter, and comparability between periods is verified using analytical tests. Explanations of the main changes must be provided.

The accounting entries generated during this process are subsequently compiled and aggregated using an automated, standardized process, to form the parent company financial statements of Dexia Credit Local prepared under French GAAP and the Company's contribution to the consolidated financial statements prepared under EU IFRS. The same is true of all Dexia Credit Local subsidiaries whose accounting is performed at the Head Office. From these financial statements, supplemented in some cases by data provided by the management systems, the Accounting department will establish the tables for the notes which form an integral part of the financial statements. The Accounting department then performs crosschecks between the summary reports and the notes to the financial statements. Throughout the entire process, reviews and tests of reasonableness and of compliance with the established procedures are conducted in accordance with the reporting authorities that have been established.

The same work is performed in each of the entities that make up the Dexia Credit Local Group, although the degrees of complexity may vary with the size of these entities and the activities in which they engage.

Preparation of the consolidated financial statements

The financial statements of the international entities that are prepared under local standards are restated to ensure consistency with the accounting policies of the Dexia Credit Local Group (EU IFRS). These policies are compiled into a consolidation manual that is provided to each Dexia Credit Local Group entity. Operational instructions are also provided to the entities at each closing date by the Head Office consolidation unit. These instructions set out improvements to be made to the process in light of remarks evinced during preceding periods, and provide details of any changes (systems, new data to be provided, etc.) to be taken into consideration during the period.

Should an entity experience any difficulty interpreting these policies, it can request help from the consolidation unit which, in collaboration with the accounting standards unit, will respond appropriately. Members of these teams make periodic trips to the entities in France and abroad in order to undertake a regular review and to identify any changes in internal or external conditions which may have an accounting impact.

Using their individual financial statements that have been restated to Group norms, each of the entities of the Dexia Credit Local Group fills in a consolidation package that is incorporated automatically into the consolidation system. Checks are performed on the information that is collected every quarter as well as on data relating to intercompany transactions, the financial statements, and the notes to the financial statements.

These checks are aimed at ensuring the comparability of the information provided and its compliance with Group rules, and providing a better understanding of the principal changes that have taken place in comparison with prior periods. The consolidation unit performs specific adjustments intended notably to eliminate intercompany transactions and incorporate any changes in the scope of consolidation.

A specialized accounting permanent control team performs additional checks to ensure the proper application and quality of the control procedures of the various accounting teams in the Head Office and the subsidiaries, suggesting improvements to enhance the effectiveness and standardization of these procedures and incorporating all of the best practices found within the Group.

Approval of the financial statements

Once it has finalized the parent company financial statements and the consolidated financial statements, the Accounting department presents them to the Chief Financial Officer and the Chief Executive Officer of Dexia Credit Local for review. The financial statements are subsequently reviewed by the Management Board, and then presented to the Audit Committee.

As required by law, the Board of Directors of Dexia Credit Local approves the parent company financial statements and the consolidated financial statements and presents them to the Shareholders' Meeting along with the Group management report. The Board of Directors also reviews the report of its Chairman on internal control procedures as presented to the Shareholders' Meeting.

Publication of the financial statements of Dexia Credit Local

The summary financial statements are then incorporated into the annual report, which is equivalent to the *document de référence* required in France by Article 212-13 of the General Regulations of the French Financial Markets Authority (AMF). Using these reports together with information gathered throughout the closing process, the Accounting department also prepares the written comments for the section of the management report that covers the preparation and analysis of the financial statements.

This accounting and financial information is made public through several means:

- the financial statements are published in BALO, the French official journal of required publications;
- the annual report equivalent to the *document de référence* is filed in both paper and electronic formats with the French Financial Markets Authority (AMF): it is also filed with the Clerk of the French Commercial Court and is posted on the Dexia Credit Local website;
- the half-yearly interim financial report is filed electronically with the AMF and is posted on the Dexia Credit Local website;
- as required by disclosure regulations, all annual and interim reports are released through an AMF-certified distributor of financial news releases (Hugin).

The Accounting and Communication departments and the Secretary General perform reciprocal control crosschecks to ensure the consistency of the accounting and financial information published and made available to the public.

B. ROLE OF THE STATUTORY AUDITORS

The committee composed of two statutory audit firms (the "Statutory Auditors") is involved throughout the entire process of verifying the financial and accounting information in order to increase efficiency and transparency. As part of their review, they analyze accounting procedures and evaluate the internal control systems in place for the sole purpose of determining the type, frequency and scope of their tests. Their review is not intended to provide any specific opinions regarding the effectiveness and reliability of the internal controls; they may, however, choose to share any recommendations they have with regard to internal control procedures and systems that could improve the quality of the accounting and financial information prepared.

Their evaluation of internal controls is based notably on substantive tests, such as obtaining confirmations from a sample of external counterparties.

They issue instructions to the statutory or internal auditors of the subsidiaries and centralize all work performed. They call summary review meetings to present the findings of their audits, and evaluate the interpretation of legal and regulatory statutes as performed by the accounting standards team. They are provided with all accounting and consolidation procedure manuals, as well as the guidelines issued by the Accounting department. They examine the internal audit reports provided to them. Lastly, they verify the accuracy and consistency of the management report and the financial accounting statements, as well as the consistency of the overall document with the items they have audited.

These reviews enable the Statutory Auditors to obtain reasonable assurance that the financial statements they are certifying are free from any material misstatement.

2.2.2 Management and segment data

The financial statements (balance sheet, off-balance sheet, income statement, cash flow statement, statement of comprehensive income and notes) are not the only quantified analyses released by Dexia Credit Local to its shareholders and the public. They are supplemented by activity reports, results by business line and discussions of outlook and risk assessments, which are all incorporated into the registration document (*document de référence*) or transmitted at presentations to financial analysts.

Some of these reports are provided directly by the operating departments or the Risk Management department. Their accuracy is therefore guaranteed by each department's internal control system.

Most of this segment information – and especially that which requires data from different sources to be rearranged or compiled, or certain high-level figures to be broken down, or accounting data to be restated in order to respect management constraints – is provided to the editors of the annual report by the Planning and Financial Control department. Like the Accounting department, the latter reports to the member of the Dexia Credit Local Management Board responsible for accounting and financial control. The Planning and Financial Control department contributes to the preparation of financial information in two main ways:

A. PREPARATION OF THE PUBLIC AND WHOLESALE BANKING MANAGEMENT REPORT

The monthly management report includes a number of key indicators, including new lending and outstanding long- and short-term loans; amounts on deposit and assets under management; and the volume of loans restructured. The report is compiled based on information provided by the PWB Strategy & Business Development department, sourced from its information system, and also by the international entities. Written comments on the various figures are prepared every six months in collaboration with the PWB Strategy & Business Development and the PWB International departments.

The controls implemented during the preparation of this management report are based on the following principles:

- preparation by PWB Strategy & Business Development of a document based on the detailed information submitted by the Planning and Financial Control department; this document is then presented to the Management Board of Dexia; activity is analyzed in relation to the previous year's results and against the budget, providing an economic explanation and confirmation of results for the current year;
- drafting of a management report each half, with comments on the results prepared together with the PWB International department; the report is then presented to the Management Board for final validation. The report, which provides year-to-date information, is used during the closing of the accounts to provide data for inclusion in the annual report.

B. CALCULATION OF EARNINGS BY LINE OF BUSINESS

The business lines are defined at the Dexia Group level. Dexia Credit Local is present mainly in the Public and Wholesale Banking business, and the Group Center business, most notably in respect of the Bank's run-off portfolios and treasury operations.

In order to provide investors with a deeper understanding of the profitability of these business lines, the Planning and Financial Control department is responsible for preparing an income statement for each of them.

The calculation of income by business line is monitored each month, and relies essentially on three types of management data:

- loan margins on the Public and Wholesale Banking business are prepared by the Planning and Financial Control department, by compiling data from the accounting system – such as average outstanding loans and the interest margin rate – that is generated automatically in much the same way as the pure accounting data;
- financial margins on the run-off portfolios and transformation businesses are calculated by the Market Risk Management department, which reports to the Risk Management and Permanent Control department, using the internal bill-back system present in each profit center in the financial activities area;
- liquidity costs (including the margin on deposits from the application of the internal transfer rate between assets and liabilities; the cost of the central government guarantees; and the interest on debt securities issued) are allocated to the various lines of business in proportion to their net assets.

Loan margins and financial margins are combined with other types of income, such as fees and commissions, to calculate the total income of each line of business. The sum of these income figures by business line is reconciled with the income figure produced by the Accounting department.

The other items in the income statement are also allocated by business line, especially as concerns general operating expenses and the cost of risk, which are allocated specifically to the business that generated them. The sum of these business line income statement items is reconciled at subtotal level with the income statement produced by the Accounting department.

It should also be noted that the results of the Personal Financial Services line of business are passed through to Crédit du Nord (in which Dexia Credit Local held a 10% stake prior to selling it off in late 2009) and Dexia banka Slovensko, the Slovak subsidiary.

In sum, all of these procedures allow complete income statements to be prepared for each business line, in order to foster a better understanding of individual profitability and contribution to the total net income of Dexia Credit Local.

Compilation process

French and foreign entities with their own financial control units produce the Public and Wholesale Banking management report and calculation of earnings by business line locally using the same standards and principles, which may be adapted with respect to each entity's size, organization and systems. This standardized list of instructions – the "Financial Control Procedures and Standards Manual" – is used throughout the Dexia Group.

Dexia Credit Local's Planning and Financial Control department coordinates, monitors, and supervises the entire process. Using applications developed in collaboration with the Dexia Group Financial Control department, it provides all Dexia Credit Local Group entities with standardized, secure data-gathering tools in order to render the data collection process more reliable and effective. Lastly, it compiles all of the data collected.

While information is being compiled by line of business, the Accounting department oversees the consolidation process.

At each stage of the preparation of the consolidated data, the Planning and Financial Control department and the Accounting department have set in place controls of consistency based on the reconciliation of the management and accounting data. Reconciliation of management earnings with accounting earnings is an important component of internal control, which ensures the accuracy of both.

These reconciliations continued to be improved in 2009, notably at the Head Office of Dexia Credit Local where any variances are analyzed and explained.

2.3 IDENTIFICATION OF RISK AND CORRESPONDING INTERNAL CONTROLS

Banking generates four main types of risks: credit risk, market risk, structural risk (interest rate, currency and liquidity) and operational risk.

Monitoring of all these risks is performed jointly by the appropriate committees and the Risk Management and Permanent Control department, with the help of tools that it develops, in accordance with the guidelines established by the Dexia Group and all regulatory and supervisory constraints.

As regards the supervision of risks in the subsidiaries and branches, each entity has its own local Risk Management function. These structures are strictly independent of the front offices and report to the Dexia Credit Local Risk Management and Permanent Control department either directly (branches) or functionally (subsidiaries).

Each local Risk Management function has one or more correspondents in charge of managing operational risk and permanent controls and implementing the Basel reforms. Generally speaking, all of the risk management techniques used at the Dexia Credit Local level are also used within each subsidiary and branch.

In addition to the general principles described above, the means used by Dexia Credit Local to manage these risks in practice, both on a day-to-day basis and under exceptional circumstances, are described hereafter.

2.3.1 Credit risk

Credit risk represents the potential loss (decrease in the value of the asset or default of payment) that Dexia Credit Local may incur due to the deterioration of a counterparty's solvency.

The principles of credit risk management are explained in item two "Credit risk" of the risk management section of the management report, and data regarding exposure by region and by type of counterparty is presented in the notes to the consolidated financial statements.

A. APPROVAL PROCESS

Any commitment that can give rise to a credit risk must be approved in accordance with a lending approval process organized according to volume and type of counterparty. The Credit Committee process is described in Section 2.1.5. The approval process also includes a system of delegations of authority for French public sector customers, and of very limited delegations of authority to the Italian and Spanish subsidiaries for their public sector customers only.

The correct application of these delegation rules is monitored by the Dexia Credit Local units in charge of the analysis of credit applications and the management of the Credit Committees, in accordance with the type of customer.

For the main entities of Dexia Credit Local, management of collateral is carried out by a centralized knowledge center, which provides regular reports on potential variances observed in the payment of collateral. It should be noted in this area that new, more stringent procedures governing the establishment of all derivatives contracts were set in place in 2008.

B. ESTABLISHMENT OF CREDIT LIMITS

Credit risk limits are defined at the level of the Dexia Group as a whole, in order to manage the Group's risk profile and to limit any concentrations of risk. A credit limit is established for each counterparty, in accordance with the existing credit risk policies. This limit represents the maximum exposure to credit risk that Dexia is prepared to accept for a given counterparty. The total exposure held by Dexia Credit Local and its subsidiaries and by any other Dexia Group entity for any given counterparty must remain below the limit set for that counterparty. Limits may also be imposed by business sector and by product. To take account of events as they occur, specific limits may be frozen at any time by the Risk Management department.

These limits are controlled in advance of any credit approval, operation by operation, and retrospectively in the exposure reports provided to the regulatory authorities and the decision-making bodies of the Bank.

C. MONITORING AND REPORTING OF INFORMATION

The monitoring process is based upon two levels:

- first-level monitoring is provided by the front office teams of the Head Office, branches and subsidiaries as part of their permanent controls of their counterparties' financial strength;
- second-level monitoring is provided by the Risk Management and Permanent Control department, which collects and consolidates exposures, delinquent payments, consolidated non-performing loans and consolidated reserves every quarter.

Every quarter, the Management Board reviews a risk update of all changes in the various risks. The consolidated monitoring of risk within the subsidiaries and branches uses the processes already described.

D. INTERNAL CREDIT RATINGS

To measure its credit risk, Dexia Credit Local notably uses the entire internal rating mechanism set in place in connection with Basel II for the Dexia Group as a whole. Credit risk analysts are responsible for assigning credit ratings to all counterparties. Each rating corresponds to an assessment of the level of risk of the counterparty expressed through an internal scale which, unless otherwise justified, takes account of all potential risks related to the country in which it is established. Once it has been assigned, the internal rating is a key factor in the decisions made by the Credit Committee. By reviewing ratings every year, Dexia is able to proactively identify those counterparties that require more regular monitoring, which are then incorporated into a watchlist that is reviewed once a quarter jointly by the Credit Risk Management department and the Commercial department within a Special Mention and Watchlist Committee.

The proper use of the internal rating system is controlled by the Quality Control unit, which regularly reviews the quality of the data and the results.

The Group therefore used the AIRBA proposed in the first pillar of Basel II for the second time in 2009. Back-testing carried out during the year confirmed the sturdiness of these models, and the credit conversion factors for all of the local public sector rating systems were able to be modeled. The rollout of the development plan for the rating system used for GSFP-type (*Groupements sans Fiscalité Propre*) non-taxable groupings and public sector agencies continued, while reinforcing those aspects pertaining to the use test.

E. RESERVE POLICIES

Once a quarter, an Impairment Committee, chaired by the Risk Management and Permanent Control department, approves the amount of reserves allocated and establishes the cost of risk. General reserves are calculated and maintained as required by IFRS regulations, in order to protect the bank from any unexpected losses.

These provisions are controlled notably by reconciling them to the accounting data.

2.3.2 Market risk

A. SCOPE

Market risk is the risk of loss relating to fluctuations in market prices and interest rates, their interactions and their level of volatility.

Dexia Credit Local also administers a bond portfolio consisting of good quality bonds. This portfolio includes: a proprietary credit spread portfolio; a portfolio comprising positions taken in the course of the Bank's lending to local sector players; and lastly a held-for-trading portfolio. These portfolios are part of the Portfolio Management Group (PMG) held for run-off in Dublin.

This bond portfolio is managed to avoid exposure to interest rate risk by means of appropriate hedges. The only risk to which the portfolio is exposed other than the risk of default by the issuer is the risk from the credit spread, as any changes impact either the AFS reserves (for those portfolios classified in AFS) or the income statement (for the held-for-trading portfolio). The rest of the portfolios are classified in Loans and advances.

The management principles for these risks are detailed in Section 3 "Market risks" in the risk management section of the management report, and quantitative exposure data for equity risk and interest rate risk is presented in the notes to the consolidated financial statements ("Sensitivity of listed shares" and "Risk on resetting of interest rates: analysis by time until next interest rate reset date – analysis of assets and liabilities").

The year 2009 was marked by a reorganization of Dexia's financial markets activities and its interest rate and credit derivative trading activities were transferred to Dexia Bank Belgium (DBB). Management of the credit spread portfolios was assigned to a centralized team in Dublin. This allowed Dexia Credit Local to significantly reduce its market risk exposure in 2009 (equity risk of near zero, BSM risk very low, interest rate risk close to zero in Paris).

B. MONITORING

Two committees are responsible for the monitoring of financial markets-related risks:

- the Market Risk Group Committee (MRGC) meets monthly at the Dexia Group level. Dexia Credit Local is represented by either the Chief Risk Officer or the EVP-Treasury and Financial Markets, who have an explicit mandate defining their decision-making authority. The MRGC is responsible for defining and monitoring all risk policies, such as guidelines and market risk limits.

  The committee notably establishes guidelines for the development of all new market activities.

  Every quarter, this committee is divided into specific committees for monitoring the risks and results of the lines of business.

  The Dexia Credit Local Risk Management and Permanent Control department provides the Dexia Credit Local Management Board with a quarterly (or more frequently, if need be) report informing it of all changes in the Bank's consolidated risks (exposures, limits, limits that have been exceeded) and changes to its monitoring system (modification of measurement methods or guidelines;
- the Dexia Credit Local Financial Markets Committee is called the Weekly Operational Committee; it meets monthly to provide local monitoring of the correct application of the standards and decisions set down by the Dexia Market Risk Group Committee, and ensures that all information is provided to the appropriate Dexia Credit Local managers.

  The Risk Management and Permanent Control department's Market Risk Management unit measures risk regularly.

Their report, which is presented quarterly to the Management Board, is based on various indicators for monitoring the limits allocated to the various risks, and which are presented in detail in the management report.

In addition to these regular quarterly presentations, the quarterly risk review that details all of Dexia Credit Local's risks includes a summary of market risks (equity, interest rate and credit). The Finance Committee, which meets monthly, is informed of the liquidity position and makes decisions regarding the hedging of structural interest rate and currency risks.

2.3.3 Structural risks: interest rates, foreign currencies and liquidity

A. SCOPE

Structural risks are grouped under the name of balance sheet management (BSM) risks. The purpose of BSM is to hedge the risks relating to this balance sheet structure, either partially or in full. Apart from interest rate risks and currency risks relating to the Financial Markets business line, all of Dexia Credit Local's other significant interest rate, currency and liquidity risks are the responsibility of the ALCO.

The management principles for these risks are detailed in section 3 "Market risk" and 4 "Balance sheet management" in the risk management section of the management report, and quantitative exposure data for interest rate, currency and liquidity risk is presented in the notes to the consolidated financial statements ("Liquidity risk" and "Currency risk").

B. MONITORING

Four committees are responsible for the monitoring of BSM risks:

- the Dexia ALM Committee (ALCO, monthly).

  For the entire scope of the Group, it defines risk policy and the methods used to hedge risks. The guidelines set by the Dexia ALM Committee enable individual hedging decisions to be made, but management authority may also be delegated to the Dexia ALM Management department.

  It ensures that these limits are used consistently according to its own scenarios for interest rate movements. As with all Risk Committees, the representative of Dexia Credit Local is either the Chief Executive Officer or the Chief Risk Officer;

- Finance Committee.

  Group ALCO has given the Finance Committee authority over the operational management of its own balance sheet. Accordingly, the Local ALM unit is responsible for managing its own results and the interest rate risk generated or borne by its own balance sheet. The scope of Dexia Credit Local's Local ALM includes:

  - the commercial bank,
  - the securities portfolio of the Local ALM,
  - the technical processes resulting from its commercial operations (e.g., CPI-linked loan, average Euribor and Euribor in arrears, etc.).

  Local ALM uses mainly traditional ALM risk management applications to measure and monitor the risks inherent to ALM.

  The committee includes the Chief Executive Officer and/or the Chief Risk Officer, the CFO and the EVP-Financial Markets;

- the decisions of the Finance Committee and the Group ALM Committee are adapted operationally by the Local (Tactical ALCO) Committee, which meets every week for the Dexia Credit Local entity and in which the Risk Management and Permanent Control department and the Financial Markets department participate. The committee's main purpose is to ensure weekly monitoring of risks related to new originations;
- the Funding & Liquidity Committee (FLC), by delegation from the Group ALCO, centralizes and coordinates the decision making process for all liquidity issues. The FLC is in charge of monitoring changes in short- and long-term funding needs and establishing Dexia's overall funding strategy. It is also responsible for examining and updating the stress scenarios that must be considered with regard to liquidity; for establishing emergency action plans and proposing corrective measures to improve the Group's liquidity profile; and for coordinating the general reporting of liquidity to the Group's various boards as well as to the rating agencies, regulators, central banks and states.

In any case, the four committees monitor the change in risk based on the sensitivity of the net present value of the assets and liabilities within the ALM scope (ALM NPV) to a given change (100 basis points) in market interest rates.

The tightening of liquidity conditions during 2008 resulted in a more centralized monitoring of liquidity in order to obtain an exhaustive view for the whole of the Dexia Group. The process remained the same in 2009: daily reports were provided to the Dexia Group, stress scenarios were prepared, specific characteristics of Dexia Credit Local Group entities were incorporated, reserves were inventoried, etc.

These issues were all incorporated into the knowledge center housed within one of the Group entities, Dexia Bank Belgium, which manages liquidity on a global basis in order to ensure the greatest possible optimization of the bank's funding conditions and the adequacy of its reserves.

2.3.4 Operational risks

A. SCOPE

Operational risks are defined as the risk of a loss resulting from inadequate or failed internal processes, people and systems, or from external events. They include notably all risks related to information systems security and litigation. Dexia has chosen to include reputation risk in its operational risk management.

B. ORGANIZATION AND MONITORING

Operational risk management

The Dexia Group has elected to apply the standardized approach allowed under the Basel II directives and has implemented processes and a management tool as called for in the paper on "Sound Practices for the Management and Supervision of Operational Risk" published by the Basel Committee on Banking Supervision.

A specialized team in the Dexia Credit Local Risk Management and Permanent Control department is responsible for operational risk, and works with a network of correspondents in each department and entity.

The involvement of the business line EVPs guarantees the effectiveness of the system.

Operational risk management is coordinated at Dexia Group level by the Operational Risk Management Committee (ORMC) which meets once a month.

Collection, analysis and processing of incidents

The Dexia Group has defined a procedure for compiling operational risk events and operational losses as required by the provisions of Basel II. Operational risk correspondents are responsible for identifying and analyzing all incidents with the help of the central operational risk unit. Depending on the results of this analysis, corrective or preventive measures are taken to reduce exposure to operational risk.

Dexia has a shared operational Risk Management tool that includes a module for compiling incidents in the various Group entities.

A quarterly report summarizing all significant operational risk events is sent to the Management Board and to each business line EVP (in the Head Office, subsidiaries and branches).

Risk mapping

In addition to the operational risk events that have already been observed, for the Dexia Group to be able to plot its risk profile it is necessary to assess all potential areas of risks and take account of all existing controls. Departments and entities throughout the Dexia Group all use the same method for these risk and control self-assessments. Depending on the results, action plans may be set in place to control exposure to risk.

Various reports analyze the bank's risk profile by entity, by activity, by process and by type of event (as defined in the Basel II accord) and are presented to the Management Board each year.

C. INFORMATION SYSTEMS SECURITY

Information systems security includes all measures taken to shield data from any threat to its confidentiality, integrity or availability.

All these measures are described in the Dexia Credit Local information systems security policy manual, which defines all applicable principles by area of security, along with the roles and responsibilities of the various players in the IS security process, using a body of directives, specific security policies, rules and operating procedures and the guidelines provided by ISO standard 27000/17799.

Under the supervision of a specialized steering committee, each operating department participated in the preparation of a business continuity plan (BCP). Under the plan, the impacts of a disaster affecting IT equipment or facilities or information systems or even a loss of service are analyzed from a business unit perspective in order to identify all mission-critical activities. The results of this analysis were used to establish business recovery times that are compatible with operating requirements. The implementation of this recovery strategy is based on the use of formal, documented technical guidelines, procedures and organizational structures. The BCP and these procedures are all updated once a year, and are tested in accordance with a schedule defined by the Management Board. The results of the tests are reported to the steering committee.

Dexia Credit Local has also placed critical systems for data production with a service provider, in a single center under highly secure physical conditions and connected via redundant high-speed links with a point-to-point link between the IT production site and Dexia Credit Local Head Office. Dexia Credit Local has also set up a mirror site to prepare for any failure in these systems. Dexia periodically backs data up and can very quickly substitute this site for the main site, if need be. This system was successfully tested in 2009.

Information systems security is managed by three players:

- the IT Security Committee recommends security policies to the Management Board, establishes specific directives for each area and ensures that they are implemented. The committee includes representatives from the various "functional" stakeholders, including risk management, compliance, IT and logistics. The Committee meets every two months, and is chaired by the member of the Management Board in charge of risk management and permanent control (the CRO);
- the Information Systems Security Officer is responsible for recommending security policies and directives to the IT Security Committee. He oversees the practical implementation of the rules that make up the security policy, increases employee awareness and provides advice to the various departments. The IT Security Manager is a member of the Operational Risk Management, Permanent Control and Security department, which guarantees his independence from the operating areas;
- IT departments are responsible for designing and implementing all security hardware and software, and for implementing all associated operational rules and procedures. They also perform first- and second-level controls over the correct application of security. The job of IT Security Manager was created within the IT department in order to coordinate these actions.

The business continuity plans of the subsidiaries and the branches are reviewed every year to assess the adequacy of each entity's plan and to put together, if necessary, the appropriate action plans.

D. LEGAL RISK

The General Secretariat performs six main functions:

- in-house advisory services;
- drafting and supervision of legally binding deeds and documents;
- management of litigation;
- maintaining a watch in its areas of specialization, including a compliance-related regulatory watch;
- legal secretariat services for Dexia Credit Local and its subsidiaries;
- administrative supervision of investments, trademarks and delegations of power.

It therefore plays a key role in preventing matters from being taken to litigation, anticipating changes in the law and ensuring compliance with the principles of corporate governance.

Functional relationships have been established between the General Secretariat of Dexia Credit Local and the equivalent structure for the Dexia Group, in order to promote discussion of legal strategies and cases.

Similarly, the General Secretariat of Dexia Credit Local has established regular contacts with its counterparts in the subsidiaries and branches, with exchanges of all appropriate information.

Reporting applications for risks on the areas covered have been set in place within the function.

E. INSURANCE OF OPERATIONAL RISKS

Dexia Credit Local currently has traditional property insurance, including general hardware and facilities multi-risk, vehicle and third-party liability. All French subsidiaries are covered under these polices.

Dexia Credit Local has also subscribed policies for the following risks: Directors and officers liability for the members of the management bodies, third-party professional liability, loss of banking operations and so-called "comprehensive bank coverage," which covers fraud and the financial impact of damage to assets and/or documents. These guarantees also cover all French and foreign entities controlled by Dexia Credit Local.

2.4 CONTROL AND MONITORING OF INTERNAL CONTROL

2.4.1 Chief Executive Officer and Management Board

The Chief Executive Officer, assisted by the Management Board that he chairs, plays a vital role in the assessment of internal control. He has access to several sources of information to enable him to accomplish all of his duties in this area. The Chief Executive Officer has no potential conflicts of interest between his duties with respect to Dexia Credit Local and his personal interests or other duties.

The members of the Management Board each have a personal interest in operational responsibilities by business line or by function. They therefore have a comprehensive understanding of the constraints and opportunities in their respective fields of activity, and are thus able to define internal control procedures and to judge their effectiveness.

The most sensitive horizontal, Group-wide Committees are chaired by a member of the Management Board, who can subsequently summarize the work involved for all the members.

The Management Board has also implemented a system of delegation and reporting that requires the operations departments to present and approve the key indicators, through which it is able to judge the quality and smooth running of the internal control system.

Internal Audit is also a valued source of information for the Chief Executive Officer and the Management Board. They receive all the audit reports, which are discussed and commented on during meetings. They approve all recommendations and action plans. The Chief Auditor reports to the Management Board on the monitoring of audit recommendations. The Chief Executive Officer can also request the Internal Audit department to perform assignments that are not scheduled in the annual audit plan on topics that he feels require immediate attention.

The Statutory Auditors, as part of their audit of the financial statements, and the regulators (in France, essentially the Banking Commission and the Financial Markets Authority), as part of their inspection duties, make recommendations for improving specific internal control issues. The Management Board subsequently takes the necessary steps so that these recommendations are implemented as quickly as possible.

2.4.2 Audit Committee

The Audit Committee is delegated by the Board of Directors to assist it in its control of the management of Dexia Credit Local. The Audit Committee focuses specifically on those procedures covering the preparation of the financial statements and Risk Management, and is also responsible for managing relationships with the Statutory Auditors.

The Audit Committee reports on its work and observations to the Board of Directors.

In performing its assignments, the Audit Committee has unfettered access to the Statutory Auditors, the Chief Auditor and the Chief Compliance Officer of Dexia Credit Local. It informs the Chief Executive Officer of its contacts immediately.

It is informed of the conclusions drawn from any inspections performed by the regulatory bodies and from any internal audit assignments, and may request copies of the audit reports. It is also empowered to suggest any additional assignments.

The committee can request any information that it may deem to be useful.

2.4.3 Dexia Group

The Dexia Group plays a major role in monitoring internal control within the Dexia Credit Local Group. The latter's managerial organization actively involves representatives of the Dexia Group: the Board of Directors of Dexia Credit Local includes the Chairman of the Board of Directors and the Chairman of the Management Board of Dexia SA. In addition, the Group Management Board and Executive Committee are provided with copies of all reports on Company-wide audits, which generally concern Dexia Credit Local and its subsidiaries.

The Chairman of the Board of Directors of Dexia Credit Local is copied on the Internal Audit department's business review, and he has access to all audit reports. He may regularly query the Chief Executive Officer of Dexia Credit Local about internal controls. Lastly, he may ask the Group Internal Audit department or an independent audit firm to investigate any Dexia Credit Local function, if he feels it is warranted.

Jean-Luc Dehaene

Chairman of the Board of Directors

Statutory Auditors' report

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Dexia Credit Local and in accordance with Article L.225-235 of the French Commercial Code (*Code de Commerce*), we hereby report to you on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L.225-37 of the French Commercial Code (*Code de Commerce*) for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of the French Commercial Code (*Code de Commerce*), particularly with respect to the corporate governance mechanism.

It is our role:

- to report to you on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code (*Code de Commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based, and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code (*Code de Commerce*).

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code *(Code de commerce)*.

Courbevoie and Neuilly-sur-Seine - April 8, 2010

The Statutory Auditors

MAZARS

Hervé HELIAS Virginie CHAUVIN

DELOITTE & ASSOCIÉS

José-Luis GARCIA

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Consolidated balance sheet

ASSETS

(EUR millions)	Note	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009
I. Cash, central banks and postal checking accounts	*2.0*	1,553	632	901
II. Financial assets at fair value through profit or loss	*2.1*	24,098	25,418	13,472
III. Hedging derivatives	*4.1*	10,367	8,119	8,820
IV. Financial assets available for sale	*2.2*	130,761	60,674	47,617
V. Interbank loans and advances	*2.3*	20,832	35,892	26,796
VI. Customer loans and advances	*2.4*	146,568	248,916	239,198
VII. Fair value revaluation of portfolio hedge		(364)	2,084	1,788
VIII. Financial assets held to maturity	*2.5*	1,272	1,131	973
IX. Current tax assets	*2.6*	142	37	78
X. Deferred tax assets	*2.6*	436	2,613	1,968
XI. Accruals and other assets	*2.7*	7,343	21,457	17,888
XII. Non-current assets held for sale		0	6,225	0
XIII. Investments in associates	*2.8*	459	275	0
XIV. Investment property	*2.9*	0	0	0
XV. Tangible fixed assets	*2.9*	499	504	500
XVI. Intangible assets	*2.10*	71	77	66
XVII. Goodwill	*2.11*	1,387	206	200
TOTAL ASSETS		**345,424**	**414,260**	**360,265**

LIABILITIES

(EUR millions)	Note	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009
I. Central banks and postal checking accounts	*3.0*	7,630	64,222	28,491
II. Financial liabilities at fair value through profit or loss	*3.1*	12,290	24,641	15,615
III. Hedging derivatives	*4.1*	13,755	27,819	21,487
IV. Interbank borrowings and deposits	*3.2*	99,247	91,210	76,947
V. Customer borrowings and deposits	*3.3*	19,938	17,619	13,967
VI. Debt securities	*3.4*	176,010	172,853	190,896
VII. Fair value revaluation of portfolio hedge		(447)	1,386	1,884
VIII. Current tax liabilities	*3.5*	60	123	127
IX. Deferred tax liabilities	*3.5*	260	23	5
X. Accruals and other liabilities	*3.6*	5,216	5,372	4,462
XI. Liabilities related to non-current assets held for sale		0	5,697	0
XII. Technical provisions of insurance companies	*3.7*	134	0	0
XIII. Provisions	*3.8*	102	203	263
XIV. Subordinated debt	*3.9*	4,942	5,002	4,846
XV. Equity	*3.10*	6,287	(1,910)	1,275
XVI. Shareholders' equity, Group share		5,528	(2,107)	918
XVII. Capital stock and additional paid-in capital		3,114	6,614	2,062
XVIII. Reserves and retained earnings		2,889	3,456	4,453
XIX. Unrealized or deferred gains and losses		(1,454)	(8,621)	(5,866)
XX. Net income for the period		979	(3,556)	269
XXI. Minority interests		759	197	357
TOTAL LIABILITIES		**345,424**	**414,260**	**360,265**

Consolidated income statement

(EUR millions)		Note	2007	2008	2009
I.	Interest income [(3)]	*5.1*	50,405	55,836	32,297
II.	Interest expense	*5.1*	(49,108)	(54,067)	(30,999)
III.	Fee and commission income	*5.2*	147	181	149
IV.	Fee and commission expense	*5.2*	(49)	(63)	(41)
V.	Net gains (losses) on financial instruments at fair value through profit or loss	*5.3*	(295)	(357)	337
VI.	Net gains (losses) on financial assets available for sale [(3)]	*5.4*	390	81	81
VII.	Other income [(1)]	*5.5*	506	506	65
VIII.	Other expenses [(1)]	*5.6*	(196)	(143)	(37)
IX.	**NET BANKING INCOME**		**1,800**	**1,974**	**1,852**
X.	Operating expenses [(2)]	*5.7*	(618)	(733)	(502)
XI.	Depreciation, amortization and impairment of tangible and intangible assets	*5.8*	(52)	(56)	(52)
XII.	**GROSS OPERATING INCOME**		**1,130**	**1,185**	**1,298**
XIII.	Cost of risk	*5.9*	(46)	(3,387)	(630)
XIV.	**OPERATING INCOME**		**1,084**	**(2,202)**	**668**
XV.	Income (losses) from associates [(2)]	*5.10*	58	(53)	(1)
XVI.	Net gains (losses) on other assets	*5.11*	0	(1,036)	(102)
XVII.	Impairment of goodwill	*5.12*	0	(1,181)	(6)
XVIII.	**INCOME BEFORE TAX**		**1,142**	**(4,472)**	**559**
XIX.	Income tax	*5.13*	(108)	556	(239)
XXI.	**NET INCOME**		**1,034**	**(3,916)**	**320**
XXII.	**MINORITY INTERESTS**		**55**	**(360)**	**51**
XXIII.	**NET INCOME, GROUP SHARE [(2)]**		**979**	**(3,556)**	**269**
	Earnings per share, Group share				
	- Basic (in EUR)		11.25	(40.85)	3.09
	- Diluted (in EUR)		11.25	(40.85)	3.09
			306	*339*	*25*

(1) Including technical margin of insurance companies
(2) According to IFRIC 11 "Group and Treasury Share transactions," expenses relating to stock option plans were reclassified under Reserves and retained earnings as of December 31, 2007: this reclassification increased Operating expenses by EUR 9 million and decreased the Income (losses) from associates by EUR 3 million.
As a consequence, the Net income, Group share was reduced by EUR 12 million for 2007.
(3) EUR 2 million was reclassified in 2007 to line VI. "Net gains (losses) on financial assets available for sale" from line I. "Interest income," with no impact on earnings for the period.

Net income and unrealized or deferred gains and losses through equity

(EUR millions)	2007	2008	2009
I. NET INCOME	**1,034**	**(3,916)**	**320**
II. Translation adjustments	(219)	171	19
III. Unrealized or deferred gains and losses of financial assets available for sale	(2,938)	(8,250)	3,039
IV. Unrealized or deferred gains and losses on cash flow hedges	146	(1,410)	502
VII. Unrealized or deferred gains and losses of associates	(34)	(3)	30
VIII. Taxes	630	2,119	(736)
IX. TOTAL OF UNREALIZED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(2,415)**	**(7,373)**	**2,854**
X. Net income and unrealized or deferred gains and losses through equity	(1,381)	(11,289)	3,174
XI. Of which, Group share	(1,328)	(10,722)	3,024
XII. Of which, minority interests	(53)	(567)	150

Consolidated statement of changes in equity

(EUR millions)	Core equity			Unrealized or deferred gains and losses					Minority interests			
	Capital stock, additional paid-in capital	Reserves, retained earnings and net income for the period	Total	Change in fair value of financial assets available for sale, net of taxes	Change in fair value of cash flow hedges, net of taxes	Cumulative translation adjustments	Total	Equity, Group share	Core equity	Unrealized or deferred gains and losses	Total	Equity
AT JANUARY 1, 2007	**3,114**	**3,206**	**6,320**	**969**	**(26)**	**(91)**	**852**	**7,172**	**767**	**45**	**812**	**7,984**
Movements during the period												
Changes in capital	0	0	0				0	0	18		18	18
Changes in additional paid-in capital	0	0	0				0	0	0		0	0
Dividends		(320)	(320)				0	(320)	(19)		(19)	(339)
Translation adjustments			0	41	12	(194)	(141)	(141)	0	(21)	(21)	(162)
Changes in fair value of financial assets available for sale through equity			0	(2,010)			(2,010)	(2,010)		(89)	(89)	(2,099)
Changes in fair value of derivatives through equity			0		89		89	89		1	1	90
Changes in fair value of financial assets available for sale through profit or loss			0	(215)			(215)	(215)		2	2	(213)
Changes in fair value of derivatives through profit or loss			0		(29)		(29)	(29)		0	0	(29)
Net income (2) for the period		979	979				0	979	55		55	1,034
Other movements (1)	0	3	3	0	0	0	0	3	0	0	0	3
AS OF DECEMBER 31, 2007	**3,114**	**3,868**	**6,982**	**(1,215)**	**46**	**(285)**	**(1,454)**	**5,528**	**821**	**(62)**	**759**	**6,287**

(1) Other movements are all discussed in note 3.10.c.
(2) In accordance with IFRIC 11 "Group and Treasury Share transactions," expenses relating to stock option plans were reclassified under Reserves and retained earnings for EUR 12 million as of December 31, 2007.

(EUR millions)	Core equity			Unrealized or deferred gains and losses					Minority interests			
	Capital stock, additional paid-in capital	Reserves, retained earnings and net income for the period	Total	Change in fair value of financial assets available for sale, net of taxes	Change in fair value of cash flow hedges, net of taxes	Cumulative translation adjustments	Total	Equity, Group share	Core equity	Unrealized or deferred gains and losses	Total	Equity
AS OF DECEMBER 31, 2007	**3,114**	**3,868**	**6,982**	**(1,215)**	**46**	**(285)**	**(1,454)**	**5,528**	**821**	**(62)**	**759**	**6,287**
Movements during the period												
Changes in capital	(826)	0	(826)				0	(826)	92		92	(734)
Changes in additional paid-in capital	4,326	0	4,326				0	4,326	0		0	4,326
Dividends		(415)	(415)				0	(415)	(19)		(19)	(434)
Translation adjustments			0	(202)	(34)	147	(89)	(89)	0	13	13	(76)
Changes in fair value of financial assets available for sale through equity			0	(6,739)			(6,739)	(6,739)		(296)	(296)	(7,035)
Changes in fair value of derivatives through equity			0		(1,078)		(1,078)	(1,078)		(10)	(10)	(1,088)
Changes in fair value of financial assets available for sale through profit or loss			0	753			753	753		86	86	839
Changes in fair value of derivatives through profit or loss			0		(14)		(14)	(14)		0	0	(14)
Net income for the period		(3,556)	(3,556)				0	(3,556)	(360)		(360)	(3,916)
Other movements (1)	0	3	3	0	0	0	0	3	(68)	0	(68)	(65)
AS OF DECEMBER 31, 2008	**6,614**	**(100)**	**6,514**	**(7,403)**	**(1,080)**	**(138)**	**(8,621)**	**(2,107)**	**466**	**(269)**	**197**	**(1,910)**
Movements during the period												
Changes in capital	0	0	0				0	0	1		1	1
Changes in additional paid-in capital	(4,552)	4,552	0				0	0	0		0	0
Dividends		0	0				0	0	0		0	0
Translation adjustments			0	133	9	19	161	161		5	5	166
Changes in fair value of financial assets available for sale through equity			0	1,494			1,494	1,494		23	23	1,517
Changes in fair value of derivatives through equity			0		446		446	446		13	13	459
Changes in fair value of financial assets available for sale through profit or loss			0	663			663	663		59	59	722
Changes in fair value of derivatives through profit or loss			0		(9)		(9)	(9)		0	0	(9)
Net income for the period		269	269				0	269	51		51	320
Other movements (1)	0	1	1	0	0	0	0	1	8	0	8	9
AS OF DECEMBER 31, 2009	**2,062**	**4,722**	**6,784**	**(5,113)**	**(634)**	**(119)**	**(5,866)**	**918**	**526**	**(169)**	**357**	**1,275**

(1) Other movements are all discussed in note 3.10.c.

Consolidated cash flow statement

(EUR millions)	2007	2008	2009
Cash flow from operating activities			
Net income [1]	1,034	(3,916)	320
Adjustments for:			
• Depreciation, amortization and other impairment	62	1,253	91
• Impairment on bonds, equities, loans and other assets	(58)	1,466	288
• Net gains on investments	(237)	1,014	(50)
• Changes in provisions	42	1,567	301
• Unrealized gains and losses	(82)	(2)	(8)
• Income (losses) from associates [1]	(58)	53	1
• Dividends from associates	21	22	14
• Deferred taxes	(161)	(828)	70
• Other adjustments [1]	9	4	1
Changes in operating assets and liabilities [1]	(202)	17,681	(10,550)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**370**	**18,314**	**(9,522)**
Cash flow from investing activities			
Purchases of fixed assets	(106)	(102)	(72)
Sales of fixed assets	9	6	12
Acquisitions of unconsolidated equity shares	(122)	(195)	(44)
Sales of unconsolidated equity shares	463	145	448
Acquisitions of subsidiaries	(24)	(10)	(24)
Sales of subsidiaries	3	0	371
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**223**	**(156)**	**691**
Cash flow from financing activities			
Issuance of new shares	18	3,654	1
Reimbursement of capital	0	0	0
Issuance of subordinated debt	1,142	320	0
Reimbursement of subordinated debt	(282)	(376)	(93)
Purchases of treasury stock	0	0	0
Sales of treasury stock	0	0	0
Dividends paid	(339)	(434)	0
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**539**	**3,164**	**(92)**
Net cash provided (used)	**1,132**	**21,322**	**(8,923)**
Cash and cash equivalents at the beginning of the period	**18,900**	**19,708**	**41,574**
Cash flow provided (used) by operating activities	370	18,314	(9,522)
Cash flow provided (used) by investing activities	223	(156)	691
Cash flow provided (used) by financing activities	539	3,164	(92)
Effect of exchange rate changes and changes in scope of consolidation on cash and cash equivalents	(324)	544	(273)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**19,708**	**41,574**	**32,378**
Additional information			
Income tax paid	(309)	(99)	(274)
Dividends received	45	33	21
Interest received [2]	48,943	55,814	35,563
Interest paid	(47,683)	(54,008)	(33,617)

(1) According to IFRIC 11 "Group and Treasury Share transactions," data for 2007 were restated as far as expenses related to stock option plans are concerned (EUR 3 million under "Income (losses) from associates" and EUR 9 million under "Other adjustments").
(2) EUR 2 millions was reclassified in 2007 to line VI. "Net gains (losses) on financial assets available for sale" from line I. "Interest income," with no impact on earnings for the period.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents include the following balances with current maturities of less than 90 days:

Analysis by nature (EUR millions)	**As of December 31, 2007**	**As of December 31, 2008**	**As of December 31, 2009**
Cash, central banks and postal checking accounts (note 2.0)	1,552	632	901
Interbank loans and advances (note 2.3)	9,948	18,776	12,854
Loans and securities available for sale (note 2.2)	2,207	827	1,206
Loans and securities held for trading (note 2.1)	153	273	10
Loans and securities designated at fair value (note 2.1)	0	0	0
Accruals and other assets (note 2.7)	5,848	21,066	17,407
TOTAL	**19,708**	**41,574**	**32,378**

Of which restricted cash (in EUR millions)	**As of December 31, 2007**	**As of December 31, 2008**	**As of December 31, 2009**
Mandatory reserves [1]	951	494	496
Cash collateral	5,848	21,066	17,407
Other	0	0	0
TOTAL	**6,799**	**21,560**	**17,903**

(1) Minimum reserve deposits credit institutions must maintain with the European Central Bank (ECB) or other central banks.

Notes to the consolidated financial statements

1. ACCOUNTING METHODS AND SCOPE OF CONSOLIDATION – ACCOUNTING POLICIES AND VALUATION METHODS

1.1 GROUP COMPANIES AND CONSOLIDATION METHODS

a. Criteria for consolidation and use of the equity method

Dexia Credit Local applies all rules pertaining to credit institutions with regard to the scope of consolidation resulting from:

- IAS 27 preparation and presentation of the consolidated financial statements of a group of companies controlled by a parent company;
- IFRS 3 business combinations, and the impact of accounting methods on consolidation;
- IAS 28 investments in associates;
- IAS 31 interests in joint ventures.

The policies laid down by these standards imply that all companies over which the Group exercises exclusive or joint control or notable influence must be consolidated.

All companies that are controlled exclusively or jointly, or over which is held some notable influence, are consolidated.

Pursuant to the principle of a true and fair view of the financial statements of the Group, any companies not making a material contribution to the consolidated financial statements should not be included in the scope of consolidation.

Companies whose cumulative total assets and net income represent less than 1% of total consolidated assets and net income (*i.e.* respectively EUR 3.6 billion and EUR 2.7 million in 2008) are considered to be below the materiality threshold. As of December 31, 2009, the sum of the total assets and the sum of the net incomes of the companies that were not consolidated were below these thresholds.

b. Changes in the scope of consolidation compared with December 31, 2008

Changes in the consolidation scope of the Dexia Credit Local Group since 2008 are mainly related to the sale to Assured Guaranty (Assured) of FSA Holdings' insurance activity, which has not been consolidated since April 1, 2009.

The FSA Insurance's first quarter 2009 result is consolidated on a line by line basis in the income statement, and is offset under "Net gains (losses) on other assets": moreover, the sale price was fixed by the agreement signed on November 14, 2008 and is no longer dependent on the result generated by the sold activities.

For its 2008 publication, Dexia Credit Local consolidated the sold insurance activities of FSA Insurance in compliance with IFRS 5 "Non-current assets held for sale and discontinued operations," given that the sale was not certain although highly probable. Pending further regulatory requirements and comments from the rating agencies, the assets and liabilities of the sold activities have thus been reported in a separate line of the consolidated balance sheet and the sold activities' results were presented in the income statement on a line by line basis.

The suspensive conditions of the transaction were removed on June 10, 2009, and the finalisation of the closing took place on July 1, 2009.

Dexia Credit Local received cash of USD 546 million and USD 270.5 million in Assured shares. On August 13, 2009, Dexia Holdings Inc. sold these 21,848,834 shares to Dexia SA Établissement Stable for USD 369 million, and realized a capital gain of USD 99 million.

The entities no longer consolidated as at June 30, 2009 because of that transaction are as follows:

- Financial Security Assurance Holding Ltd.;
- Financial Security Assurance Inc.;
- FSA Insurance Company;
- Transaction Services Corporation;
- CLFG Corp.;
- FSA Portfolio Management Inc.;
- FSA Services (Australia) Pty Ltd.;
- Financial Security Assurance (U.K.) Ltd.;
- FSA Services (Japan) Inc.;
- Financial Security Assurance International Ltd.;
- FSA Administrative Services LLC NY;
- Commercial Mortgage Company III-R2, Inc.;
- Enterprise Company R, Inc.;
- FSA Credit Protection Ltd. U.K.;
- FSA Services (Americas) Inc.;
- FSA Mexico Holdings Inc.;
- FSA International Credit Protection LTD (Cayman);
- FSA Seguros Mexico SA.

On December 11, 2009, in connection with the Dexia Group's restructuring plan, Dexia Credit Local sold its 10% stake in Crédit du Nord to Société Générale for EUR 338 million, realising a gain of EUR 77 million, and acquired Crédit du Nord's 20% stake in Dexia CLF Banque for EUR 13 million. Following this transaction, which enabled Dexia to standardize its commercial approach towards its clients in France, Dexia Credit Local owns 100% of Dexia CLF Banque.

The other main changes in the consolidation scope in 2009 relate to the deconsolidation of Floral on January 1, 2009, and of Dexia Épargne Pension on April 1, 2009. An agreement covering the sale of this subsidiary was signed at the year end with BNP Paribas and is subject to review by the regulators: the impact of this transaction will be recognized in the financial statements for the first half of 2010.

c. Impact of changes of scope on the consolidated income statement

None of these changes had a material impact on the 2009 consolidated financial statements, other than the points raised above on FSA Holdings.

d. Significant events in 2008

- The Dexia Group retained FSA's Financial products business. This activity, which has been completely discontinued and whose run-off management was assigned to HF Services, has a Belgian and French government guarantee for amounts exceeding an initial loss of USD 4.5 billion: Dexia Holdings Inc. booked a charge of USD 84.5 million (EUR 60.5 million) in respect of the remuneration on this guarantee. Given the market and mortgage lending crisis in the United States, the Financial products portfolio booked an impairment loss of USD 1,804 million as of December 31, 2009, which had a negative impact of USD 357 million on the net result for the period. Meanwhile, the financial statements for the period to December 31, 2009 also include a collective impairment of USD 344 million.
- Further effects of the financial crisis in 2009: Dexia Credit Local's cost of risk also includes a EUR 272 million charge related to FSA Insurance's first-quarter 2009 credit enhancement activity sold to Assured. The cost of risk expense for the Group's other activities was EUR 132 million.
- In 2008, Dexia Credit Local recorded a EUR 308 million fair value adjustment gain on FSA's liabilities designated at fair value through profit and loss. In 2009, a EUR 123 million fair value adjustment loss on these same liabilities is recorded in the net result for the period.
- Unrealized and deferred gains and losses on consolidated entities' available-for-sale securities improved relative to end 2008: the after tax share of losses attributable to equity holders of the parent totalled EUR 7,373 million compared with a loss of EUR 5,113 million as of December 31, 2009. This change reflected narrowing spreads and greater market liquidity.
- Since October 9, 2008, the states of Belgium, Luxembourg and France provided respectively 60.5%, 36.5% and 3% of a central government guarantee on all repayment obligations of Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Credit Local and their foreign branches covered under note 3 of the guarantee agreement up to the value of their respective shares. The State guarantee was renewed for a period of one year to October 1, 2010: the amount guaranteed was reduced from EUR 150 billion to EUR 100 billion, with a commitment from Dexia to limit utilisation of the guarantee to a maximum of EUR 80 billion. In addition, the term of the additional long-term financing issued under this new scheme was increased to a maximum of four years. During 2009, Dexia Credit Local and its branches recorded a total charge of EUR 251 million under the terms of this guarantee (EUR 12 million in 2008).
- In October 2009, as part of the discussions between Dexia and the European Commission, Dexia committed to not paying any discretionary coupons on Tier 1 and Upper Tier 2 issues during a four-month period. This commitment was also applicable to the November 18, 2009 interest payment on Dexia Credit Local's EUR 700 million super-subordinated perpetual notes.
  Accordingly, on November 3, 2009, the Management Board of Dexia Credit Local decided that the November 18, 2009 coupon on these securities would not be paid.
  In February 2010, Dexia confirmed that it will pay coupons on its subordinated debt instruments only if it has a contractual obligation to do so, and will not exercise any early redemption option before the end of 2011. This commitment includes, among others, the aforementioned super-subordinated perpetual notes.

1.2 SCOPE OF THE DEXIA CREDIT LOCAL GROUP AS OF DECEMBER 31,2009

DEXIA CREDIT LOCAL

Branches:

- Dexia Credit Local Canada Branch
- Dexia Credit Local Dublin Branch
- Dexia Credit Local Bank Tokyo Branch
- Dexia Credit Local New York Branch
- Dexia Credit Local Grand Cayman Branch
- Dexia Public Finance Bank (London Branch)
- Dexia Public Finance Norden (Stockholm Branch)

FRENCH SUBSIDIARIES

- DEXIA CLF BANQUE (4) 100%
- CRÉDIT DU NORD (3) 0%
- DEXIA FLOBAIL 100%
- DEXIA LOCATION LONGUE DUREE 49%
- DEXIA CLF RÉGIONS-BAIL 100%
- DEXIA BAIL 100%
- DEXIA CLF IMMO 100%
- DEXIA MUNICIPAL AGENCY 100%
  - DEXIA MUNICIPAL AGENCY (Dublin Branch)
- DEXIA SOFAXIS 100%
- SISL (Luxembourg) 100%
- SARL CBX.IA 1 100%
- SARL CBX.IA 2 100%
- DOMISERVE 50%
  - DOMISERVE + 100 %

INTERNATIONAL SUBSIDIARIES

- DEXIA KOMMUNALBANK DEUTSCHLAND (Germany) 100%
- DEXIA KOMMUNALKREDIT BANK (Austria) 100%
  - DEXIA BANKA SLOVENSKO (Slovakia) 85.47%
  - DEXIA KOMMUNALKREDIT BANK POLSKA (Poland) 100%
- DEXIA CREDIOP GROUP (Italy) 70%
  - DEXIA CREDIOP IRELAND (Ireland) 100%
- DEXIA HOLDINGS INC. (United States) (1) 90%
  - DEXIA FP (United States) (2) 100%
  - GLOBAL FUNDING (United States) (2) 100%
- DEXIA CREDITO LOCAL MEXICO SA de CV (Mexico) 100%
- DEXIA ISRAEL BANK LTD (Israel) 65.31%
- DEXIA SABADELL SA (Spain) 60%
  - DEXIA SABADELL, SA Portugal Branch
- DEXIA DELAWARE LLC (United States) 100%
- DEXIA CREDIT LOCAL ASIA PACIFIC PTY (Australia) 100%
- DEXIA CAD FUNDING LLC (United States) 100%

Fully consolidated

Proportionally consolidated

Consolidated by the equity method

(1) The remaining 10% is owned by Dexia SA.

(2) Dexia sold the insurance business of FSA Holdings to Assured Guaranty on July 1, 2009. Given these factors, the businesses sold were deconsolidated on April 1, 2009.

(3) The 20% owned by Dexia Group (10% held by Dexia Credit Local and 10% by Dexia Banque Belgique) was sold to Société Générale on December 11, 2009.

(4) The 20% owned by Crédit du Nord was bought by Dexia Credit Local on December 11, 2009.

a. Fully-consolidated subsidiaries

Name	Head Office	% interest
Dexia CLF Banque	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 la Défense – France	100
Dexia CLF Immo	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 la Défense – France	100
Dexia CLF Régions Bail	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 la Défense – France	100
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82 – D – 10969 Berlin – Germany	100
Dexia Crediop	Via Venti Settembre 30 – 00187 Rome – Italy	70
Dexia Flobail	1 passerelle des Reflets, Tour Dexia, la Défense 2, 92913 la Défense – France	100
SISL	180 rue des Aubépines L1145 – Luxembourg	100
Crediop Overseas Bank Ltd. (1)	P.O. Box 707 G – 1446 West Bay Road – Grand Cayman – British West Indies	100
Dexia Crediop per la Cartolarizzazione (1)	Via Venti Settembre 30 – 00187 Rome – Italy	100
Dexia Crediop Ireland (1)	6 George's Dock IFSC Dublin 1 – Ireland	100
Dexia Kommunalkredit Bank AG	Fischhof 3 – A-1010 Vienna – Austria	100
Dexia banka Slovensko (2)	Hodzova ul. 11 010 11 – Zilina – Slovakia	85.47
Dexia Kommunalkredit Bank Polska (2)	ul. Sienna 39 00 – 121 Warsaw – Poland	100
Dexia Sofaxis	Route de Créton 18110 Vasselay – France	99.98
SNC SOFCAH (3)	Route de Créton 18110 Vasselay – France	99.98
SNC SOFCAP (3)	Route de Créton 18110 Vasselay – France	99.98
SARL DS Formation France (3)	Route de Créton 18110 Vasselay – France	99.98
SNC Sofim (3)	Route de Créton 18110 Vasselay – France	99.98
SA Dexia DS Services (3)	Route de Créton 18110 Vasselay – France	100
SA Publiservices (3)	Route de Créton 18110 Vasselay – France	100
Dexia Location Longue Durée (4)	1 passerelle des Reflets, Tour Dexia, la Défense 2, 92913 la Défense – France	49
Dexia Bail	1 passerelle des Reflets, Tour Dexia, la Défense 2, 92913 la Défense – France	99.83
Dexia Municipal Agency	1 passerelle des Reflets, Tour Dexia, la Défense 2, 92913 la Défense – France	100
Dexia Israel Bank Ltd. (5)	19 Ha'arbaha str., Hatihon building – Tel Aviv PO BOX 709 – Tel Aviv 61200 – Israel	65.31
Dexia Sabadell SA	Paseo de las doce Estrellas, 4 Campo de las naciones 28042 Madrid – Spain	60
CBX.IA 1	1 passerelle des Reflets, Tour Dexia, la Défense 2, 92913 la Défense – France	100
CBX.IA 2 (6)	1 passerelle des Reflets, Tour Dexia, la Défense 2, 92913 la Défense – France	100
Dexia Credit Local Asia Pacific Pty Ltd.	Level 23, Veritas House – 207 Kent Street Sydney NSW 2000 – Australia	100
Dexia Delaware LLC	15 East North Street – Dover, Delaware 19901 – USA	100

(1) Companies consolidated by Dexia Crediop.
(2) Companies consolidated by Dexia Kommunalkredit Bank AG.
(3) Companies consolidated by Dexia Sofaxis.
(4) Dexia Location Longue Durée is fully consolidated due to the contractually-defined relationships existing between the shareholders.
(5) 65.99% of voting rights held.
(6) CBX.IA2 is 70.85% held by Dexia Credit Local and 29.15% by CBX.IA 1.

Name	Head Office	% interest
Dexia Crédito Local México SA de CV Sofom Filial	Protasio Tagle 104 Colonia San Miguel Chapultepec – 11850 Mexico City – Mexico	100
Dexia México Servicios SA de CV (11)	Protasio Tagle 104 Colonia San Miguel Chapultepec – 11850 Mexico City – Mexico	100
Dexia Holdings Inc. (10)	445 Park Avenue, 5th floor 10022 NY – USA	90
Dexia FP Holdings Inc. (7)	445 Park Avenue, 5th floor 10022 NY – USA	100
HF Services LLC (8)	445 Park Avenue, 5th floor 10022 NY – USA	100
FSA Asset Management LLC (8)	445 Park Avenue, 5th floor 10022 NY – USA	100
FSA Portfolio Asset Limited (U.K.) (8)	Shackleton House 4 Battle Bridge Lane London SE1 2 RB – UK	100
FSA Capital Markets Services LLC (8)	445 Park Avenue, 5th floor 10022 NY – USA	100
FSA Capital Management Services LLC (8)	445 Park Avenue, 5th floor 10022 NY – USA	100
FSA Global Funding Ltd. (7)	P.O Box 1093 GT, Boundary Hall, Cricket Square, Grand Cayman, Cayman Islands, KY1 – 1102, Cayman Islands	100
Premier International Funding (9)	P.O Box 1093 GT, Boundary Hall, Cricket Square, Grand Cayman, Cayman Islands, KY1 – 1102, Cayman Islands	0
FSA Capital Markets Services (Caymans) Ltd. (8)	P.O Box 1093 GT, Boundary Hall, Cricket Square, Grand Cayman, Cayman Islands, KY1 – 1102, Cayman Islands	0
Dexia CAD funding LLC	445 Park Avenue 7th Floor New York New York 1002 – USA	100

(7) Companies consolidated by Dexia Holdings Inc.
(8) Companies consolidated by Dexia FP Holdings Inc.
(9) Companies consolidated by FSA Global Funding Ltd.
(10) The remaining 10% is owned by Dexia SA.
(11) Company consolidated by Dexia Credito Local Mexico SA de CV.

b. Non-consolidated subsidiaries

Name	Head Office	% interest	Carrying amount of shares including fair-value adjustment (EUR thousands)	Reason for exclusion
Dexia Assuréco	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.99	1,798	Below materiality threshold
CLF Marne la Vallée Participation	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.94	80	Below materiality threshold
Dexia Éditions	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.98	822	Below materiality threshold
CBX. GEST	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.94	674	Below materiality threshold
Dexint Développement	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.89	42	Below materiality threshold
Compagnie pour le Foncier et l'Habitat	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	100	3,049	Below materiality threshold
Dexia Global Structured Finance	445 Park Avenue New York NY 10022 – USA	100	0	Below materiality threshold
Dexia Kommunalkredit Polska sp. Z o.o	ul. Sienna 39 00-121 Warsaw – Poland	100	500	Below materiality threshold
Guide pratique de la décentralisation	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.74	56	Below materiality threshold
Dexia Kommunalkredit Bulgaria	19 Karnigradska Sofia 1000 – Bulgaria	100	496	Below materiality threshold
Dexia Kommunalkredit Romania	Str. Faragas nr 21 Sector 1, 010897 Bucharest – Roumania	100	290	Below materiality threshold
Municipalia	Hodzova 11, 010 11 Zilina – Slovakia	60	20	Below materiality threshold
Dexia Kommunalkredit Hungary	Horvat u. 14-24 – 1027 Budapest – Hungary	100	354	Below materiality threshold
Dexia Kommunalkredit Adriatic	Radnicka cesta 80 HR – 10000 Zagreb – Croatia	100	341	Below materiality threshold
Dexia CLF Avenir	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.85	61	Below materiality threshold
Dexia CLF Développement	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.83	58	Below materiality threshold
Éoliennes Galerne (ex-Dexia CLF Energy)	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.89	1,734	Below materiality threshold
Dexia CLF Organisation	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.89	42	Below materiality threshold
Genebus Lease	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.89	56	Below materiality threshold
SISL UKCO Limited	One Skill Street London EC2Y 8HQ – U.K.	100	56	Below materiality threshold
Dexia Finance	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	99.97	2,935	Below materiality threshold
DCL Investissements	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	100	36	Below materiality threshold
DCL Projets	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	100	36	Below materiality threshold
Dexiarail	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	100	40	Below materiality threshold
Dexia Carbon Fund I	69 route d'Esch – L 1470 Luxembourg	70	11,545	Below materiality threshold
Dexia Carbon Fund Managers	69 route d'Esch – L 1470 Luxembourg	100	132	Below materiality threshold
SAS Qualnet	Route de Créton 18110 Vasselay – France	64.98	1,487	Below materiality threshold

Name	Head Office	% interest	Carrying amount of shares including fair-value adjustment (EUR thousands)	Reason for exclusion
Dexia Habitat	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	100	4,027	Below materiality threshold
Dexia Public Finance Switzerland SA	Rue de Jargonnant 2 – CH 1207 Geneva Switzerland	100	3,895	Below materiality threshold
Floral	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense – France	100	2,440	Below materiality threshold
Dexia Kommunalkredit Czech Republic	Wratislav Palace – Trziste 13 – 11800 Praha 1 – Czech Republic	100	0	Below materiality threshold
European Carbon Fund	12 avenue de la Liberté – L 1930 Luxembourg	55	2,224	Below materiality threshold

c. Joint companies consolidated by the proportional method

Name	Head Office	% interest
Domiserve	6 rue André Gide 92320 Châtillon – France	50
Domiserve +	6 rue André Gide 92320 Châtillon – France	50

d. Joint companies not consolidated by the proportionate method

None.

e. Associated companies accounted for by the equity method

Name	Head Office	% interest
Crédit du Nord (1)	28, place Rihour 59800 Lille – France	0

(1) The 20% stake held by Dexia was sold to Société Générale on December 11, 2009.

f. Associated companies not accounted for by the equity method

Name	Head Office	% interest	Carrying amount of shares including fair-value adjustment (EUR thousands)	Reason for exclusion
Le Monde Investisseurs	80, bd Auguste Blanqui 75013 Paris – France	35.75	1,767	Below materiality threshold
Cypress Point Funding limited (Cayman)	P.O Box 1093 GT, Boundary Hall, Cricket square, Grand Cayman, Cayman Islands, KY1 -1102, Cayman Islands	23	16	Below materiality threshold
Istituto per il Credito Sportivo	Via Alessandro Farnese, 1 – 00192 Rome – Italy	21.62	24,658	Below materiality threshold
SPS – Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Via Livorno, 36 00162 Rome – Italy	20.4	0	Below materiality threshold
SNC du Chapitre	72, rue Riquet 31000 Toulouse – France	50	4	Below materiality threshold
Dexia Fondelec Energy Efficiency and Emissions Reduction Fund	Walker House P.O. Box 265 GT George Town, Grand Cayman, Cayman Islands – British West Indies	28.2	7,490	Below materiality threshold
Impax New Energy Investor	67, rue Ermesinde – L – 1469 Luxembourg	24.99	15,330	Below materiality threshold
European Public Infrastructure Managers	4, rue Jean-Pierre Brasseur – 1258 Luxembourg	20.00	3	Below materiality threshold
GIE locos 13 bis	17 cours Valmy – Tour Société Générale 92972 Paris La Défense – France	20.00	0	Below materiality threshold
SAS THEMIS	1 av Eugène Freyssinet 78280 Guyancourt – France	40.50	798	Below materiality threshold
La Cité	35 rue de la Gare 75019 Paris – France	25.5	9	Below materiality threshold
Exterimmo	104 avenue de France 75646 Paris Cedex 13 – France	40	20,000	Below materiality threshold

g. Companies which are neither consolidated nor accounted for by the equity method in which the Group has at least a 10% stake and whose

None.

1.3 ACCOUNTING POLICIES AND VALUATION METHODS

a. Applicable accounting standards

APPLICATION OF IFRS RULES ADOPTED BY EUROPEAN COMMISSION (IFRS EU)

The European Commission issued Regulation EC 1606/2002 on July 19, 2002, requiring listed groups to apply IFRS as from January 1, 2005. This regulation has been updated several times since 2002, validating the various texts published by the International Accounting Standards Board (IASB) with the exception of certain rules included in IAS 39.

The European Commission has removed some paragraphs of IAS 39 with the objective of enabling European companies to reflect appropriately in their consolidated financial statements the financial hedges they enter into in the course of their interest rate risks management (application of interest rate portfolio hedging and the possibility of hedging deposits).

Dexia Credit Local's consolidated financial statements have therefore been prepared in accordance with all IFRS regulations and interpretations published and endorsed by the EC up to the accounts closing.

The consolidated financial statements are expressed in millions of euros (EUR) unless stated otherwise. They are compliant with CNC Recommendation 2009-R.04 issued on July 2, 2009.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect amounts reported. While management believes it has considered all available information in developing these estimates, actual results could differ from such estimates and the differences may have a material impact on the consolidated financial statements.

Judgements and estimates are principally made in the following areas:

- estimation of the recoverable amount of impaired assets;
- determination of fair values of non-quoted financial instruments;

- determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets;
- measurement of liabilities for insurance contracts;
- actuarial assumptions related to the measurement of employee benefit obligations and plan assets;
- estimate of present obligations resulting from past events in the recognition of provisions;
- estimate of future taxable profit for the measurement of deferred tax assets;
- judgment on impairment of financial assets;
- estimate of the recoverable amount of cash-generating units for goodwill impairment.

b. Changes in accounting standards during the year

EUROPEAN COMMISSION ENDORSEMENT

In 2009, the European Commission endorsed the following IASB and IFRIC texts:

Standards

- Revised IFRS 3 Business Combinations which replaces the standard issued in 2004 and will be effective for annual reporting periods beginning on or after July 1, 2009. The revised standard impacts Dexia Credit Local for several reasons:

– for new acquisitions, Dexia Credit Local can no longer capitalize acquisition-related costs as part of the cost of the business acquired,
– in case of a phased acquisition, Dexia Credit Local will first remeasure the existing associate at fair value with recognition of the fair value adjustments to previously recognized assets and liabilities in profit or loss,
– for each new investment in a non-controlling interest in an acquired entity, Dexia Credit Local may elect to apply the "full goodwill method,"
– for new acquisitions, an analysis will be required to determine whether or not a contingent liability of the acquiree is a present obligation.

- Revised IAS 27 Consolidated and Separate Financial Statements, which is effective for annual reporting periods beginning on or after July 1, 2009. The main changes introduced by the revision of this standard are linked to the changes in a parent's controlling ownership of a subsidiary. This text is closely related to the revision of IFRS 3: Business Combinations.
- Revised IFRS 1 First-Time Adoption of International Financial Reporting Standards, which replaces the standard issued in June 2003. This text is effective for entities that present IFRS financial statements for the first time for annual periods beginning on or after January 1, 2009. The revision of this standard has no impact on the financial statements of Dexia Credit Local as it is no longer a first-time adopter.

Amendments to existing Standards

- Annual Improvements 2008 to IFRS issued by the IASB in May 2008. Unless otherwise specified, the amendments are effective for annual periods beginning on or after January 1, 2009. The revision of these standards has no material impact on Dexia Credit Local.
- Amendments to IAS 32 Financial Instruments: Presentation and to IAS 1 Presentation of Financial Statements, entitled "Puttable Financial Instruments and Obligations Arising on Liquidation" are effective as from January 1, 2009 and have no material impact on Dexia Credit Local.
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and to IAS 27 Consolidated and Separate Financial Statements, entitled "Cost of an investment in a subsidiary, jointly controlled entity or associate." These amendments are effective as from January 1, 2009 and have no impact on Dexia Credit Local.
- Amendments to IAS 39 Financial instruments recognition and measurement, entitled "Eligible Hedged Items," which are effective from July 1, 2009. This amendment has no material impact on Dexia Credit Local.
- Amendments to IAS 39 Financial Instruments Recognition and Measurement, entitled "Effective Date and Transition." These amendments have no impact on Dexia Credit Local.
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives and to IAS 39 Financial Instruments: Recognition and Measurement, entitled "Embedded Derivatives" are effective for annual periods beginning on or after June 30, 2009. These amendments have no impact on Dexia Credit Local.
- Amendments to IFRS 7 Financial Instruments: Disclosures, entitled "Improving Disclosures about Financial Instruments" that enhance disclosures about fair value measurement and liquidity risk related to financial instruments. Following the application of these amendments, the notes to Dexia Credit Local consolidated financial statements have been updated.
- Amendment to IAS 32 Financial Instruments: Presentation, entitled "Classification of Rights Issues" that will be effective for annual periods beginning on or after January 1, 2010. This amendment has no impact on Dexia Credit Local.

Interpretations

- IFRIC 12 Service Concession Arrangements, which is effective at the latest on the opening day of the first annual period beginning after March 26, 2009 (the date of the endorsement by the European Union) but has no impact on the Dexia Credit Local financial statements.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, which is applicable as from July 1, 2009. This interpretation has no impact on Dexia Credit Local.
- IFRIC 15 Agreements for the construction of real estate, which is effective for annual periods beginning on or after January 1, 2009. This interpretation has no impact on Dexia Credit Local.
- IFRIC 17 Distributions of Non Cash-Assets to Owners, which is effective for annual periods beginning on or after July 1, 2009. This interpretation has no impact on Dexia Credit Local.
- IFRIC 18 Transfers of Assets from Customers, which is effective for annual periods beginning on or after July 1, 2009. This interpretation has no impact on Dexia Credit Local.

TEXTS ENDORSED BY THE EUROPEAN COMMISSION BEFORE 2009 THAT HAVE A SIGNIFICANT IMPACT AND ARE EFFECTIVE AS FROM JANUARY 1, 2009

In the consolidated financial statements for the period ended December 31, 2009, Dexia Credit Local:

- applies the revised IAS 1 and as a result, discloses a new statement called "Net income and unrealized or deferred gains and losses through equity";
- modified the reporting of its activities according to the new organizational structure and applies IFRS 8 for the first time.

TEXTS PUBLISHED BUT NOT YET ADOPTED BY THE EUROPEAN COMMISSION

For information purposes, note that the following IASB and IFRIC texts published in 2009 had not been adopted by the European Commission as of December 31, 2009 and are not applicable to Dexia Credit Local:

Standards

- IFRS 9 Financial Instruments, which deals with the classification and measurement of financial assets. This new standard will be effective for annual periods beginning on or after January 1, 2013. The impact of this new standard on Dexia Credit Local is currently being assessed.
- Revised IAS 24 Related Party Disclosures, which will replace the standard issued in 2003 and will be effective for annual periods beginning on or January 1, 2011. The revision of this standard has no impact on Dexia Credit Local financial statements.

Amendments to existing Standards

- Amendments to IFRS 2 Share-Based Payments, entitled "Group Cash-settled Share-Based Payment Transactions," which will be effective for annual periods beginning on or after January 1, 2010. The objective of these amendments is to clarify the scope of IFRS 2. These amendments have no impact on Dexia Credit Local, as Dexia Credit Local does not offer cash-settled share-based payments.
- Amendments to IFRS 1 First-time Adoption of IFRS, entitled "Additional Exemptions for First-time Adopters," which are effective as from January 1, 2009. These amendments have no impact on Dexia Credit Local, which is no longer a first-time adopter.

The IASB also issued:

- Improvements to existing standards, which are a collection of amendments to existing International Financial Reporting Standards. Unless otherwise specified, the amendments will be effective for annual periods beginning on or after January 1, 2010. No impact is expected for Dexia Credit Local.

Interpretations

The IFRIC published one interpretation and one amendment of an interpretation:

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, which will be effective for annual periods beginning on or after July 1, 2010. This interpretation has no impact on Dexia Credit Local.
- Amendment to IFRIC 14 "Prepayment of a Minimum Funding Requirement," which will be effective for annual periods beginning on or after January 1, 2011. The amendment to this interpretation has no impact on Dexia Credit Local.

c. Accounting policies applied to consolidated financial statements

CONSOLIDATION

Consolidation scope

The consolidated financial statements include the parent company, its subsidiaries and Special Purpose Entities (SPEs). Subsidiaries and SPEs are those entities in which Dexia Credit Local, directly or indirectly, has the power to exercise control over financial and operating policies.

Subsidiaries are consolidated from the date on which effective control is transferred to Dexia Credit Local and are no longer consolidated as from the date on which Dexia Credit Local loses significant influence over such subsidiary. Intercompany transactions, balances and unrealized gains and losses on transactions between Dexia Credit Local's companies have been eliminated. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. When necessary, adjustments have been made to ensure consistency with the policies applied by Dexia Credit Local.

Equity and net income attributable to minority interests are shown separately in the balance sheet and income statement respectively.

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 by the proportional consolidation method. In the consolidated financial statements, joint ventures are integrated according to the percentage interest in their assets, liabilities, income and expenses.

The same consolidation treatment used for intercompany transactions is the same as that applied to subsidiaries.

Associates

Investments in associates are accounted for using the equity method. Associates are investments in which Dexia Credit Local has significant influence, but does not exercise control. This is usually the case when Dexia Credit Local owns between 20% and 50% of the voting rights. The ownership share of net income for the year is recognized as income from associates and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets including net goodwill.

Unrealized gains on transactions between Dexia Credit Local and its associates are eliminated to the extent of Dexia Credit Local's interest. Unrealized losses are also eliminated unless the transaction shows evidence of the asset transferred being impaired. Losses from investments in associates cease to be recorded once the carrying amount of the investment reaches zero, unless Dexia Credit Local is required to assume or guarantee the associate's obligation.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In certain circumstances, financial assets and financial liabilities are offset and the net amount reported in the balance sheet. This may happen when there is a legally enforceable right to set off the recognized amounts and there is an intention that expected future cash flows will be settled on a net basis, or that the asset will be realized and the liability settled simultaneously. Assets are presented before any allowances for loss on impairment.

FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

The consolidated financial statements are stated in euros (functional and presentation currency), which is the currency of the country in which Dexia Credit Local is registered.

Foreign currency translation

On consolidation, the income statements and cash flow statements of foreign entities whose functional currency differs from Dexia Credit Local's presentation currency are translated into Dexia Credit Local's presentation currency (euro) at average exchange rates for the year or the period and their assets and liabilities are translated at the closing rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and associates and of borrowings and other currency instruments designated as hedges of such investments are recorded as a cumulative translation difference within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognized in the income statement.

Foreign currency transactions

For individual Dexia Credit Local entities, foreign currency transactions are accounted for using the exchange rate on the transaction date. Outstanding balances denominated in foreign currencies at the year end are translated at closing rates for monetary items while non-monetary items are 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 income statement, while for non-monetary items carried at fair value, the exchange differences follow the same accounting treatment as for fair value adjustments.

TRADE DATE AND SETTLEMENT DATE ACCOUNTING

All "regular way" purchases and sales of financial assets and financial liabilities are recognized on the settlement date, which is the date on which a financial asset or a financial liability is delivered to or by Dexia Credit Local, except for financial instruments held for trading purposes, which are recognized and derecognized at trade date. For assets and liabilities recognized at fair value, Dexia Credit Local recognizes from the trade date any unrealized gains or losses arising from revaluing the contract to fair value at the reporting date.

These unrealized gains and losses are recognized in the income statement unless the transactions have been assigned to cash flow hedge relationships or are related to assets available for sale.

FINANCIAL ASSETS

Interbank and customer loans and advances

Loans categorized as "loans and advances," being those not included within held for trading, available for sale or designated at fair value through profit or loss, are carried at amortized cost, *i.e.* the historical cost principal amount, net of any deferred fees and material direct costs on loans and of any unamortized premiums or discounts.

Financial assets held for trading

Securities held for trading are securities acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at fair value and subsequently re-measured at fair value. All related realized and unrealized gains and losses are included in "Net gains (losses) on financial instruments at fair value through profit or loss." Interest earned while holding trading assets is reported under interest income. Dividends received are recognized in "Net gains (losses) on financial instruments at fair value through profit or loss."

All purchases and sales of securities held for trading that require delivery within the timeframe established by regulations or market convention ("regular way" purchases and sales) are recognized on the trade date.

Financial assets designated at fair value through profit or loss

These assets are recognized at fair value through profit or loss. Unrealized gains or losses are recognized in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss." Interest income is accrued using the effective interest rate method. Interest is classified as "Interest income."

Under the fair value option amendment, a financial asset, financial liability or group of financial instruments can be designated by the entity as "at fair value through profit or loss," provided that doing so results in more relevant information. It is used:

- when such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- when a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when an instrument contains an embedded derivative that is not closely linked to the host contract.

The use of the fair value option is an accounting policy choice that should be made for the entire financial instrument, at initial recognition and when certain documentation conditions are fulfilled.

Financial assets available for sale and held to maturity

Management determines the appropriate classification of its investments at the time of purchase. However, under certain conditions, financial assets could be subsequently reclassified.

Listed securities with fixed maturity are classified as "financial assets held to maturity" (HTM) when management has both the intent and the ability to hold the assets to maturity.

Securities, loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available for sale (AFS).

Securities, loans and receivables are initially recognized at fair value (which includes transaction costs). Interest is recognized based on the effective interest rate method and is recognized within net interest income. Unrealized gains and losses arising from changes in the fair value of financial assets classified as available for sale are recognized within equity.

Held-to-maturity (HTM) investments are carried at amortized cost using the effective interest rate method, less any allowance for impairment.

When available-for-sale securities are reclassified as Loans and advances according to the amendment to IAS 39 issued in October 2008, the available-for-sale reserve as of December 31, 2009 is the non amortized available-for-sale reserve related to the securities transferred on October 1, 2008.

Realized gains and losses on sales of financial assets

For financial assets not revalued through the income statement, realized gains or losses on disposals are the differences between the proceeds received (net of transaction costs) and the costs or amortized costs of the investments. The cost is systematically determined using the "First In, First Out" approach (FIFO method) on a portfolio basis.

When an available-for-sale financial asset is sold, the total gains or losses recognized earlier in equity are reclassified in the income statement.

Accounting for early repayment indemnities

Dexia Credit Local has determined the accounting principles applicable to the restructuring of loans in accordance with AG 62 of IAS 39 dealing with the restructuring of financial liabilities.

There are several possibilities for accounting for early repayment indemnities, depending on whether the early repayment is recognized as not being an extinguishment (with refinancing) or as an extinguishment (no refinancing).

Case of early repayment with refinancing

The method of accounting for early repayment indemnities differs depending on whether the restructuring results in terms that are substantially different from those set initially.

In accordance with the principles of AG 62, Dexia Credit Local considers that the terms are substantially different when the net present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10% different from the discounted net present value of the remaining cash flows from the original loan.

The early repayment indemnity is recognized immediately in the income statement or else amortized over the remaining term of the modified loan depending on the results of the eligibility test. If the eligibility test is passed, *i.e.* the income statement difference is less than 10%, the early repayment indemnity is amortized over the remaining term of the new loan. If not, *i.e.* the difference exceeds 10%, the early repayment indemnity is recognized immediately in the income statement.

Case of early repayment without refinancing

When the loan has been extinguished, the early repayment indemnity, as well as any gains or losses arising from an unamortized premium or discount, is recognized in the income statement as income for the period, as required by IFRS.

Impairment of financial assets

Dexia Credit Local records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, in accordance with IAS 39 (section 58-70). The impairments represent management's best estimates of losses at each balance-sheet date.

An interest bearing financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Two types of allowances for impairment losses are recorded on financial assets:

- **specific impairment**: the amount of the provision on specifically identified assets is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, excluding guarantees and collateral, discounted using the effective interest rate at the time of the impairment test. Impairment and reversal of impairment are recognized on a case-by-case basis in accordance with the standard.

  Financial assets with small balances that share similar risk characteristics are generally aggregated when assessing their impairment;

- **collective impairment**: loss impairments cover incurred losses not covered by specific impairment where there is objective evidence that probable losses are present in segments of the portfolio or other lending-related commitments at the balance-sheet date. These have been estimated based upon historical patterns of losses in each segment, the credit ratings assigned to the borrowers and the current economic environment in which the borrowers operate. For this purpose, Dexia Credit Local develops credit risk models using an approach that combines appropriate default probabilities and losses given default that are subject to regular backtesting and are based on Basel II data and risk models.

At closing date, management reviews the environment in order to determine if the data used for the model need to be adjusted. If such adjustments (for example, related to the concentration of risk for a business segment) are required, an additional provision is recognized.

The country risk component is included within collective and specific impairment.

Once a financial asset is reclassified from the "Available for sale" category into the "Loans and advances" category according to provisions of IAS 39 as modified in October 2008, the impairment amount is equal to the difference between the carrying amount and the expected value of the cash flows discounted using the effective interest rate recalculated at the transfer date.

Available-for-sale (AFS) financial assets are only subject to specific loss risk allowance.

Available-for-sale (AFS) listed equities are valued at fair value through "Unrealized or deferred gains and losses" or within the income statement in the case of impairment. Impairments are recognized if the carrying amount is no longer considered as recoverable.

Dexia Credit Local recognizes an impairment if there is objective evidence of impairment. A prolonged or significant decline in an equity instrument represents objective evidence of impairment. Dexia Credit Local considers that a decline is significant when the quoted price is 50% lower than the acquisition value. Dexia considers there to be a prolonged decline when the equity instrument presents an unrealized loss over an 18-month period. In the case of a prolonged decline, management recognizes an impairment based on the irrecoverability risk. Equity security impairments cannot be reversed in the income statement due to a subsequent increase in the quoted price.

Impairment on financial assets included in HTM or fixed-income financial assets in AFS are reported in "Cost of risk." Impairment on variable-income financial assets in AFS is reported in "Net gains (losses) on financial assets available for sale."

For fixed-income financial assets, if the necessary impairment amount is then reduced due to a specific event, the reversal of the impairment is recognized in "Cost of risk."

Sale and repurchase agreements and lending of securities

Securities sold subject to a repurchase agreement (repos) remain recognized in the financial statements as financial assets held for trading, financial assets available for sale or financial assets held to maturity. The corresponding liability is included in "Interbank borrowings and deposits" or "Customer deposits" as appropriate. The asset is reported as pledged in the notes.

Securities purchased under agreements to resell (reverse repos) are recorded as:

- an obligation to return securities within off-balance sheet items; or
- "Interbank loans and advances" or "Customers loans and advances" as appropriate.

The difference between the sale and repurchase price is treated as interest income or expense and is amortized over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements. If they are sold to third parties, the obligation to return them is recorded at fair value in "Financial liabilities at fair value though profit or loss" and the gain or loss is included in "Net gains (losses) on financial instruments at fair value through profit or loss."

FINANCIAL LIABILITIES

Liabilities held for trading

Liabilities held for trading follow the same accounting rules as those for loans and securities held for trading.

Liabilities designated at fair value through profit or loss

Accounting principles for financial liabilities designated at fair value through profit or loss are the same as those used for financial assets.

Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortized cost and any difference between the net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

DERIVATIVES

Derivatives not used in a hedging relationship

Derivative financial instruments generally include foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps and currency and interest rate options (both written and purchased). All derivatives are initially recognized in the balance sheet at fair value and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The amount reported on these lines of the balance sheet includes the premium paid/received net of amortization, the fair value adjustment and accrued interest, the sum of all these elements representing the fair value of the derivative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- the hybrid contract is not carried at fair value with unrealized gains and losses reported in the income statement.

Hedging derivatives

When a derivative contract is entered into, Dexia Credit Local may designate certain derivatives as either:

- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge);

- a hedge of a future cash flow attributable to a recognized asset or liability or a forecast transaction (cash flow hedge);
- a hedge of a net investment in a foreign entity (net investment hedge).

If a derivative is not designated as a hedging relationship, it is deemed to be held for trading purposes or as part of an operation designated at fair value through profit or loss.

Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.

The primary criteria for a derivative instrument to be accounted for as a hedge include, *inter alia*:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship between the hedging instrument and the hedged item must be prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be effective both prospectively and retrospectively in offsetting changes in fair value or cash flows attributable to the hedged risk on the hedged item throughout the reporting period;
- the hedge shall be effective at inception and on an ongoing basis.

Dexia Credit Local entities use internal derivative contracts (internal hedging) mainly to cover their interest rate risks. If the contracts cannot be offset with non-Group counterparties, then the criteria for employing hedge accounting have not been met.

Internal derivative contracts between separate divisions within the same legal entity and between separate entities within the consolidated Group can qualify for hedge accounting in the consolidated financial statements only if the internal contracts are offset by derivative contracts with a party external to the consolidated Group. In this case, the external contract is regarded as the hedging instrument.

Changes in the fair value of derivatives that are designated and documented in a fair value hedging relationship, and which comply with the criteria provided above, are recorded in the income statement, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to that specific hedged risk.

If at any time the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to net profit or loss over the period to maturity through an adjustment of the yield on the hedged item.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognized in the hedging reserve in equity as "Unrealized or deferred gains and losses" (see "Net income and unrealized or deferred gains and losses through equity").

The non-effective portion of the changes in the fair value of the derivatives is recognized in the income statement. Amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the income statement.

Certain derivative transactions, while providing effective economic hedges under Dexia Credit Local's risk management positions, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading with fair value gains and losses being reported in income.

Hedging of a portfolio's interest rate risks exposure

Dexia Credit Local has decided to apply IAS 39 as adopted by the European Union because it better reflects the way Dexia Credit Local manages its activities.

Hedge relationships are used to reduce the interest rate risks exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

The Company performs a global analysis of interest rate risks exposure. This consists of assessing fixed-rate exposure taking into account all the exposure stemming 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.

The entity selects assets and/or liabilities to be included in the hedge of portfolio interest rate risks exposure. The entity defines at inception the risk exposure to be hedged, the period covered, the testing method and the frequency with which it performs such tests. The entity consistently applies the same methodology for selecting portfolio assets and liabilities. Assets and liabilities are included on a cumulative basis in all the portfolio time-bands. Hence, when they are removed from the portfolio, they must be removed from all the time-bands on which they had an impact.

The entity may choose which assets and/or liabilities it wishes to classify in the portfolio provided they are included in the global analysis. Demand deposits and savings accounts may be included in the portfolio based on behavioral study for estimating expected maturity date. The entity may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale assets or loan portfolios. Hedges consist of derivatives whose positions may offset each other.

The hedging items are recognized at their full fair value (including accrued interest expense or income) with adjustments being accounted for in the income statement.

In the balance sheet, revaluations are recognized as:

- fair value revaluation of portfolio hedges in assets; or
- fair value revaluation of portfolio hedges in liabilities; or
- part of the heading "Financial assets in available-for-sale."

Effectiveness tests consist of verifying that the hedging objective, *i.e.* reducing the interest rate risks exposure, is fulfilled. Inefficiency can come only from overhedging due to non-contractual events occurring within the categories of assets or liabilities.

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.

Market prices are used to determine fair value, where an active market (such as a recognized exchange) exists, as it is the best evidence of the fair value of a financial instrument. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Dexia Credit Local.

If the market for a financial instrument is not active, valuation techniques are used. A valuation technique 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 attempt to take into account all the factors that market participants would consider when pricing the asset. In this context, Dexia Credit Local uses its own valuation model and market assumptions, *i.e.* present value or other estimation and valuation techniques based on market conditions existing at balance-sheet dates.

Financial investments classified as held for trading, available for sale, or designated at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. When quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows using either observable and/or unobservable market data.

For assets and liabilities classified as available for sale (AFS) or designated at fair value through profit or loss, when quoted prices are not available, the pricing models try to reflect as accurately as possible the market conditions on the calculation date as well as the changes in the credit quality of the financial instruments and the market liquidity.

The following comments are applicable to the fair value of loans and advances presented in the notes:

- the fair value of fixed-rate loans and mortgages is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans;
- caps, floors and prepayment options are included when determining the fair value of loans and securities.

Day one profit or loss

The best evidence of the fair value of a derivative at initial recognition is the transaction price (*i.e.*, the fair value of the consideration given or received) unless the fair value of that instrument is:

- evidenced by comparison with other observable current market transactions in the same instrument (*i.e.*, without modification or repackaging); or
- based on a valuation technique whose variables include only data from observable markets.

The difference between the transaction price and the fair value based on a valuation technique is commonly referred to as "Day one profit or loss."

When the fair value is determined using validated valuation models for which all inputs are market observable, Dexia Credit Local recognizes the day one profits or losses at initial recognition in the income statement.

Where such evidence does not exist, day one profit or loss is deferred and recognized in the income statement to the extent that it arises from a change in a factor (including time) that market participants would consider when setting a price. The unrecognized amount of day one profit is amortized over the remaining life of the transaction. If the inputs subsequently become market observable, or if the instrument is derecognized, the remaining amount of the deferred day one profit or loss is taken in full to the income statement.

NON-CURRENT ASSETS HELD FOR SALE

When 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 if:

- it is available for immediate sale in its present condition; and
- its sale is highly probable.

An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Non-current assets or disposal groups classified as held for sale are presented separately in the balance sheet (in assets, liabilities or equity).

INTEREST INCOME AND EXPENSE

Interest income and expense are recognized in the income statement for all interest-bearing instruments on an accrual basis using the effective interest rate method based on the purchase price (including transaction costs).

Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or liability and are reflected in 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 a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognized based on the interest rate that was used to discount the future cash flows for measuring the recoverable amount.

FEE AND COMMISSION INCOME AND EXPENSE

Fees and commissions are recognized in accordance with IAS 18. In accordance with this standard, most of the commissions arising from Dexia Credit Local's activities are recognized on an accrual basis over the life of the underlying transaction.

Fees and commissions arising from significant acts such as 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 recognized based on the stage of completion of the underlying transaction.

For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognized as earned when the service is provided. Performance fees are recognized when they are definitively acquired.

Commitment fees on lines of credit are recognized as part of the effective interest rate if the line is utilized and are recorded as commission income on the expiry date if the line is not utilized.

INSURANCE ACTIVITY

General principles

Financial Security Assurance (FSA) is active in the field of credit enhancement of public finance and asset-backed obligations.

Dexia Credit Local is applying IFRS 4, which allows a company to account for insurance contracts under local GAAP if they qualify as such under this standard.

Dexia Credit Local has therefore decided to use local accounting policies to evaluate technical provisions for contracts that fall within the scope of IFRS 4.

Amounts received and paid relating to insurance products (including non-life claims) are reported respectively under "other income" and "other expenses." The "Technical margin of insurance companies" is stated in a footnote to the income statement.

Losses and changes in provisions for credit enhancement activities, which for accounting purposes are treated similar to banking activities, are reported under "Cost of risk."

Amortization of deferred acquisition costs is presented under a separate heading within operating expense.

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.

Technical provisions of insurance companies

FSA activities

Financial guaranty insurance generally provides an unconditional and irrevocable guarantee that protects the holder of a financial obligation against non-payment of principal and interest when due. In the event of a payment default on an insured obligation, Dexia Credit Local is generally required to pay the principal, interest or other amounts due in accordance with the obligation's original payment schedule or, at its option, to pay such amounts on an accelerated basis. The contract may be considered as a derivative or an insurance contract depending on certain legal or economic characteristics.

Gross and ceded premiums received in upfront payouts are earned in proportion to the amount of risk outstanding over the expected period of coverage. Deferred premium revenue and prepaid reinsurance premiums represent the portion of premium that is applicable to coverage of risk to be provided in the future on policies in force.

Dexia Credit Local establishes provisions for losses based on its estimate of specific and non-specific losses. Dexia Credit Local also establishes provisions for loss adjustment expenses, consisting of the estimated cost of settling claims, including legal and other fees and expenses associated with administering the claim process. Dexia Credit Local calculates a loss and loss adjustment expenses liability based upon identified risks inherent in its insured portfolio. If an individual policy risk has a probable loss on the balance sheet date, a specific reserve is established. For the remaining policy risks in the portfolio, a general reserve is established to account for the inherent credit losses that can be statistically estimated.

Dexia Credit Local establishes a specific reserve for the present value of the estimated loss, net of recoveries when, in management's opinion, the likelihood of a future loss on a particular insured obligation is probable and can be reasonably estimated at the balance sheet date. When an insured obligation has met the criteria for establishing a specific reserve and the transaction pays a premium in instalments, those premiums, if expected to be received prospectively, are considered a form of recovery and are no longer treated as premium income.

A specific reserve is determined using cash flow or similar models that represent Dexia Credit Local's estimate of the net present value of the anticipated shortfall between:

- expected payments on the insured obligation plus anticipated loss adjustment expenses; and
- anticipated cash flow from and proceeds to be received on sales of any collateral supporting the obligation and other anticipated recoveries.

The estimated loss, net of recovery, on a transaction is discounted using the risk-free rate appropriate for the term of the insured obligation at the time the reserve is established.

Dexia Credit Local records a general reserve to reflect the credit risks inherent in its portfolio. General reserves in addition to specific reserves represent Dexia Credit Local's estimate of the total reserves. Generally, when an insured credit deteriorates to a point where claims are expected, a specific reserve is established.

The general reserve amount established considers all levels of protection (e.g. reinsurance and over-collateralization). Net par outstanding for policies originated in the current period is multiplied by loss frequency and severity factors. The loss factors used for calculation are the product of default frequency rates obtained from Moody's and severity factors obtained from Standard and Poor's. Moody's is chosen due to its credibility, large population, statistical format and reliability of future updates. Dexia Credit Local applies an experience factor to the results of the statistical calculation.

Liability adequacy test

An insurer applies a Liability Adequacy Test for its insurance products, in accordance with IFRS 4. Dexia Credit Local assesses at each reporting date whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

For non-life insurance, the Liability Adequacy Test is a sufficiency test within IFRS 4 that examines if premiums and reserves are sufficient to cover any open claim files and claims that are expected to occur within the duration of the contracts.

Reinsurance

Dexia Credit Local's reinsurance contracts with third parties that contain enough insurance risk to be classified as insurance contracts 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, we refer to its attributed credit rating and the impairment rules.

Deferred acquisition costs

Deferred acquisition costs are comprised of expenses related to the production of business, including commissions paid on reinsurance assumed, compensation and related costs of underwriting and marketing personnel, certain rating agency fees, premium taxes, and certain other underwriting expenses, and reduced by commission income on premiums ceded to reinsurers.

Deferred acquisition costs are amortized over the period in which the related premiums are earned. Amortization of deferred acquisition costs is presented on a separate heading within general operating expense.

When an insured issue is retired or defeased prior to the end of the expected period of coverage, the remaining deferred acquisition costs are recognized in the income statement. Recoverability of deferred acquisition costs is determined by:

- considering future revenues (deferred premium revenue and expected future instalments); and
- the present value of anticipated losses and loss adjustment expense.

TANGIBLE FIXED ASSETS

Tangible fixed assets include office buildings, furnishings and equipment, and investment properties.

All office buildings, furnishings and equipment are initially stated at historical cost increased by directly attributable expenses and related borrowing costs (such as foreign exchange losses, financial costs, etc.). After the initial accounting, tangible fixed assets are valued at their cost less accumulated depreciation and impairment. 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 estimated useful lives for the main tangible fixed assets are as follows:

- structure of the building: 50 years;
- roof and frontage: 30 years;
- technical installations: 10 to 30 years;
- fixtures and fittings: 10 to 30 years;
- leasehold improvements, equipment and furniture: 2 to 12 years;
- computer equipment: 3 to 6 years;
- vehicles: 2 to 5 years.

An item of property and equipment can be composed of different parts with varying useful lives. In such a case, each part is depreciated separately over its estimated useful life.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included in "Net gains (losses) on other assets." Expenditure that enhances or extends the benefits of real estate or fixed assets is capitalized and subsequently depreciated.

Investment properties are those properties held to earn rental income or for capital appreciation. Dexia Credit Local may also partly use certain investment properties.

If the "own use" portions can be sold separately or leased out separately under a finance lease, these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property is an investment property only if Dexia Credit Local uses an insignificant portion for its own use.

Investment properties are recorded at acquisition cost less accumulated depreciation and impairment. Investment properties are depreciated over their useful life on a straight-line basis.

INTANGIBLE ASSETS

Intangible assets mainly consist of internally generated and acquired software. Costs associated with maintaining computer software programs are expensed when 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 recognized as assets are amortized using the straight-line method over their useful lives from the time the software is available for use. This amortization period is usually between three and five years.

When the carrying amount of an intangible asset is greater than its estimated recoverable value, an impairment loss is recognized and the carrying amount of this asset is written down to its estimated recoverable value. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included in "Other income" and "Other expense" in the income statement. Expenditure that enhances or extends the benefits is capitalized and subsequently depreciated.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of Dexia Credit Local's share of the net assets of the acquired subsidiary or associated undertaking at the date of acquisition. Goodwill on acquisitions occurring on or after January 1, 2004 is reported in the balance sheet as an intangible asset.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Cash generating units are defined by the criteria of legal entity, geographic area and business segment.

Changes in percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore, neither fair value adjustments nor goodwill adjustments are made when percentage increases or decreases take place without necessitating a change in the consolidation method. The difference between the value of the net assets purchased or sold and the purchase or selling price is recorded directly in equity.

Impairment of goodwill

The carrying amount of goodwill is reviewed at the year end or when circumstances or events indicate that there may be uncertainty over the carrying amount. It is written down for impairment when the recoverable amount of the business is insufficient to support the carrying amount.

Other assets

Other assets are comprised primarily of accrued income (non-interest related), prepayments and other accounts receivable. They also include insurance products (reinsurance, insurance premiums receivable, etc.), construction contracts, inventories and plan assets relating to employee benefit obligations. These other assets are recorded at amortized cost less impairment if applicable. Employee benefits are recognized in accordance with IAS 19 requirements.

LEASES

A Dexia Credit Local company is the lessor

When assets held are subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

A Dexia Credit Local company is the lessee

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

When an operating lease is terminated before the lease period has expired, any payments to be made to the lessor by way of penalty are recognized as an expense in the period in which termination takes place.

Amortization of those assets is included in "Other expenses."

If the lease agreement substantially transfers the risks and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalized. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

DEFERRED INCOME TAX

Deferred income tax is recognized 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 tax rates enacted or substantively enacted at the balance-sheet date are used to determine deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

A deferred tax liability is recognized on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the income statement together with the deferred gain or loss.

EMPLOYEE BENEFITS

Employee benefit obligations are measured at the present value of the estimated future cash outflows using interest rates of corporate bonds rated AA, which have terms to maturity approximating the terms of the related liability and also taking into consideration actuarial and demographic assumptions.

Qualified internal actuaries and independent actuaries carry out valuations of these obligations. All valuation assumptions and results are reviewed and validated by an independent actuary on behalf of Dexia Credit Local who ensures that all calculations are standardized and calculated in compliance with IAS 19 and IFRS 2.

Pension obligations

Dexia Credit Local operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate insurance companies. The pension plans are generally funded by payments from employees and by the relevant Dexia Credit Local companies.

Defined benefit plans

For defined benefit plans, pension expense is assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees. Dexia Credit Local has elected to apply the "corridor method." Net cumulative unrecognized actuarial gains and losses exceeding the corridor (the greater of 10% of the present value of the gross defined benefit obligation or 10% of the fair value of any plan assets) are recognized in income over the average remaining life of the plan.

The defined obligation is presented net of plan assets as a liability unless the assets are held by a Group entity in which case the assets are recorded gross in the related asset lines on the balance sheet.

Defined contribution pension plans

Dexia Credit Local's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate. The obligation of Dexia Credit Local is limited to the contributions that Dexia Credit Local agrees to pay into the fund on behalf of the employees.

Other post-retirement obligations

Some Dexia Credit Local companies provide post-retirement health care benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

Other long-term benefits

This mainly includes provisions for service awards that will be received by employees when they become eligible.

Termination benefits

These benefits are provided for when all conditions of eligibility are met.

Vacation benefits

Standard annual leave and seniority-based vacation leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and seniority - based leave accrued to employees up to the balance-sheet date.

Benefits granted in the form of equity instruments

Dexia Credit Local can, under specified vesting conditions (category of employee, completion of continuing service for a specified period, etc.) grant options on equity instruments after a vesting period served by the employee on a contractual basis. The fair value of the service rendered by employees is recognised as expenses in the income statement with a corresponding increase in equity (Dexia Credit Local's equity or Dexia's equity), upon satisfaction of any specified vesting conditions.

Dexia Credit Local applies IFRIC 11 since January 1, 2008. In the case of employee benefits granted involving equity instruments of the parent company, this interpretation requires that the expenses (corresponding to the fair value of the service rendered) is recognised in equity (contribution from the parent) and not as a profit received from the parent company.

PROVISIONS FOR CONTINGENCIES AND CHARGES

A provision represents a liability of uncertain timing or amount. Provisions are recognized based on their discounted value when:

- Dexia Credit Local has a present legal or implicit 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;
- a reliable estimate of the amount of the obligation can be made.

DIVIDENDS ON COMMON SHARES

Dividends on common shares are recognized in equity in the period in which they are declared (authorized and no longer at the discretion of the entity). Dividends for the year that are declared after the balance-sheet date are disclosed in the post-balance sheet events note.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income before minority interests available to common shareholders by the weighted average number of shares of common stock outstanding during the year.

RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial or operational decisions. The ultimate parent company of the Group is Dexia SA, incorporated in Belgium. Transactions with companies accounted for by the equity method are reported, as are those with the Directors.

SEGMENT REPORTING

The business segmentation was adapted to Dexia Credit Local's new profile and strategic directions. Dexia Credit Local is now divided into two divisions representing operational activities focused on homogeneous client franchises (Public and Wholesale Banking or PWB, Retail and Commercial Banking or RCB). A third division, named Group Center (GC), includes treasury operations and activities in run-off as well as the former Central Asset segment.

Compared with the previous business segmentation, the main changes are:

- "Treasury and Financial Markets" is no longer a separate business line and has been transferred to the Group Center and operational business lines;
- all bond portfolios in run-off (public bonds and Financial products portfolios previously in PWB; credit spread portfolios and trading portfolios previously in TFM) have been reallocated in full to Group Center;
- FSA insurance business has been transferred from PWB to Group Center;
- Slovakia's former PWB activities are now included in RCB.

The basis of measurement for segment profit or loss is not materially different between IFRS 8 and IAS 14.

Dexia Credit Local's business segments are managed on a worldwide basis. They operate in four main geographic areas:

- eurozone (countries using the euro as currency);
- rest of Europe (European countries which do not belong to the euro zone);
- United States;
- rest of world.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with terms to maturity of under 3 months included within cash and balances with central banks, loans and advances due from banks, financial assets held for trading, financial assets available for sale and financial assets designated at fair value through profit or loss.

2. NOTES ON THE ASSETS

2.0 CASH, CENTRAL BANKS AND POSTAL CHECKING ACCOUNTS (ITEM I – ASSETS)

(EUR millions)	2008	2009
Cash	48	32
Mandatory reserve deposits with central banks	493	496
Other central bank deposits and balances with postal checking accounts	91	373
TOTAL	**632**	**901**
of which included in cash and cash equivalents	*632*	*901*

2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (ITEM II – ASSETS)

This line includes both the held for trading portfolio and all financial assets at fair value through profit or loss (see point regarding "Financial assets at fair value through profit or loss" in note 1.3 Accounting policies and valuation methods).

(EUR millions)	2008	2009
Loans and securities	5,848	3,434
Derivatives (see note 4.1.b)	19,570	10,038
TOTAL	**25,418**	**13,472**

a. Analysis by counterparty

(EUR millions)	2008 Held for trading	2008 Designated at fair value	2008 Total	2009 Held for trading	2009 Designated at fair value	2009 Total
Public sector	465	199	664	92	209	301
Banks	1,097	89	1,186	177	12	189
Other sectors	3,959	39	3,998	2,932	12	2,944
TOTAL	**5,521**	**327**	**5,848**	**3,201**	**233**	**3,434**
of which included in cash and cash equivalents	*273*	*0*	*273*	*10*	*0*	*10*
of which included in finance leases	*0*	*0*	*0*	*0*	*0*	*0*

b. Analysis by nature

(EUR millions)	2008 Held for trading	2008 Designated at fair value	2008 Total	2009 Held for trading	2009 Designated at fair value	2009 Total
Loans	4	7	11	0	7	7
Bonds issued by public bodies	5	179	184	52	42	94
Other bonds and fixed-income instruments	5,512	114	5,626	3,149	184	3,333
Equities and other variable-income instruments	0	27	27	0	0	0
TOTAL	**5,521**	**327**	**5,848**	**3,201**	**233**	**3,434**

c. Treasury bills and other bills eligible for refinancing with central banks

(EUR millions)	2008	2009
TOTAL	**3**	**0**

d. Securities pledged under repurchase agreements (repos)

(EUR millions)	2008	2009
Included in bonds issued by public bodies	5	0
Included in other bonds and fixed-income instruments	907	259

e. Analysis by maturity and interest rate

See notes 7.7 and 7.4.

f. Analysis of the fair value

See note 7.1.

The Dexia Credit Local Group uses the fair value option mainly to eliminate, or significantly reduce, the inconsistency in the measurement or the recognition (also called the accounting mismatch) that otherwise arises from measuring financial assets or recognizing the gains and losses on them on a different basis.

To determine the fair value for unlisted financial instruments classified under the fair value option, the pricing tools used and procedures followed are determined by Group Risk Management. The pricing tool is a discounted cash flow model whereby the net present value is determined using an interest rate based on available market rates applicable for similar securities and taking into account our own credit rating.

g. Reclassification of financial assets (IAS 39 amended)

See note 2.14.

2.2 FINANCIAL ASSETS AVAILABLE FOR SALE (ITEM IV – ASSETS)

a. Analysis by counterparty

(EUR millions)	2008	2009
Public sector	30,052	20,825
Banks	27,556	21,150
Other sectors	3,004	5,511
Performing assets	**60,612**	**47,486**
Impaired loans	0	0
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	219	215
Impaired equities and other variable-income instruments	93	164
Impaired assets [(1)]	**312**	**379**
Total assets before impairment	**60,924**	**47,865**
Specific impairment	(250)	(248)
Collective impairment	0	0
TOTAL	**60,674**	**47,617**
of which included in cash and cash equivalents	827	1,206

(1) As of December 31, 2008, the impaired assets pertain primarily to bonds issued by Icelandic banks and Lehman Brothers.

b. Analysis by nature

(EUR millions)	2008	2009
Loans	0	0
Bonds issued by public bodies	24,648	17,949
Other bonds and fixed-income instruments	35,720	29,272
Equities and other variable-income instruments	556	644
TOTAL	**60,924**	**47,865**

c. Transfers between portfolios

None.

d. Convertible bonds included in the available for sale portfolio

None.

e. Analysis by maturity and interest rate

See notes 7.7 and 7.4.

f. Analysis of fair value

See note 7.1.

g. Analysis of quality

See note 2.13 "Quality of financial assets."

h. Reclassification of financial assets (IAS 39 amended)

See note 2.14.

2.3 INTERBANK LOANS AND ADVANCES (ITEM V – ASSETS)

a. Analysis by nature

(EUR millions)	2008	2009
Nostri accounts	3,898	6,577
Reverse repurchase agreements (reverse repos)	3,372	824
Other interbank loans and advances (1)	21,434	13,126
Debt instruments	7,197	6,278
Performing assets	**35,901**	**26,805**
Impaired loans and advances	0	0
Impaired assets	**0**	**0**
Total assets before impairment	**35,901**	**26,805**
Specific impairment	0	0
Collective impairment	(9)	(9)
TOTAL	**35,892**	**26,796**
of which included in cash and cash equivalents	*18,776*	*12,854*
of which included in finance leases	*0*	*0*

(1) Interbank loans and advances include loans granted to other Dexia Group entities (see note 4.3).

b. Analysis by maturity and interest rate

See notes 7.7 and 7.4.

c. Analysis of fair value

See note 7.1.

d. Analysis of quality

See note 2.13 "Quality of financial assets."

e. Reclassification of financial assets (IAS 39 amended)

See note 2.14.

2.4 CUSTOMER LOANS AND ADVANCES (ITEM VI – ASSETS)

a. Analysis by counterparty

(EUR millions)	2008	2009
Public sector	177,434	166,105
Other sectors	71,247	72,777
Performing assets	**248,681**	**238,882**
Impaired loans and advances	246	553
Impaired debt instruments (1)	1,898	1,894
Impaired assets	**2,144**	**2,447**
Total assets before impairment	**250,825**	**241,329**
Specific impairment (2)	(1,159)	(1,382)
Collective impairment (3)	(750)	(749)
TOTAL	**248,916**	**239,198**
of which included in finance leases	*1,591*	*1,814*

(1) These are securities from Financial products business.
(2) The specific impairment as of December 31, 2009, included EUR 1,253 million in provisions related to Financial products (EUR 1,059 million in 2008).
(3) The collective impairment as of December 31, 2009, included EUR 239 million in provisions related to Financial products (EUR 316 million in 2008).

b. Analysis by nature

(EUR millions)	2008	2009
Reverse repurchase agreements (*reverse* repos)	37	48
Loans and advances	168,762	166,803
Debt instruments	79,882	72,031
Performing assets	**248,681**	**238,882**
Impaired loans and advances	246	553
Impaired debt instruments (1)	1,898	1,894
Impaired assets	**2,144**	**2,447**
Total assets before impairment	**250,825**	**241,329**
Specific impairment (2)	(1,159)	(1,382)
Collective impairment (3)	(750)	(749)
TOTAL	**248,916**	**239,198**
of which included in finance leases	*1,591*	*1,814*

(1) These are securities from Financial products business.
(2) The specific impairment as of December 31, 2009, included EUR 1,253 million in provisions related to Financial products (EUR 1,059 million in 2008).
(3) The collective impairment as of December 31, 2009, included EUR 239 million in provisions related to Financial products (EUR 316 million in 2008).

c. Analysis by maturity and interest rate

See notes 7.7 and 7.4.

d. Analysis of fair value

See note 7.1.

e. Analysis of quality

See note 2.13 "Quality of financial assets."

f. Reclassification of financial assets (IAS 39 amended)

See note 2.14.

2.5 FINANCIAL ASSETS HELD TO MATURITY (ITEM VIII – ASSETS)

a. Analysis by counterparty

(EUR millions)	2008	2009
Public sector	942	821
Banks	21	26
Other sectors	168	126
Performing assets	**1,131**	**973**
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	0	0
Impaired assets	**0**	**0**
Total assets before impairment	**1,131**	**973**
Specific impairment	0	0
TOTAL	**1,131**	**973**

b. Analysis by nature

(EUR millions)	2008	2009
Bonds issued by public bodies	617	510
Other bonds and fixed-income instruments	514	463
TOTAL	**1,131**	**973**

c. Analysis by maturity and interest rate

See notes 7.7 and 7.4.

d. Analysis of fair value

See note 7.1.

e. Analysis of quality

See note 2.13 "Quality of financial assets."

2.6 TAX ASSETS (ITEMS IX AND X – ASSETS)

(EUR millions)	2008	2009
Current income tax	37	78
Current tax assets	**37**	**78**
Deferred tax assets (see note 4.2)	**2,613**	**1,968**

2.7 ACCRUALS AND OTHER ASSETS (ITEM XI – ASSETS)

(EUR millions)	2008	2009
Other assets	373	358
Cash collateral	21,084	17,530
Accruals and other assets	**21,457**	**17,888**
of which, included in cash and cash equivalents	*21,066*	*17,407*

a. Other assets

Analysis by nature (EUR millions)	2008	2009
Accrued income	10	9
Deferred expense	17	6
Other accounts receivable	303	308
Plan assets	0	0
Long-term construction contracts	0	0
Inventories	0	1
Others taxes	13	12
Performing assets	**343**	**336**
Impaired assets [1]	**212**	**215**
Total assets before impairment	**555**	**551**
Specific impairment [1]	(182)	(193)
TOTAL	**373**	**358**

(1) The impaired assets comprise derivatives transactions with banking (Lehman Brothers) and other customer counterparties.

2.8 INVESTMENTS IN ASSOCIATES (ITEM XIII – ASSETS)

a. Carrying amount

(EUR millions)	2008	2009
As of January 1	**459**	**275**
• Acquisitions	61	0
• Disposals	0	0
• Change in consolidation scope (in)	0	0
• Change in consolidation scope (out) [2]	(35)	(275)
• Share of income before income taxes	(40)	0
• Share of income tax	(1)	0
• Dividends paid	(22)	0
• Share of unrealized or deferred gains and losses	(133)	0
• Changes in goodwill (see below)	(12)	0
• Impairment: additions	0	0
• Impairment: recoveries and reversals	0	0
• Translation adjustments [1]	2	0
• Other movements	(4)	0
AS OF DECEMBER 31	**275**	**0**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.
(2) Dexia Épargne Pension was deconsolidated on April 1, 2009, and Crédit du Nord on December 31, 2009.

b. Goodwill included in carrying amount

(EUR millions)	2008	2009
Acquisition cost as of January 1	**120**	**103**
• Change in consolidation scope (in)	0	0
• Change in consolidation scope (out) [(2)]	(17)	(103)
• Transfers	0	0
• Post-acquisition adjustment	0	0
• Translation adjustments [(1)]	0	0
• Other movements	0	0
Acquisition cost as of December 31	**103**	**0**
Accumulated amortization as of January 1	**(23)**	**(18)**
• Additions	0	0
• Disposals and retirements	0	0
• Change in consolidation scope (in)	0	0
• Change in consolidation scope (out) [(2)]	5	18
• Transfers	0	0
• Post-acquisition adjustment	0	0
• Translation adjustments [(1)]	0	0
• Other movements	0	0
Accumulated amortization as of December 31	**(18)**	**0**
Accumulated impairment as of January 1	**0**	**0**
• Additions	(12)	0
• Disposals, retirements and reversals	0	0
• Change in consolidation scope (in)	0	0
• Change in consolidation scope (out)	12	0
• Transfers	0	0
• Post-acquisition adjustment	0	0
• Translation adjustments [(1)]	0	0
• Other movements	0	0
Accumulated impairment as of December 31	**0**	**0**
NET CARRYING VALUE AS OF DECEMBER 31	**85**	**0**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.
(2) Dexia Épargne Pension was deconsolidated on April 1, 2009, and Crédit du Nord on December 31, 2009.

c. List of major associates as of December 31, 2009

None.

2.9 INVESTMENT PROPERTY AND TANGIBLE FIXED ASSETS (ITEMS XIV AND XV – ASSETS)

a. Movements

(EUR millions)	Investment property	Tangible fixed assets					Total
		Land and buildings		Office furniture and other equipment			
		Own use owner	Own use finance lease	Own use owner	Own use finance lease	Operating lease	
Acquisition cost as of January 1, 2008	**0**	**426**	**0**	**141**	**0**	**76**	**643**
• Acquisitions	0	5	0	11	0	47	63
• Post acquisition adjustment	0	0	0	0	0	0	0
• Disposals and retirements	0	(1)	0	(14)	0	(12)	(27)
• Change in consolidation scope (in)	0	0	0	0	0	0	0
• Change in consolidation scope (out)	0	0	0	0	0	0	0
• Transfers	0	0	0	(27)	0	0	(27)
• Translation adjustments [1]	0	4	0	3	0	0	7
• Other movements	0	0	0	0	0	0	0
Acquisition cost as of December 31, 2008	**0**	**434**	**0**	**114**	**0**	**111**	**659**
Accumulated depreciation and impairment as of January 1, 2008	**0**	**(37)**	**0**	**(84)**	**0**	**(23)**	**(144)**
• Post acquisition adjustment	0	0	0	0	0	0	0
• Additions	0	(9)	0	(12)	0	(16)	(37)
• Disposals and retirements	0	0	0	13	0	7	20
• Change in consolidation scope (in)	0	0	0	0	0	0	0
• Change in consolidation scope (out)	0	0	0	0	0	0	0
• Transfers	0	0	0	9	0	0	9
• Translation adjustments [1]	0	(1)	0	(2)	0	0	(3)
• Other movements	0	0	0	0	0	0	0
Accumulated depreciation and impairment as of December 31, 2008	**0**	**(47)**	**0**	**(76)**	**0**	**(32)**	**(155)**
NET CARRYING VALUE AS OF DECEMBER 31, 2008	**0**	**387**	**0**	**38**	**0**	**79**	**504**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.

(EUR millions)	Investment property	Tangible fixed assets					Total
		Land and buildings		Office furniture and other equipment			
		Own use owner	Own use finance lease	Own use owner	Own use finance lease	Operating lease	
Acquisition cost as of January 1, 2009	**0**	**434**	**0**	**114**	**0**	**111**	**659**
• Acquisitions	0	1	0	6	0	42	49
• Post acquisition adjustment	0	0	0	0	0	0	0
• Disposals and retirements	0	(1)	0	(13)	0	(18)	(32)
• Change in consolidation scope (in)	0	0	0	0	0	0	0
• Change in consolidation scope (out)	0	0	0	0	0	0	0
• Transfers	0	0	0	0	0	0	0
• Translation adjustments (1)	0	0	0	(1)	0	0	(1)
• Other movements	0	0	0	0	0	0	0
Acquisition cost as of December 31, 2009	**0**	**434**	**0**	**106**	**0**	**135**	**675**
Accumulated depreciation and impairment as of January 1, 2009	**0**	**(47)**	**0**	**(76)**	**0**	**(32)**	**(155)**
• Post acquisition adjustment	0	0	0	0	0	0	0
• Additions	0	(9)	0	(11)	0	(20)	(40)
• Disposals and retirements	0	0	0	10	0	9	19
• Change in consolidation scope (in)	0	0	0	0	0	0	0
• Change in consolidation scope (out)	0	0	0	0	0	0	0
• Transfers	0	0	0	1	0	0	1
• Translation adjustments (1)	0	0	0	0	0	0	0
• Other movements	0	0	0	0	0	0	0
Accumulated depreciation and impairment as of December 31, 2009	**0**	**(56)**	**0**	**(76)**	**0**	**(43)**	**(175)**
NET CARRYING VALUE AS OF DECEMBER 31, 2009	**0**	**378**	**0**	**30**	**0**	**92**	**500**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.

b. Fair value of investment property

None.

c. Capitalized expenses on the construction of tangible fixed assets

None.

d. Contractual obligations relating to investment property at the end of the period

None.

2.10 INTANGIBLE ASSETS (ITEM XVI – ASSETS)

(EUR millions)	2008			2009		
	Internally developed software	Other intangible assets (2)	Total	Internally developed software	Other intangible assets (2)	Total
Acquisition cost as of January 1	**167**	**113**	**280**	**187**	**134**	**321**
• Acquisitions	17	21	38	11	13	24
• Post-acquisition adjustment	0	0	0	0	0	0
• Disposals and retirements	0	0	0	0	(1)	(1)
• Change in consolidation scope (in)	0	0	0	0	0	0
• Change in consolidation scope (out)	0	0	0	0	0	0
• Transfers	0	(2)	(2)	0	(1)	(1)
• Translation adjustments (1)	3	2	5	(1)	(1)	(2)
• Other movements	0	0	0	0	0	0
Acquisition cost as of December 31	**187**	**134**	**321**	**197**	**144**	**341**
Accumulated depreciation and impairment as of January 1	**(123)**	**(86)**	**(209)**	**(142)**	**(102)**	**(244)**
• Post-acquisition adjustment	0	0	0	0	0	0
• Additions	(19)	(16)	(35)	(17)	(15)	(32)
• Disposals and retirements	0	0	0	0	0	0
• Change in consolidation scope (in)	0	0	0	0	0	0
• Change in consolidation scope (out)	0	0	0	0	0	0
• Transfers	0	2	2	0	1	1
• Translation adjustments (1)	0	(2)	(2)	0	0	0
• Other movements	0	0	0	0	0	0
Accumulated depreciation and impairment as of December 31	**(142)**	**(102)**	**(244)**	**(159)**	**(116)**	**(275)**
NET CARRYING VALUE AS OF DECEMBER 31	**45**	**32**	**77**	**38**	**28**	**66**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.
(2) Other intangible assets consist primarily of purchased software.

2.11 GOODWILL (ITEM XVII – ASSETS)

a. Movements

(EUR millions)	2008	2009
Acquisition cost as of January, 1	**1,705**	**1,705**
Acquisitions	0	0
Post-acquisition adjustment	0	0
Disposals	0	0
Change in consolidation scope (in)	0	0
Change in consolidation scope (out) (2)	0	(1,353)
Transfers	0	0
Translation adjustments (1)	0	0
Other movements	0	0
Acquisition cost as of December, 31	**1,705**	**352**
Accumulated amortization and impairment as of January, 1	**(318)**	**(1,499)**
Post-acquisition adjustment	0	0
Additions (3)	(1,181)	(6)
Disposal, recoveries and reversals	0	0
Change in consolidation scope (in)	0	0
Change in consolidation scope (out) (2)	0	1,353
Transfers	0	0
Translation adjustments (1)	0	0
Other movements	0	0
Accumulated depreciation and impairment as of December, 31	**(1,499)**	**(152)**
CARRYING AMOUNT AS OF DECEMBER, 31	**206**	**200**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.
(2) Following the sale of insurance activities of FSA to Assured.
(3) The goodwill on FSA, Dexia banka Slovensko and Dexia Kommunalkredit Polska were fully provisioned for respectively EUR 1,181 million in 2008, and EUR 4 million and EUR 2 million in 2009.

As of December 31, 2009, each goodwill has been tested for impairment: no adjustment was required.

b. Analysis of net goodwill by company

(EUR millions)	Year of acquisition	Goodwill
Dexia Crediop	1996	**129**
Dexia Sofaxis	1999	**59**
Dexia Israel Bank Ltd.	2001	**12**
TOTAL		**200**

2.12 LEASES

a. Group as lessor

FINANCE LEASES

Gross investment in finance leases (EUR millions)	**2008**	**2009**
Less than 1 year	121	111
1 year to 5 years	385	410
Over 5 years	1,083	1,292
Subtotal (1)	**1,589**	**1,813**
Unearned future finance income on finance leases (2)	0	0
NET INVESTMENT IN FINANCE LEASES (1) – (2)	**1,589**	**1,813**

Additional information (EUR millions)	**2008**	**2009**
Contingent lease payments recognized in income statement during the period	0	0
Uncollectible finance lease receivables included in the provision for loan losses at the end of the period	1	1
Residual values unguaranteed by lessees	0	0
Estimated fair value of finance leases	1,589	1,812
Accumulated impairment for uncollectible minimum lease payments receivable	1	1

OPERATING LEASES

Future net minimum lease receivables under operating leases (EUR millions)	**2008**	**2009**
Less than 1 year	24	27
1 year to 5 years	51	41
Over 5 years	6	4
TOTAL	**81**	**72**

Amount of contingent rents recognized in income during the period	1	1

b. Group as lessee

FINANCE LEASES

None.

OPERATING LEASES

Future net minimum lease payments under operating leases (EUR millions)	**2008**	**2009**
Less than 1 year	9	17
1 year to 5 years	6	49
Over 5 years	5	36
TOTAL	**20**	**102**

	2008	**2009**
Future minimum sublease payments expected to be received under non-cancelable subleases at the balance sheet date (EUR millions)	1	2

Lease and sublease payments recognized as expenses during the year (EUR millions)	**2008**	**2009**
Minimum lease payments	24	21
Contingent lease payments	0	0
Sublease payments	(1)	(1)
TOTAL	**23**	**20**

2.13 QUALITY OF FINANCIAL ASSETS

(EUR millions)	**2008**	**2009**
Analysis of performing financial assets		
Interbank loans and advances	35,901	26,805
Customer loans and advances	248,681	238,882
Financial assets held to maturity	1,131	973
Financial assets available for sale	60,612	47,486
Fixed income instruments	*60,149*	*47,007*
Variable income instruments	*463*	*479*
Assets of insurance companies (note 2.7)	0	0
Other accounts receivable and other assets (note 2.7)	303	308
Total performing financial assets	**346,628**	**314,454**
Collective impairment	(759)	(758)
NET TOTAL PERFORMING FINANCIAL ASSETS	**345,869**	**313,696**

(EUR millions)	Gross amount 2008	Gross amount 2009	Specific impairment 2008	Specific impairment 2009	Net amount 2008	Net amount 2009
Analysis of impaired financial assets						
Interbank loans and advances	0	0	0	0	0	0
Customer loans and advances	2,144	2,447	(1,159)	(1,382)	985	1,065
Financial assets held to maturity	0	0	0	0	0	0
Financial assets available for sale	312	379	(250)	(248)	62	131
Fixed income instruments	*219*	*215*	*(195)*	*(190)*	*24*	*25*
Variable income instruments	*93*	*164*	*(55)*	*(58)*	*38*	*106*
Assets of insurance companies (note 2.7)	0	0	0	0	0	0
Other accounts receivable and other assets (note 2.7)	212	215	(182)	(193)	30	22
Total	**2,668**	**3,041**	**(1,591)**	**(1,823)**	**1,077**	**1,218**

(EUR millions)	Gross amount 2008	Gross amount 2009	Specific impairment 2008	Specific impairment 2009	Net amount 2008	Net amount 2009
Analysis of performing and Impaired financial assets						
Interbank loans and advances	35,901	26,805	0	0	35,901	26,805
Customer loans and advances	250,825	241,329	(1,159)	(1,382)	249,666	239,947
Financial assets held to maturity	1,131	973	0	0	1,131	973
Financial assets available-for-sale	60,924	47,865	(250)	(248)	60,674	47,617
Fixed income instruments	*60,368*	*47,222*	*(195)*	*(190)*	*60,173*	*47,032*
Variable income instruments	*556*	*643*	*(55)*	*(58)*	*501*	*585*
Assets of insurance companies (note 2.7)	0	0	0	0	0	0
Other accounts receivable and other assets (note 2.7)	515	523	(182)	(193)	333	330
Total	**349,296**	**317,495**	**(1,591)**	**(1,823)**	**347,705**	**315,672**
Collective impairment	(759)	(758)			(759)	(758)
NET TOTAL	**348,537**	**316,737**	**(1,591)**	**(1,823)**	**346,946**	**314,914**

2.14 RECLASSIFICATION OF FINANCIAL ASSETS (IAS 39 AMENDED)

The Dexia Credit Local Group decided to apply the amendment of standards IAS 39 and IFRS 7 "Reclassification of Financial Assets" for some assets. In particular, the Group considered that after the bankruptcy of Lehman Brothers and the subsequent financial crisis, observable prices for some financial assets no longer represented "fair value," but distressed prices or indicative broker's prices. Given the unusual circumstances, the Group opted to reclassify certain assets from "Financial assets held for trading" to "Financial assets available for sale" or "Loans and advances" (provided the definition is met) because they are no longer held for sale in the near term. Following this change in intent, the Dexia Credit Local Group also reclassified certain assets from "Financial assets available for sale" to "Loans and advances" (provided the definition is met). The reclassification to "Loans and advances" reflects the Dexia Credit Local Group's intention and ability to hold these financial assets for the foreseeable future. Reclassifications have been made on October 1, 2008.

No reclassifications were made in 2009.

a. Impact of reclassifications on 2009 equity and results

TRANSFER FROM "HELD FOR TRADING" TO "LOANS AND ADVANCES" AND "AVAILABLE FOR SALE"

The difference between the carrying amount at reclassification date and the reimbursement amount is amortized over the remaining life. The impact of this amortization on the result for the period is shown in the column "Premium/Discount amortization through net income".

The difference between the "Carrying amount of reclassified assets as of December 31, 2009" and the fair value represents the cumulative changes in fair value as from reclassification date until December 31, 2009 and also includes the cumulative amortization of the discount since reclassification. The difference is positive for trading assets reclassified in "Financial assets available for sale" as markets have become more liquid and spreads decreased in 2009, whereas for trading assets reclassified in "Loans and advances," markets remain illiquid and the difference is estimated as negative, based on model valuations.

TRANSFER FROM "FINANCIAL ASSETS AVAILABLE FOR SALE" TO "LOANS AND ADVANCES"

The Dexia Credit Local Group has a particular available for sale portfolio with a very long maturity, resulting in significant changes in value following small shifts in spreads.

Only unimpaired financial assets for which no quoted prices on an active market were available and for which the Group has the intention and ability to hold for the foreseeable future were transferred to "Loans and advances" except for the Financial products portfolio.

If the assets had not been transferred, the additional charge on the result in the "cost of risk" (difference compared with the net allocations and utilizations of collective impairments and specific impairments booked on the "Loans and advances" portfolio) would have been estimated at EUR 159 million in 2009.

If there is objective evidence of impairment for a financial asset initially classified as "Financial assets available for sale" but reclassified to "Loans and advances" in accordance with the amended IAS 39, any difference between the net present value of expected future cash flows, discounted at the effective interest rate on the date of reclassification, and the carrying amount is recognized as an impairment loss. Consequently, any outstanding non-amortized amount recognized in the available for sale reserve is also recognized as an impairment loss. This category mainly includes non-economic losses that will be reversed in the future through the interest margin.

The decrease in the carrying amount reclassified comes mainly from repayments, prepayments and sale of bonds in connection with the deleveraging of the Dexia Credit Local Group's balance sheet.

In comparison with 2008, the decrease in the difference between the carrying amount of reclassified assets and their fair value reflects the decrease in credit and liquidity spreads on the markets.

b. Impact on future interest margin

For assets transferred from "Available for sale" to "Loans and advances," the amortization of the discount on the bond is offset by the amortization of the frozen AFS reserve, so that the net impact on the result is zero.

For assets transferred from "Trading" to "Financial assets available for sale" and "Loans and advances," the impact on the interest margin in 2009 of the amortization of the negative mark-to-market of previous periods amounts to EUR 135 million.

	2009						
(EUR millions)	Carrying amount of assets reclassified as of October 1, 2008	Carrying amount of assets reclassified as of December 31, 2009	Fair value of assets reclassified as of December 31, 2009	Amount not taken through profit or loss and due to reclassification	Amount not taken through AFS Reserve due to reclassification	Premium/ Discount amortization through net income	Premium/ Discount amortization through AFS reserve
From "Financial assets held for trading" to "Loans and advances"	3,570	3,002	2,919	(82)		77	
From "Financial assets held for trading" to "Financial assets held for sale"	2,264	277	401	124		58	
From "Financial assets held for sale" to "Loans and advances"	73,774	69,240	68,753		(487)		583

3. NOTES ON THE LIABILITIES

3.0 CENTRAL BANKS, POSTAL CHECKING ACCOUNTS (ITEM I – LIABILITIES)

(EUR millions)	2008	2009
Central banks [1]	64,222	28,491
Postal checking accounts	0	0
TOTAL	**64,222**	**28,491**

(1) In 2008, given the scarcity of interbank liquidity, Dexia Credit Local used the refinancing facilities offered by central banks. In 2009, following an improvement in its situation, Dexia Credit Local scaled back its recourse to this form of refinancing.

3.1 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (ITEM II – LIABILITIES)

(EUR millions)	2008	2009
Liabilities held for trading	0	0
Liabilities designated at fair value	6,977	4,681
Derivatives (see note 4.1.b)	17,664	10,934
TOTAL	**24,641**	**15,615**

a. Analysis by nature of liabilities held for trading

(EUR millions)	2008	2009
Bonds issued by public bodies	0	0
Other bonds	0	0
Repurchase agreements	0	0
Equities	0	0
TOTAL	**0**	**0**

b. Analysis by nature of liabilities designated at fair value

(EUR millions)	2008	2009
Non subordinated liabilities	6,977	4,681
Subordinated liabilities	0	0
TOTAL	**6,977**	**4,681**

c. Analysis by maturity and interest rate

See note 7.7 and 7.4

d. Analysis of fair value

See note 7.1 and 7.2.

The Dexia Credit Local group uses the fair value option mainly to eliminate or significantly reduce the measurement or the recognition inconsistency (also called the accounting mismatch) that otherwise arises from measuring financial liabilities or recognising the gains and losses on them on a different basis.

The fair value option is essentially used by Dexia FP Holdings Inc. and FSA Global Funding Ltd. for financial liabilities for which the hedge accounting conditions are not met or may not be met.

The credit spread used to revalue these liabilities is Dexia's long-term refinancing spread.
Changes in value arising from the credit spread resulted in a charge of EUR 123 million being recognized in 2009.

The valuation tools and procedures used to calculate the fair value of "financial liabilities designated at fair value by option through profit or loss" are determined by the Risk Management department. The model used is based on discounted cash flows. Their net present value is determined using a market interest rate and by taking into account the specific credit risk.

3.2 INTERBANK BORROWINGS AND DEPOSITS (ITEM IV – LIABILITIES)

a. Analysis by nature

(EUR millions)	2008	2009
Demand deposits	4,395	1,305
Repurchase agreements	22,307	19,440
Other debts	64,508	56,202
TOTAL	**91,210**	**76,947**

b. Analysis by maturity and interest rate

See note 7.7 and 7.4.

c. Analysis of fair value

See note 7.1.

3.3 CUSTOMER BORROWINGS AND DEPOSITS (ITEM V – LIABILITIES)

a. Analysis by nature

(EUR millions)	2008	2009
Demand deposits	1,658	1,732
Savings deposits	43	54
Term deposits	12,754	9,153
Repurchase agreements	124	24
Other debts	3,040	3,004
TOTAL	**17,619**	**13,967**

b. Analysis by maturity and interest rate

See note 7.7 and 7.4.

c. Analysis of fair value

See note 7.1.

3.4 DEBT SECURITIES (ITEM VI – LIABILITIES)

a. Analysis by nature

(EUR millions)	2008	2009
Certificates of deposit	14,176	27,313
Savings bonds	0	0
Non-convertible bonds	158,677	163,583
Convertible debts	0	0
Other dilutive instruments	0	0
TOTAL	**172,853**	**190,896**

b. Analysis by maturity and interest rate

See note 7.7 and 7.4.

c. Analysis of fair value

See note 7.1.

3.5 TAX LIABILITIES (ITEMS VIII AND IX – LIABILITIES)

(EUR millions)	2008	2009
Current income tax	123	127
Current tax liabilities	**123**	**127**
Deferred tax liabilities (see note 4.2)	**23**	**5**

3.6 ACCRUALS AND OTHER LIABILITIES (ITEM X – LIABILITIES)

(EUR millions)	2008	2009
Other liabilities	1,068	1,264
Cash collateral	4,304	3,198
TOTAL	**5,372**	**4,462**

Other liabilities

(EUR millions)	2008	2009
Accrued expenses	70	370
Deferred income	278	379
Grants	84	91
Other assistance received	1	1
Salaries and social charges (payable)	97	24
Dividends payable to shareholders	0	0
Other taxes	18	29
Long-term construction contracts	0	0
Other accounts payable and other liabilities	520	370
TOTAL	**1,068**	**1,264**

3.7 TECHNICAL PROVISIONS OF INSURANCE COMPANIES (ITEM XII – LIABILITIES)

Nil.

3.8 PROVISIONS (ITEM XIII – LIABILITIES)

a. Analysis by nature

(EUR millions)	2008	2009
Litigation claims	86	178
Restructuring	43	34
Long-term defined benefit plans	19	12
Other post-retirement obligations	0	0
Other long-term employee benefits	3	3
Provision for off-balance sheet credit commitments	13	2
Onerous contracts	0	0
Other provisions	39	34
TOTAL PROVISIONS	**203**	**263**

b. Movements

(EUR millions)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions	Total
At January 1, 2008	**81**	**0**	**17**	**1**	**0**	**3**	**102**
Additions	37	43	8	101	0	35	224
Unutilized amounts reversed and amounts utilized during the year	(34)	0	(3)	0	0	(1)	(38)
Passage of time and effect of changes in discount rate	0	0	0	0	0	0	0
Change in consolidation scope (in)	0	0	0	0	0	0	0
Change in consolidation scope (out)	0	0	0	0	0	0	0
Transfers	(1)	0	0	(89)	0	0	(90)
Translation adjustment (1)	3	0	0	0	0	2	5
Other movements	0	0	0	0	0	0	0
AS OF DECEMBER 31, 2008	**86**	**43**	**22**	**13**	**0**	**39**	**203**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.

(EUR millions)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions	Total
At January 1, 2009	**86**	**43**	**22**	**13**	**0**	**39**	**203**
Additions	46	12	6	2	0	2	68
Unutilized amounts reversed and amounts utilized during the year	(6)	(21)	(13)	(1)	0	(6)	(47)
Passage of time and effect of changes in discount rate	0	0	0	0	0	0	0
Change in consolidation scope (in)	0	0	0	0	0	0	0
Change in consolidation scope (out)	0	0	0	0	0	0	0
Transfers	57	0	0	(12)	0	0	45
Translation adjustment (1)	(5)	0	0	0	0	(1)	(6)
Other movements	0	0	0	0	0	0	0
AS OF DECEMBER 31, 2009	**178**	**34**	**15**	**2**	**0**	**34**	**263**

(1) Impact of changes in exchange rates between January 1, and December 31, on balances in foreign currencies at January 1, and impact of the difference between average and year-end exchange rates on movements for the year.

c. Provisions for pensions and other long-term benefits

Provisions for defined benefit pension plans and long-service awards represent a liability of EUR 15 million as of December 31, 2009 and EUR 22 million as of December 31, 2008.

Given their immateriality, the information used in the actuarial calculation of these provisions is not presented.

3.9 SUBORDINATED DEBT (ITEM XIV – LIABILITIES)

a. Analysis by nature

Convertible subordinated debt (EUR millions)	**2008**	**2009**
Perpetual subordinated notes	0	0
Other subordinated notes	0	0
TOTAL	**0**	**0**

Non convertible subordinated debt (EUR millions)	**2008**	**2009**
Perpetual subordinated notes	1,245	1,203
Other subordinated notes	3,757	3,643
TOTAL	**5,002**	**4,846**

(EUR millions)	**2008**	**2009**
Hybrid capital and redeemable preference shares	0	0

b. Analysis by maturity and interest rate

See notes 7.7 and 7.4.

c. Analysis of fair value

See note 7.1.

d. Detailed information

Currency	Due	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
USD	No fixed maturity	250.0	a) Early repayment impossible during first 10 years without the approval of the General Secretariat of the Banking Commission and unless replaced by shareholders' equity of equivalent or better quality. Repayment possible at each due date for interest payments beginning 10/01/2012 with the approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +1.1 From 10/02/2012, 3M USD LIBOR +1.85
USD	No fixed maturity	1,190.0	a) Early repayment impossible during first 10 years without the approval of the General Secretariat of the Banking Commission and unless replaced by shareholders' equity of equivalent or better quality. Repayment possible at each due date for interest payments beginning 04/05/2015 with the approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.39 From 04/06/2015, 3M USD LIBOR +1.14
EUR	No fixed maturity	200.0	a) Early repayment impossible during first 10 years without the approval of the General Secretariat of the Banking Commission and unless replaced by shareholders' equity of equivalent or better quality. Repayment possible at each due date for interest payments beginning 07/01/2015 with the approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +0.79 From July 2015 through July 2020, 3M EURIBOR +1.40, then 3M EURIBOR +2.15
EUR	12/1/2014	100.0	a) No early repayment b) No specific conditions c) No conversion	93.25% * CMS
EUR	02/12/2019	300.0	a) Repayment possible at each due date for interest payments beginning 02/12/2014 with the approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	4.375 From 02/12/14, 4.412
EUR	07/09/2017	500.0	a) Repayment possible at each due date for interest payments beginning 07/09/2012 with the approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +0.15 From 07/09/2012, 3M EURIBOR +0.65
EUR	6/27/2011	640.0	a) Repayment possible at each due date for interest payments beginning 07/01/2006 with the approval of the General Secretariat of the Banking Commission. b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +0.58
EUR	1/1/2015	450.0	a) Repayment possible at each due date for interest payments beginning 01/01/2010 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +0.32

Currency	Due	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	12/28/2017	300.0	a) Repayment possible at each due date for interest payments beginning 12/28/2012 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +1.45 through 12/28/12, then 3M EURIBOR +1.95
USD	9/27/2012	60.0	a) Repayment possible at each due date for interest payments beginning 10/01/2007 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.5925
USD	4/1/2013	130.0	a) Repayment possible at each due date for interest payments beginning 04/01/2008 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.5475
USD	4/1/2013	200.0	a) Repayment possible at each due date for interest payments beginning 04/01/2008 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.4975
USD	10/1/2013	200.0	a) Repayment possible at each due date for interest payments beginning 10/01/2008 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.4625
USD	1/1/2014	100.0	a) Repayment possible at each due date for interest payments beginning 01/01/2009 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.485
USD	7/1/2014	135.0	a) Repayment possible at each due date for interest payments beginning 07/01/2009 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.43
USD	10/1/2014	265.0	a) Repayment possible at each due date for interest payments beginning 10/01/2009 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M USD LIBOR +0.33
EUR	6/20/2018	300.0	a) Repayment possible at each due date for interest payments beginning 06/20/2013 subject to the prior approval of the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +1.5 From 06/20/2013, 1Y EURIBOR +2

Currency	Due	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	11/20/2012	3.0	a) No early repayment b) No specific conditions c) No conversion	6.450
EUR	10/11/2010	2.5	a) No early repayment b) No specific conditions c) No conversion	6.550
EUR	6/30/2013	1.0	a) No early repayment b) No specific conditions c) No conversion	6.600
EUR	6/1/2012	3.5	a) No early repayment b) No specific conditions c) No conversion	6.970
EUR	6/30/2011	15.0	a) No early repayment b) No specific conditions c) No conversion	6.400
EUR	7/1/2013	5.0	a) No early repayment b) No specific conditions c) No conversion	6M EURIBOR +2.10
EUR	11/7/2012	5.0	a) No early repayment b) No specific conditions c) No conversion	6.210
EUR	11/12/2012	5.0	a) No early repayment b) No specific conditions c) No conversion	6.080
EUR	3/7/2013	10.0	a) No early repayment b) No specific conditions c) No conversion	5.280
EUR	1/4/2010	18.0	a) No early repayment b) No specific conditions c) No conversion	5.500
EUR	8/17/2011	10.0	a) No early repayment b) No specific conditions c) No conversion	30Y CMS Pounds
EUR	6/30/2014	10.0	a) No early repayment b) No specific conditions c) No conversion	6.250
EUR	6/30/2014	10.0	a) No early repayment b) No specific conditions c) No conversion	6.450
EUR	6/2/2014	20.0	a) No early repayment b) No specific conditions c) No conversion	6.250

Currency	Due	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	6/1/2017	14.0	a) No early repayment b) No specific conditions c) No conversion	5.080
EUR	6/1/2017	22.0	a) No early repayment b) No specific conditions c) No conversion	4.875
EUR	6/1/2018	20	a) No early repayment b) No specific conditions c) No conversion	5.570
EUR	6/1/2018	21.784	a) No early repayment b) No specific conditions c) No conversion	5.625
EUR	12/23/2015	6.8	a) No early repayment b) After all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	3M EURIBOR +0.25
EUR	10/29/2018	19.7	a) Repayment possible at the option of the Issuer on 10/29/2013 or annually thereafter, but – in both cases – only if the Issuer is able to document/confirm, in accordance with the Austrian Banking Act, replacement of the principal amount of Notes so redeemed by issuing other capital in the same amount and of at least equivalent own funds quality b) In the event of the dissolution, liquidation or bankruptcy of the Issuer, the obligations under the Notes may be satisfied only after the non-subordinated claims of creditors have been satisfied c) No conversion	3M EURIBOR +4.75
PLN	10/3/2018	45.0	a) No early repayment b) In the event of the dissolution, liquidation or bankruptcy of the Issuer, the obligations under the Notes may be satisfied only after the non-subordinated claims of creditors have been satisfied c) No conversion	1M WIBOR +2.65

3.10 EQUITY

a. Capital stock

Dexia Credit Local has capital stock of EUR 500,513,102 comprising 87,045,757 shares.

b. Super-subordinated perpetual note

In the fourth quarter of 2005, Dexia Credit Local issued EUR 700 million in super subordinated perpetual notes.

The notes carry an early redemption call option at face value that may be exercised by the issuer at each interest payment date as from November 18, 2015.

The notes bear interest at a fixed rate of 4.3% for the first 10 years. Subsequently, if they are not called, they will bear interest at a floating rate equal to 3-month Euribor plus 1.73% per year, payable quarterly.

The payment of interest may, and in certain cases must, be suspended. Any unpaid interest at the coupon date will be forfeited and will no longer be payable by the issuer. The principal may also be reduced through the incorporation of losses.

The notes are included in both accounting and regulatory capital calculations. Interest payments are treated as dividends and deducted directly from equity.

In 2008, the amount paid came to EUR 20 million, net of tax.

In October 2009, as part of the discussions between Dexia and the European Commission, Dexia committed to not paying any discretionary coupons on Tier 1 and Upper Tier 2 issues during a four-month period. This commitment was also applicable to the November 18, 2009 interest payment on Dexia Credit Local's EUR 700 million perpetual super subordinated notes.

Accordingly, on November 3, 2009, the Management Board of Dexia Credit Local decided that the November 18, 2009 coupon on these securities would not be paid.

In February 2010, Dexia confirmed that it will pay coupons on its subordinated debt instruments only if it has a contractual obligation to do so, and will not exercise any early redemption option before the end of 2011. This commitment includes, among others, the aforementioned perpetual super subordinated notes.

c. Other movements

The purchase by Dexia Credit Local of the shares held by the Directors of Financial Security Assurance Holdings Ltd. (FSA) in connection with the agreement for the sale of this company's insurance business to Assured increased the Group share of shareholders' equity by EUR 8 million as of December 31, 2009.

On December 11, 2009, the purchase of Crédit du Nord's 20% stake in Dexia CLF Banque reduced the Group share of shareholders' equity by EUR 8 million and minority interests by EUR 5 million.

The purchase by Dexia Kommunalkredit Bank of a 1.07% minority stake in Dexia banka Slovensko in 2009 reduced the Group share of shareholders' equity by EUR 2 million.

4. OTHER NOTES ON THE BALANCE SHEET

4.1 DERIVATIVES

a. Analysis by nature

	2008		2009	
(EUR millions)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.1 and 3.1)	**19,570**	**17,664**	**10,038**	**10,934**
Derivatives designated as fair value hedges	3,276	21,025	4,815	17,229
Derivatives designated as cash flow hedges	562	1,745	469	974
Derivatives designated as hedges of a net investment in a foreign entity	0	0	0	0
Derivatives designated as portfolio hedges	4,281	5,049	3,536	3,284
Hedging derivatives	**8,119**	**27,819**	**8,820**	**21,487**
TOTAL DERIVATIVES	**27,689**	**45,483**	**18,858**	**32,421**

b. Detail of derivatives held at fair value through profit or loss

	2008				2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR millions)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**26,451**	**26,125**	**1,317**	**392**	**22,135**	**22,411**	**396**	**501**
Foreign exchange forward	3,734	3,763	28	56	3,033	3,026	5	3
Foreign exchange future	0	0	0	0	0	0	0	0
Cross currency swap	6,665	6,832	571	168	6,411	7,916	389	484
Foreign exchange option	15,420	14,898	700	150	1,298	0	0	12
Foreign exchange forward rate agreement	0	0	0	0	0	0	0	0
Other currency (foreign exchange)	632	632	18	18	11,393	11,469	2	2
Interest rate derivatives	**386,905**	**396,826**	**16,612**	**17,176**	**267,861**	**268,106**	**8,987**	**10,385**
Option-Cap-Floor-Collar-Swaption	18,743	25,786	382	594	2,339	1,753	101	29
Interest rate swap	363,557	363,565	16,128	16,576	262,273	262,901	8,865	10,356
Forward rate agreement	1,534	4,109	8	6	590	793	0	0
Forward	0	0	0	0	0	0	0	0
Interest future	3,071	2,740	46	0	2,659	2,659	21	0
Other interest rate	0	625	48	0	0	0	0	0
Equity derivatives	**304**	**304**	**17**	**17**	**306**	**306**	**16**	**15**
Equity option	37	37	3	3	37	37	5	5
Other equity	267	267	14	14	269	269	11	10
Credit derivatives	**10,405**	**4,359**	**1,616**	**71**	7,241	3,717	639	33
Credit default swap	10,405	4,359	1,616	71	**7,241**	**3,717**	**639**	**33**
Commodity derivatives	**62**	**62**	**8**	**8**	**13**	**12**	**0**	**0**
TOTAL	**424,127**	**427,676**	**19,570**	**17,664**	**297,556**	**294,552**	**10,038**	**10,934**

c. Detail of derivatives designated as fair value hedges

(EUR millions)	2008				2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**44,073**	**46,338**	**1,031**	**3,940**	**30,875**	**32,435**	**1,084**	**2,965**
Cross currency swap	42,073	44,322	1,019	3,910	24,862	26,222	1,057	2,385
Foreign exchange forward rate agreement	2,000	2,016	12	30	6,013	6,213	27	580
Interest rate derivatives	**183,163**	**182,643**	**1,962**	**16,728**	**179,642**	**179,387**	**3,329**	**14,121**
Option-Cap-Floor-Collar-Swaption	753	455	48	9	520	400	3	10
Interest rate swap	173,816	173,594	1,914	16,719	179,122	178,987	3,326	14,111
Interest future	8,594	8,594	0	0	0	0	0	0
Equity derivatives	**9,996**	**9,891**	**268**	**353**	**8,719**	**8,545**	**384**	**141**
Equity option	0	0	0	0	91	0	48	0
Other equity	9,996	9,891	268	353	8,628	8,545	336	141
Credit derivatives	**45**	**48**	**0**	**3**	**17**	**20**	**0**	**2**
Credit default swap	45	48	0	3	17	20	0	2
Commodity derivatives	**71**	**71**	**15**	**1**	**62**	**62**	**18**	**0**
TOTAL	**237,348**	**238,991**	**3,276**	**21,025**	**219,315**	**220,449**	**4,815**	**17,229**

d. Detail of derivatives designated as cash flow hedges

(EUR millions)	2008				2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver To			To receive	To deliver		
Foreign exchange derivatives	**3,251**	**2,946**	**540**	**334**	**2,492**	**2,081**	**159**	**262**
Foreign exchange forward	823	896	2	1	149	146	0	0
Foreign exchange future	0	0	0	0	0	0	0	0
Cross currency swap	2,428	2,050	536	333	2,270	1,850	157	262
Foreign exchange option	0	0	0	0	0	0	0	0
Foreign exchange forward rate agreement	0	0	0	0	73	85	0	0
Other currency (foreign exchange)	0	0	2	0	0	0	2	0
Interest rate derivatives	**55,269**	**55,269**	**22**	**1,411**	**24,162**	**20,662**	**310**	**712**
Option-Cap-Floor-Collar-Swaption	0	0	0	0	0	0	0	0
Interest rate swap	55,269	55,269	22	1,411	23,662	20,662	310	710
Forward rate agreement	0	0	0	0	500	0	0	2
TOTAL	**58,520**	**58,215**	**562**	**1,745**	**26,654**	**22,743**	**469**	**974**

(EUR millions)	2008	2009
Amount removed from equity and included in the carrying amount of a non financial instrument, in the case of a CFH on a highly probable transaction	0	0

e. Detail of derivatives designated as hedges of a net investment in a foreign entity

Nil.

f. Detail of derivatives designated as portfolio hedges

	2008				2009			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR millions)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	0	0	0	0	0	5	0	0
Interest rate derivatives	378,278	381,275	4,281	5,049	295,910	295,906	3,536	3,284
TOTAL	**378,278**	**381,275**	**4,281**	**5,049**	**295,910**	**295,911**	**3,536**	**3,284**

4.2 DEFERRED TAXES

a. Analysis by nature

(EUR millions)	2008	2009
Deferred tax assets before impairment	3,042	3,393
Impairment on deferred tax assets	(429)	(1,425)
Deferred tax assets (see note 2.6) (1)	**2,613**	**1,968**
Deferred tax liabilities (see note 3.5) (1)	**(23)**	**(5)**
TOTAL	**2,590**	**1,963**

(1) deferred tax assets and liabilities are netted off when they concern the same tax entity.

The significant change in the net deferred tax position is mainly due to the recognition of deferred tax assets on the fair value reserve for available-for-sale securities and for derivatives designated as cash flow hedges as as of December 31, 2009. This fair value reserve amounted to negative EUR 7,670 million as of December 31, 2009 compared with negative EUR 11,211 million as of December 31, 2008.

b. Movements

(EUR millions)	2008	2009
At January 1	**176**	**2,590**
Charge/credit recognized in the income statement (see note 5.13)	829	113
Effect of change in tax rates impact on the income statement (see note 5.13)	(1)	0
Movements directly recognized in shareholders' equity	2,056	(705)
Effect of change in tax rates impact on shareholders' equity	0	0
Change in scope of consolidation	0	0
Translation adjustment	66	(31)
Other movements [1]	(536)	(4)
As of December, 31	**2,590**	**1,963**

(1) Deferred taxes relating to FSA's insurance business were transferred to the specific balance sheet lines used for "Activities held for sale" as of December 31, 2008 following the sale agreement entered into with the Assured Group.

c. Deferred taxes arising on balance sheet assets

(EUR millions)	2008	2009
Loans (and loan loss provisions)	(1,673)	(1,224)
Securities	993	1,004
Derivatives	(2,287)	(2,133)
Investments in associates	0	0
Tangible fixed assets and intangible assets	(15)	(16)
Other assets specific to insurance companies	0	0
Accruals and other assets	14	14
TOTAL	**(2,968)**	**(2,355)**

d. Deferred taxes arising on balance sheet liabilities

(EUR millions)	2008	2009
Derivatives	4,279	3,585
Borrowings, deposits and issues of debt securities	1,088	860
Provisions	3	2
Pensions	7	7
Other liabilities specific to insurance companies	0	0
Tax losses carried forward	863	1,475
Regulatory provisions	(99)	(101)
Entity with special tax status	(161)	(110)
Accruals and other liabilities	7	25
TOTAL	**5,987**	**5,743**

4.3 RELATED-PARTY TRANSACTIONS

Analysis by nature

(EUR millions)	Directors and key management 2008	Directors and key management 2009	Parent company (Dexia) 2008	Parent company (Dexia) 2009	Entities with joint control or significant influence over the entity [2] 2008	Entities with joint control or significant influence over the entity [2] 2009	Subsidiaries [3] 2008	Subsidiaries [3] 2009	Associates [3] 2008	Associates [3] 2009	Joint ventures in which the entity has an interest [3] 2008	Joint ventures in which the entity has an interest [3] 2009	Other related parties [4] 2008	Other related parties [4] 2009
Loans [1]	1	1	1,814	2,017	27	13	0	0	0	0	0	1	23,610	19,864
Interest income on loans	0	0	60	26	1	6	0	0	0	0	0	0	834	59
Deposits	0	0	44	41	1,622	1,563	0	0	52	0	0	0	57,088	56
Interest expense on deposits	0	0	(1)	0	(31)	(38)	0	0	(2)	0	0	0	(3,055)	(839)
Net commissions	0	0	0	0	0	0	0	0	1	0	0	0	(1)	4
Guarantees issued by the Group	0	0	0	0	0	0	0	0	0	0	0	0	11,524	24,162
Guarantees received by the Group	0	0	215	0	0	203	0	0	0	0	0	0	11,655	1,531

(1) Loans to key management personnel were granted at general market conditions.
(2) This refers to the main shareholders of Dexia (2008-2009): Arco Group, Holding Communal, Groupe Caisse des Dépôts.
(3) This includes the non-consolidated investments listed in notes 1.2.b non consolidated subsidiaries, 1.2.d joint companies not consolidated by the proportional method, and 1.2.f Associated companies not accounted for by the equity method.
(4) This item includes loans with entities of Belgian and Luxemburg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local.

Transactions with the Belgian and French States

OCTOBER 3, 2008 CAPITAL INCREASE AND RESULTING SHAREHOLDINGS

On October 3, 2008, the Belgian federal State, the Flemish and Walloon Regions, the Brussels-Capital Region and the French State, together with the historical reference shareholders (Holding Communal, Arco Group, Ethias, Caisse des Dépôts et Consignations and CNP Assurances) subscribed for a capital increase staged by Dexia amounting to EUR 6 billion.

The capital increase was subscribed for in the following proportions:

- the Belgian federal State, through Federal Holding and Investment Company, invested EUR 1 billion;
- the three Belgian Regions invested a total amount of EUR 1 billion (EUR 500 million by the Flemish Region, EUR 350 million by the Walloon Region and EUR 150 million by the Brussels-Capital Region);
- the French State, through Société de Prise de Participation de l'État, invested EUR 1 billion;
- Caisse des Dépôts et Consignations and CNP Assurances invested EUR 2 billion;
- the other reference shareholders invested a total amount of EUR 1 billion (EUR 500 million by Holding Communal, EUR 350 million by Arco Group, and EUR 150 million by Ethias).

This capital increase resulted in a shareholding of 5.73% for the Belgian federal State, 2.87% for the Flemish Region, 2.01% for the Walloon Region and 0.86% for the Brussels-Capital Region (the total participation of the three regions amounting to 5.73%), and 5.73% for the French State.

GUARANTEE MECHANISM IN FAVOUR OF DEXIA'S FINANCING

On December 9, 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 October 9, 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 Credit Local (and some of their branches and issuance vehicles) of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these financings were contracted or issued between October 9, 2008 and October 31, 2009 and mature at the latest on October 31, 2011.

The States guarantee the repayment obligations in the following proportions:

- 60.5% for the Belgian State;
- 36.5% for the French State; and
- 3.0% for the Luxembourg State.

To supplement the guarantee agreement on operational and procedural aspects, the three States and Dexia have signed an operational memorandum. This memorandum, provides, among other things, for a process to monitor the guaranteed financings on a daily basis, including 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, at Dexia's request, certificates confirming for each bond issue that it is covered by the guarantee agreement.

On November 19, 2008, the European Commission authorized this guarantee mechanism for a period of 6 months as from October 3, 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 March 13, 2009.

By an Addendum to the above-mentioned Guarantee Agreement of December 9, 2008, dated October 14, 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 October 31, 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 from the guarantee within a credible timeframe. The changes include:

- a decrease in the maximum total amount of guaranteed financings from EUR 150 billion to EUR 100 billion, with a commitment by Dexia to make its best efforts to limit this amount to EUR 80 billion;
- the extension to 4 years of the maximum duration of the new financings contracted or issued;
- the waiver by Dexia of the benefit of the guarantee, as from October 16, 2009, for all new contracts with a maturity of less than one month and all contracts with an indefinite term.

The Guarantee Agreement provided for the following remuneration to be paid by Dexia to the States:

- for financings with a maturity of less than 12 months: 50 bp per annum calculated on the average amount of guaranteed financings outstanding;
- for financings with a maturity of more than 12 months or more: 50 bp per annum, increased by the lowest of the median of the Dexia 5Y CDS spread calculated between January 1, 2007 and August 31, 2008 or the median of the 5Y CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated on the average amount of guaranteed financings outstanding.

The renewal and modifications as provided for in the Addendum of October 14, 2009 have been duly authorized by an interim decision of the European Commission for a period of 4 months as from October 30, 2009 (*i.e.,* until February 28, 2010) or until the final decision – if such decision is adopted prior to February 28, 2010 – of the European Commission in the context of the State aid procedure opened on March 13, 2009.

By separate agreement dated March 17, 2010, the Belgian, French and Luxembourg States and Dexia amended and supplemented the above-mentioned Addendum to the Guarantee Agreement of October 14, 2009 to reflect the terms of the final decision of the European Commission in the context of the State aid procedure of February 26, 2009. The changes include:

- bringing forward the latest issue date for guaranteed financings to May 31, 2010 (for financings with a maturity of less than 12 months) and to June 30, 2010 (for financings with a maturity of more than 12 months);
- bringing forward the expiry date of the guarantee on deposits and equivalents to March 1, 2010;
- gradually increasing the remuneration payable by Dexia if the outstanding amount of repayment obligations guaranteed by the States exceeds certain thresholds (by 50 bp if and to the extent that the amount exceeds EUR 60 billion but is less than EUR 70 billion, 65 bp if and to the extent that the amount exceeds EUR 70 billion but is less than EUR 80 billion, and 80 bp above EUR 80 billion).

As as of December 31, 2009, the total outstanding repayment obligations guaranteed by the States amounted to EUR 50 billion and Dexia Group had already paid total remuneration of EUR 432 million (of which EUR 251 million was paid by Dexia Credit Local Group) 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 November 14, 2008; the sale was completed on July 1, 2009. The Financial products activity of FSA, managed by FSA Asset Management (FSAM), was removed from the transaction scope and remains under Dexia's ownership.

In this 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 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 key terms of these agreements are as follows:

- Dexia SA and Dexia Credit Local SA ("DCL") entered into a put agreement whereby FSAM is entitled to sell to Dexia and/or DCL certain assets included in the FSAM portfolio as of September 30, 2008 upon the occurrence of certain trigger events (asset default, liquidity default, collateral default or insolvency of Dexia).

- The Belgian and French States have each undertaken to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to the put agreement up to an aggregate amount equal to USD 16.98 billion, being 62.3711% for the Belgian State and 37.6289% for the French State.
- The portfolio to which this put relates is the FSAM portfolio after deduction of certain "excluded assets" for an amount of USD 4.3 billion, such that the par value of the assets included in the portfolio to which the put relates is equal to USD 11.2 billion as of December 31, 2009. Dexia will therefore cover a first loss tranche of USD 4.5 billion, of which an amount of approximately USD 2 billion has already been reserved as of December 31, 2009 (USD 1,804 billion on the Financial products portfolio and a USD 344 million collective impairment on U.S. RMBS).
- The States are entitled to recover from Dexia the amounts that they pay pursuant to their guarantee. This recourse of the States can be exercised either in cash or in the form of instruments representing Dexia's equity (ordinary shares or profit shares).
- Dexia therefore issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be reimbursed through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The cancellation and re-issuance of the existing warrants for a further period of 5 years will be submitted each year for approval by the general meeting of shareholders. In the event that the warrants are not re-issued, a penalty will be applied (the guarantee commission is increased by 500 bp per annum for a period of two years).
- Dexia may also issue profit shares at the request of the States instead of shares. The profit shares would be issued at a price equal to the exercise price of the warrants, would not have voting rights, would be entitled to a special dividend and would 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 Dexia Extraordinary Shareholders' Meeting held on June 24, 2009 and are set out in Article 4 *bis* of Dexia's Articles of Association.
- Dexia must semi-annually pay to the States a guarantee fee at a rate of 1.13% per annum, calculated on the average amount of the FSAM portfolio (excluding the excluded assets) over a six-month period, plus a fee of 0.32% per annum calculated on the lower of: (i) the total amount of the liabilities pursuant to the Guaranteed Investment Contracts; and (ii) the average outstanding nominal amount of the FSAM portfolio (excluding the excluded assets) over a 6-month period.
- The guarantee of the States in respect of an asset default or the insolvency of Dexia expires in 2035, unless the parties decide to extend the guarantee, while the guarantee in respect of a liquidity or collateral default expires on October 31, 2011.

This guarantee was approved by the European Commission on March 13, 2009.

- As as of December 31, 2009, Dexia recognised an interest charge of EUR 61 million for this guarantee.
- For a more detailed description of the guarantee for the Financial products portfolio, see the Special Board report of May 12, 2009 available on the website of Dexia (www.dexia.com).

4.4 COMPENSATION OF PRINCIPAL COMPANY OFFICERS

(EUR millions)	2008	2009
Short-term benefits (1)	5	5
Post-retirement obligations (2)	7	1
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments (3)	0	0

(1) Includes salary, bonus and other benefits.
(2) Includes pension obligations calculated in compliance with IAS 19.
(3) Includes the cost of stock options and the discount given on capital increases reserved for employees.

4.5 ACQUISITIONS AND DISPOSALS OF CONSOLIDATED COMPANIES

a. Acquisitions

No acquisitions with a material impact were made in 2008 or 2009.

b. Disposals

A Share Purchase Agreement was signed with Assured Guaranty on November 14, 2008, regarding the insurance activity of FSA Holdings.

Dexia Credit Local consolidated the sold insurance activities of FSA Insurance in compliance with IFRS5 "Disposal Group held for sale," from October 1, 2008: the assets and liabilities of the sold activities have thus been reported on a separate line of the consolidated balance sheet and the sold activities' results were presented in the income statement on a line by line basis (see 2008 annual report, note 4.6).

The finalisation of the closing took place on July 1, 2009: Dexia Credit Local received cash of USD 546 million and USD 270.5 million of Assured shares. The effect on 2009 net income is shown in note 5.11.

Presentation of sold insurance activities of FSA Holdings (EUR millions)	**2009**
Cash, central banks and postal checking accounts	8
Interbank loans and advances	76
Customer loans and advances	18
Financial assets available for sale	4,464
Derivatives	79
Tax assets	554
Other assets	1,986
Assets sold	**7,185**
Derivatives	(673)
Debt securities	(543)
Technical provisions of insurance companies	(1,399)
Other liabilities	(4,027)
Liabilities sold	**(6,642)**
Net asset sold	**543**
Cash from the sale	398
Costs of the transaction	(19)
Cash and cash equivalents of the subsidiary sold	(8)
Net cash inflow on sale	**371**

Balance sheet items of the activities sold are presented as at March 31, 2009, the last date on which they were consolidated by Dexia Credit Local.

4.6 SHARE-BASED PAYMENTS

	2008	**2009**
Dexia stock option plans (number of options) [(1)]		
Outstanding at beginning of period	12,810,282	14,957,132
Granted during the period	2,256,950	0
Forfeited during the period	(22,000)	(166,250)
Exercised during the period [(2)]	(88,100)	0
Outstanding at the end of the period	**14,957,132**	**14,790,882**
Exercisable at the end of the period	**8,227,724**	**10,228,584**

(1) Outstanding options also include the options granted to the employees of Dexia Credit Local in 1999.
(2) The weighted average exercise price for 2008 was EUR 11.50 per share.

	2008			2009		
Range of exercise prices	Number of outstanding options	Weighted average exercise price (EUR)	Weighted average remaining contractual life (years)	Number of outstanding options	Weighted average exercise price (EUR)	Weighted average remaining contractual life (years)
10.97 - 11.37	1,546,885	11.37	4.34	1,546,885	11.37	3.40
11.88 - 13.66	5,267,236	13.46	6.38	5,100,986	13.49	5.40
13.81 - 14.58	647,800	0	1.92	647,800	14.58	0.92
17.23 - 17.86	880,761	0	3.00	880,761	17.86	2.00
18.03 - 18.20	2,296,250	0	6.49	2,296,250	18.03	5.49
18.20 - 18.62	2,022,000	0	7.5	2,022,000	18.62	6.50
23.25	2,296,200	0	8.5	2,296,200	0.00	7.50
TOTAL	**14,957,132**			**14,790,882**		

Dexia stock option plans	2008 Plan [1]	2009 Plan
Grant Date	06/30/2008	-
Number of instruments granted	2,256,950	0
Exercise price (EUR)	12.65	-
Share price at grant date (EUR)	10.28	-
Contractual life (years)	10 years	-
Settlement	Dexia Equities	-
Fair value per granted instrument at grant date (EUR)	0.8968	-

(1) Dexia used the fair value obtained by an independent third party.

(EUR millions)	2008	2009
Equity-settled arrangements	4	2
Cash-settled arrangements [1]	(16)	0
Arrangements with alternative settlements	0	0
TOTAL EXPENSES	**(12)**	**2**

(1) FSA's profit-sharing plan. In 2008, owing to the decline in value of Dexia's stock, the provision previously set aside was reversed.

Amounts included in expense for the year (EUR millions)	2008	2009
Dexia Credit Local Group 2003 plan	0	0
Dexia Credit Local Group 2004 plan	0	0
Dexia Credit Local Group 2005 plan	0	0
Dexia Credit Local Group 2006 plan	1	0
Dexia Credit Local Group 2007 plan	2	1
Capital increase	1	1
Dexia contribution	0	0
NET EXPENSE	**4**	**2**

4.7 CAPITAL SHARES

	2008	2009
Number of shares authorized	87,045,757	87,045,757
Number of shares issued and fully paid	87,045,757	87,045,757
Number of shares issued and not fully paid	0	0
Par value of the share	5.75	5.75
Outstanding as of January, 1	**87,045,757**	**87,045,757**
Number of shares issued	0	0
Number of shares cancelled	0	0
Outstanding as of December, 31	**87,045,757**	**87,045,757**
Rights, preferences and restrictions, including restrictions on the distribution of dividends and repayment of capital	0	0
Number of shares of treasury stock	0	0
Number of shares reserved for issue under stock options and contracts for the sale of shares (1)	NA	NA

(1) Under the stock option plans of Dexia Credit Local, these are Dexia shares that are granted to the employees.

4.8 EXCHANGE RATES

The main exchange rates are presented in the following schedule.

		2008		2009	
		Closing rate (1)	Average rate (2)	Closing rate (1)	Average rate (2)
Australian dollar	AUD	2.03052	1.75065	1.60277	1.76414
Canadian dollar	CAD	1.69433	1.56554	1.51040	1.58302
Swiss franc	CHF	1.48605	1.57869	1.48315	1.50762
Czech koruna	CZK	26.85506	25.01881	26.45148	26.53148
Danish krone	DKK	7.44885	7.45531	7.44230	7.44639
British pound sterling	GBP	0.95352	0.80181	0.88789	0.89076
Hong Kong dollar	HKD	10.82746	11.44726	11.16481	10.82205
Hungarian forint	HUF	265.27436	250.32327	270.68460	281.78228
Shekel	ILS	5.28802	5.23374	5.44911	5.47402
Japanese yen	JPY	126.68903	151.48539	133.44530	130.55728
Korean won	KRW	1759.71731	1612.48892	1678.97309	1768.26884
Mexican peso	MXN	19.32699	16.37246	18.84447	18.89957
Norwegian krone	NOK	9.73709	8.28041	8.29973	8.70833
New Zealand dollar	NZD	2.42531	2.09129	1.98108	2.20812
Swedish krona	SEK	10.88411	9.67792	10.25137	10.58813
Singapore dollar	SGD	2.01301	2.06892	2.01953	2.02410
New Turkish lira	TRY	2.13320	1.90531	2.14270	2.15054
U.S. dollar	USD	1.39710	1.47071	1.43985	1.39615

(1) Rate observed on Reuters at 4:45 pm on the last business day of December.
(2) Average of the closing rates used by the Dexia Group.

5. NOTES ON THE INCOME STATEMENT

5.1 INTEREST INCOME – INTEREST EXPENSE (ITEMS I AND II – INCOME STATEMENT)

(EUR millions)	2008	2009
INTEREST INCOME	**55,836**	**32,297**
a) Interest income on assets not measured at fair value	**15,398**	**10,878**
Cash, central banks and postal checking accounts	58	19
Interbank loans and advances	1,634	555
Customer loans and advances	7,881	7,929
Financial assets available for sale	5,321	2,009
Financial assets held to maturity	56	50
Impaired assets	22	46
Other	426	270
b) Interest income on assets measured at fair value	**40,438**	**21,419**
Loans and securities held for trading	667	125
Loans and securities designated at fair value	25	13
Derivatives held for trading	13,256	9,121
Derivatives used for hedging	26,490	12,160
INTEREST EXPENSE	**(54,067)**	**(30,999)**
a) Interest expense on liabilities not measured at fair value	**(13,528)**	**(8,352)**
Interbank borrowings and deposits	(5,027)	(1,712)
Customer borrowings and deposits	(818)	(287)
Debt securities	(7,374)	(5,892)
Subordinated debt	(234)	(116)
Preferred shares and hybrid capital	0	0
Amounts covered by sovereign guarantees	(12)	(312)
Other	(63)	(33)
b) Interest expense on liabilities measured at fair value	**(40,539)**	**(22,647)**
Liabilities held for trading	0	0
Liabilities designated at fair value	(311)	(266)
Derivatives held for trading	(13,399)	(9,242)
Derivatives used for hedging	(26,829)	(13,139)
NET INTEREST INCOME	**1,769**	**1,298**

5.2 FEES AND COMMISSIONS (ITEMS III AND IV – INCOME STATEMENT)

(EUR millions)	2008 Income	2008 Expense	2008 Net	2009 Income	2009 Expense	2009 Net
Lending activity	76	(25)	51	54	(7)	47
Insurance activity and broking	47	(4)	43	45	(2)	43
Purchase and sale of securities	3	(4)	(1)	0	(3)	(3)
Purchase and sale of shares of Mutual Funds	5	0	5	3	0	3
Management of mutual funds	0	0	0	0	0	0
Administration of mutual funds	0	0	0	0	0	0
Payment services	10	(5)	5	10	(8)	2
Commissions paid to business providers	0	0	0	0	0	0
Financial engineering	18	(5)	13	10	0	10
Services on securities other than custodial services	0	(3)	(3)	0	(3)	(3)
Custodial services	1	(2)	(1)	2	(2)	0
Issuance and underwriting of securities	3	(3)	0	3	(1)	2
Securitization commissions	0	0	0	0	0	0
Private banking	0	0	0	0	0	0
Compensation and settlement-delivery	1	0	1	2	0	2
Intermediation on repo and *reverse* repo	0	0	0	1	(1)	0
Other	17	(12)	5	19	(14)	5
TOTAL	**181**	**(63)**	**118**	**149**	**(41)**	**108**

5.3 NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (ITEM V – INCOME STATEMENT)

(EUR millions)	2008	2009
Net trading income	(544)	484
Net result of hedge accounting	2	(3)
Net result of financial instruments designated at fair value through profit or loss and result from the related derivatives *	(32)	33
Change in own credit risk	308	(123)
Net result of foreign exchange transactions	(91)	(54)
TOTAL	**(357)**	**337**
** Including trading derivatives included in a fair value option strategy*	*793*	*(564)*

All interest received and paid on assets, liabilities and derivatives is recorded in net interest income, as required by IFRS.

Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions include only the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

ANALYSIS OF NET RESULT OF HEDGE ACCOUNTING

(EUR millions)	2008	2009
Fair value hedges	**2**	**(6)**
Change in fair value of hedged item attributable to the hedged risk	13,199	(4,672)
Change in fair value of hedging derivatives	(13,197)	4,666
Cash flow hedges	**0**	**0**
Change in fair value of hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (cash flows no longer expected to occur)	0	0
Hedges of net investments in a foreign operation	**0**	**0**
Change in fair value of hedging derivatives – ineffective portion	0	0
Portfolio hedge	**0**	**3**
Change in fair value of hedged item	702	(898)
Change in fair value of hedging derivatives	(702)	901
TOTAL	**2**	**(3)**
Amounts recycled in net interest margin from the fair value reserve on cash flow hedges (on derivatives for which the hedging relationship has been interrupted)	*19*	*11*

5.4 NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE (ITEM VI – INCOME STATEMENT)

(EUR millions)	2008	2009
Dividends on securities available for sale	11	7
Net gain (loss) on disposals of loans and securities available for sale (1)	78	61
Impairment of variable-income securities available for sale	(32)	(10)
Net gain (loss) on disposals of securities held to maturity	0	0
Net gain (loss) on disposals of debt securities	24	23
TOTAL	**81**	**81**

(1) In 2009, this item includes notably gains on the sale of shares in Crédit du Nord and Assured for EUR 77 million and EUR 71 million respectively, together with losses on asset disposals made in connection with the policy of reducing the Group's overall exposure for EUR 81 million.

5.5 OTHER INCOME (ITEM VII – INCOME STATEMENT)

Income included in the technical margin of insurance companies (EUR millions)	2008	2009
Premiums and subscription fees received [(1)]	459	28
Charges to provisions – Reinsurers' share	0	0
Changes in technical reserves – Reinsurers' share	0	0
Other technical income	0	0
TOTAL	**459**	**28**
Changes in inventory	0	0
Operating taxes	2	0
Lease income	18	24
Other banking income	1	0
Other income	26	13
TOTAL	**47**	**37**
TOTAL OTHER INCOME	**506**	**65**

(1) Premiums and subscription fees received correspond to the results of FSA's financial guaranty business later sold to Assured, i.e. one quarter's business in 2009 compared with a full year in 2008.

5.6 OTHER EXPENSES (ITEM VIII – INCOME STATEMENT)

Expenses included in the technical margin of insurance companies (EUR millions)	2008	2009
Premiums received transferred to reinsurers [(1)]	(120)	(3)
Premiums and subscription fees paid	0	0
Charges to provisions	0	0
Adjustments of technical reserves	0	0
Other technical expenses	0	0
TOTAL	**(120)**	**(3)**

(1) Premiums and subscription fees received correspond to the results of FSA's financial guaranty business sold to Assured in 2009, i.e. one quarter's business in 2009 compared with a full year in 2008.

Other operating expense (EUR millions)	2008	2009
Changes in inventory	0	0
Operating taxes	0	0
Maintenance and repair of investment property that generated income during the year	0	0
Other banking expenses	(1)	0
Other expenses	(22)	(34)
TOTAL	**(23)**	**(34)**
TOTAL OTHER EXPENSES	**(143)**	**(37)**

5.7 OPERATING EXPENSES (ITEM X – INCOME STATEMENT)

(EUR millions)	2008	2009
Payroll costs	(343)	(317)
General and administrative expenses [1]	(349)	(178)
Deferred acquisition costs	(41)	(7)
TOTAL	**(733)**	**(502)**

(1) In 2008, general and administrative expenses included:
- a provision of EUR 43 million for restructuring costs;
- a provision of EUR 55 million for a legal dispute concerning the GICs at FSA Holdings;
- expenses relating to FSA's insurance business sold to Assured in 2009, i.e. a full year (EUR 31 million) compared with one quarter's business in 2009 (EUR 7 million).
In 2009, general and administrative expenses reflect the cost-cutting plan implemented by the Group in late 2008.

a. Payroll costs

(EUR millions)	2008	2009
Compensation and salary expense	(240)	(217)
Social security and insurance expense	(78)	(67)
Employee benefits	(12)	(11)
Restructuring costs	0	(7)
Other	(13)	(15)
TOTAL	**(343)**	**(317)**

EMPLOYEE INFORMATION

	2008			2009		
(Average full time equivalent)	**Fully consolidated**	**Proportionally consolidated**	**Total**	**Fully consolidated**	**Proportionally consolidated**	**Total**
Executive staff	53	3	56	44	4	48
Administrative staff	4,065	14	4,079	3,379	15	3,394
Non-administrative and other personnel	24	0	24	8	0	8
TOTAL	**4,142**	**17**	**4,159**	**3,431**	**19**	**3,450**

	2008						
(Average full time equivalent)	**France**	**Italy**	**Spain**	**Rest of Europe**	**U.S.**	**Rest of world**	**Total**
Executive staff	23	3	1	13	10	6	56
Administrative staff	2,044	241	47	1,065	554	128	4,079
Non-administrative and other personnel	0	0	0	5	14	5	24
TOTAL	**2,067**	**244**	**48**	**1,083**	**578**	**139**	**4,159**

	2009						
(Average full time equivalent)	**France**	**Italy**	**Spain**	**Rest of Europe**	**U.S.**	**Rest of world**	**Total**
Executive staff	24	3	1	13	2	5	48
Administrative staff	1,935	226	48	909	184	92	3,394
Non-administrative and other personnel	0	0	0	3	0	5	8
TOTAL	**1,959**	**229**	**49**	**925**	**186**	**102**	**3,450**

b. General and administrative expenses

(EUR millions)	2008	2009
Cost of premises	(7)	(8)
Rent expense [1]	(23)	(20)
Fees	(48)	(42)
Marketing, advertising and public relations	(19)	(12)
IT expense	(39)	(28)
Software, research and development	(12)	(10)
Maintenance and repairs	(8)	(8)
Restructuring costs	(43)	15
Insurance (except related to pensions)	(3)	(2)
Stamp duty	(4)	(4)
Other taxes	(31)	(28)
Other general and administrative expenses	(112)	(31)
TOTAL	**(349)**	**(178)**
Of which maintenance and repairs expenses for investment property that did not generate income during the year	*0*	*0*

(1) This amount does not include IT rental expenses, which appear on the "IT expense" line.

5.8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS (ITEM XI – INCOME STATEMENT)

Depreciation and amortization (EUR millions)	2008	2009
Depreciation of investment property	0	0
Depreciation of land and buildings, office furniture and other equipment	(9)	(9)
Depreciation of computer equipment	(4)	0
Depreciation of other tangible fixed assets	(8)	(11)
Amortization of intangible assets	(32)	(32)
TOTAL	**(53)**	**(52)**

Impairment (EUR millions)	2008	2009
Impairment of investment property	0	0
Impairment of land and buildings, office furniture and other equipment	0	0
Impairment of other tangible fixed assets	0	0
Impairment of assets held for sale	0	0
Impairment of long-term construction contracts	0	0
Impairment of intangible assets	(3)	0
TOTAL	**(3)**	**0**

TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT	**(56)**	**(52)**

5.9 COST OF RISK (ITEM XIII – INCOME STATEMENT)

(EUR millions)	2008			2009		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	(524)	(291)	(815)	(8)	(355)	(363)
Credit enhancement	(37)	(1,344)	(1,381)	0	(272)	(272)
Fixed-income securities available for sale		(1,191)	(1,191)		5	5
TOTAL	**(561)**	**(2,826)**	**(3,387)**	**(8)**	**(622)**	**(630)**

In 2009, cost of risk includes:

- an additional provision of EUR 231 million on the Financial products portfolio, making a total impairment of EUR 1,253 million as of December 31, 2009. In addition, the impact of the crisis on the RMBS segment in the United States resulted in the recognition of a collective impairment of EUR 239 million (EUR 300 million as of December 31, 2008) on this same portfolio;
- a charge of EUR 272 million in respect of FSA Insurance's credit enhancement business for the first quarter, this business subsequently being sold to Assured;
- a charge of EUR 132 million in respect of the Group's banking activities.

DETAIL OF COLLECTIVE AND SPECIFIC IMPAIRMENT

	2008			2009		
Collective impairment (EUR millions)	Additions	Reversals and utilizations	Total	Additions	Reversals and utilizations	Total
Loans and securities held to maturity	(573)	49	(524)	(174)	166	(8)
Off-balance sheet commitments	0	0	0	0	0	0
Total credit	**(573)**	**49**	**(524)**	**(174)**	**166**	**(8)**
Credit enhancement	(37)	0	(37)	0	0	0
TOTAL	**(610)**	**49**	**(561)**	**(174)**	**166**	**(8)**

Specific impairment (EUR millions)	2008				Total
	Additions	Reversals	Losses	Collections	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	(102)	15	(4)	1	(90)
Financial assets held to maturity	0	0	0	0	0
Accruals and other assets	(182)	0	0	0	(182)
Off-balance sheet commitments	(19)	0	0	0	(19)
Total credit	**(303)**	**15**	**(4)**	**1**	**(291)**
Credit enhancement	**(945)**	**8**	**(407)**	**0**	**(1,344)**
Fixed-income securities	**(1,191)**	**0**	**0**	**0**	**(1,191)**
TOTAL	**(2,439)**	**23**	**(411)**	**1**	**(2,826)**

Specific impairment (EUR millions)	2009				
	Additions	Reversals	Losses	Collections	Total
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	(488)	161	(31)	3	(355)
Financial assets held to maturity	0	0	0	0	0
Accruals and other assets	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
Total credit	**(488)**	**161**	**(31)**	**3**	**(355)**
Credit enhancement	**(272)**	**0**	**0**	**0**	**(272)**
Fixed-income securities	**(3)**	**8**	**0**	**0**	**5**
TOTAL	**(763)**	**169**	**(31)**	**3**	**(622)**

5.10 INCOME (LOSS) FROM ASSOCIATES (ITEM XV – INCOME STATEMENT)

(EUR millions)	2008	2009
Income (loss) before tax	(40)	17
Taxes	(1)	(4)
Impairment on goodwill	(12)	(14)
TOTAL	**(53)**	**(1)**

5.11 NET GAINS (LOSSES) ON OTHER ASSETS (ITEM XVI – INCOME STATEMENT)

(EUR millions)	2008	2009
Net gains (losses) on disposals of buildings	0	0
Net gains (losses) on disposals of other fixed assets	0	0
Net gains (losses) on disposals of consolidated equity investments	(1,036)	(102)
TOTAL	**(1,036)**	**(102)**

In 2009, this item comprises a negative adjustment of EUR 102 million for the loss on the sale of FSA's insurance business, estimated at end-2008 at EUR 940 million. This adjustment comprises:

- the cancellation of FSA Insurance's first-quarter 2009 result, being a negative adjustment of EUR 163 million;
- a positive impact of EUR 70 million from the revaluation of the Assured shares received during the actual sale, the share price on this date being USD 12.38 whereas a price of USD 8.10 was used in the sale agreement dated November 14, 2008;
- sundry transaction-related fees being a negative adjustment of EUR 9 million.

5.12 IMPAIRMENT OF GOODWILL (ITEM XVII – INCOME STATEMENT)

(EUR millions)	2008	2009
Impairment of goodwill	(1,181)	(6)
TOTAL	**(1,181)**	**(6)**

In 2008, the goodwill on FSA was fully impaired. In 2009, the goodwill on Dexia banka Slovensko and Dexia Kommunalkredit Polska are fully impaired for respectively EUR 4 million and EUR 2 million.

5.13 CORPORATE INCOME TAX (ITEM XIX – INCOME STATEMENT)

Detail of tax expense (EUR millions)	2008	2009
Current taxes	(277)	(137)
Deferred taxes	839	(120)
Tax on prior years' income	6	11
Deferred taxes on prior years	(11)	49
Provisions for tax litigation	(1)	(42)
TOTAL	**556**	**(239)**

2009 effective tax expense

The corporate tax rate in France is 34.43%. The rate applied to contributions from foreign subsidiaries is that applied locally in accordance with each national legislation.

The average tax rate for 2009 was 42.2%.

The variance compared with the French rate can be analysed as follows:

(EUR millions)	2008	2009
Income before income taxes	**(4,472)**	**559**
Net income from associates	(53)	(1)
Impairment of goodwill	(1,181)	(6)
Tax base	**(3,238)**	**566**
Applicable tax rate at end of the period	34.43%	34.43%
Theoretical corporate income tax at the standard rate	**(1,115)**	**195**
Impact of differences between foreign tax rates and the standard French tax rate	15	(57)
Tax effect of non-deductible expenses	418	39
Tax effect of non-taxable income	(193)	(189)
Impact of items taxed at a reduced rate	(48)	(52)
Other additional taxes or tax savings	(40)	30
Impairment of deferred tax assets (1)	406	231
Liability method	0	0
Provision for tax litigation	1	42
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**(556)**	**239**
EFFECTIVE TAX RATE	**17.17%**	**42.20%**

(1) In accordance with the agreement for the sale of FSA's insurance business and the review of the Dexia Credit Local Group's activities in the United States, the deferred tax base was modified and a provision was recognized as of December 31, 2008. In 2009, the deferred tax assets of several entities were provisioned as a result of the policy to scale back their activity.

Tax consolidation group

Dexia SA Établissement Stable in France is the head of the tax group consolidating the following companies:

- Dexia Credit Local;
- Floral;
- Dexia CLF Immo;
- Compagnie pour le Foncier et l'Habitat;
- CLF Marne la Vallée Participation;
- Dexia Éditions;
- Dexia Assureco;
- Dexia Municipal Agency;
- Dexia CLF Développement;
- Genebus Lease;
- Éoliennes Galerne (formerly Dexia CLF Energy);
- Dexia CLF Organisation;
- Dexia CLF Avenir;
- Dexia Habitat;
- CBX Gest;
- Dexia Développement;
- Dexia Flobail;
- Dexia Bail;
- Dexia Finance;
- Dexia Sofaxis;
- Guide Pratique de la Décentralisation;
- CBX. IA 1;
- CBX. IA 2;
- DCL Investissements;
- DCL Projets;
- Dexiarail.

Tax savings arising from the netting off of the profits and losses of companies within the tax group are recognized as a profit in the accounts of Dexia SA Établissement Stable.

5.14 EARNINGS PER SHARE

a. Basic earnings per share

Basic earnings per share is obtained by dividing "Net income, Group share" by the weighted average number of common shares outstanding during the year, less the average number of common shares purchased by the Company and held as treasury stock.

	2008	2009
Net income, Group share (EUR millions)	(3,556)	269
Weighted average number of common shares (millions)	87	87
Basic earnings per share (EUR)	(40.85)	3.09

b. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the average number of common shares outstanding to reflect the potential conversion into dilutive common shares of the options granted to employees.

For stock options, the calculation of the number of shares that could have been acquired at fair value (calculated as the average annual share price) is based on the monetary value of the subscription rights attached to the outstanding options.

The number of shares calculated in the manner described above is compared with the number of shares that would have been issued assuming the options were exercised.

No adjustments were made to "Net income, Group share" as there are no financial instruments convertible into Dexia shares.

	2008	2009
Net income, Group share (EUR millions)	(3,556)	269
Weighted average number of common shares (millions)	87	87
Adjustment for stock options (millions)	0	0
Weighted average number of common shares used for the calculation of diluted earnings per share (millions)	87	87
Diluted earnings per share (EUR)	(40.85)	3.09

6. NOTE ON OFF-BALANCE SHEET ITEMS

6.1 REGULAR WAY TRADE

(EUR millions)	2008	2009
Assets to be delivered	1,708	3,625
Liabilities to be received	3,098	4,980

6.2 GUARANTEES

(EUR millions)	2008	2009
Guarantees given to credit institutions	469	989
Guarantees given to customers	10,069	7,869
Guarantees received from credit institutions	873	579
Guarantees received from customers	15,665	22,420
Guarantees received from the states	18,835	46,827

6.3 LOAN COMMITMENTS

(EUR millions)	2008	2009
Loan commitments given to credit institutions	642	624
Loan commitments given to customers	51,199	39,589
Loan commitments received from credit institutions	11,270	10,757
Loan commitments received from customers	5	50

6.4 OTHER COMMITMENTS

(EUR millions)	2008	2009
Insurance activity – Commitments given	0	0
Insurance activity – Commitments received	0	0
Banking activity – Commitments given	79,755	79,124
Banking activity – Commitments received	45,735	29,524

7. NOTES ON EXPOSURE TO RISK AS OF DECEMBER 31, 2009

7.0 EXPOSURES TO RISK AND HEDGING STRATEGIES

a. Risk factors and risk management

The Risk Management and Permanent Control department is responsible for monitoring all credit, market, liquidity and operational risks, within the meaning of French Banking Regulatory Committee (CRB) Regulation 97-02 as amended. The Chief Risk Officer is head of the department and a member of the Dexia Credit Local Management Board

The Chief Risk Officer represents Dexia Credit Local on the Group Chief Risk Officers committee (Risk EXcom), which is chaired by the Dexia Group Chief Risk Officer, himself a member of the Group's Management Board.

The Risk Management and Permanent Control department is responsible for ensuring that all types of risk (including credit, operational and market risks) are compliant with the limits established by the Group's management bodies. The department recommends any measures it feels necessary for monitoring and reducing levels of risk.

The Risk Management and Permanent Control department adheres strictly to the provisions laid down by the Dexia Group Risk Management department concerning risk appetite, measurement methods, limits and reporting methods.

The Permanent Control department operates free of any external influence from the front office function. It does not report to any operational department, but has functional authority over the specialized permanent control staff in each of the operating units concerned.

In early 2010, the reorganization of the risk management function was completed, using an approach based on simplified governance and aligned on the Group's new organization. The function has been reorganized into cross-divisional business lines: Public and Wholesale Banking credit risk, market risks, and retail and commercial banking risks, crossed with a geographical organization by consolidating entity.

The Chief Risk Officer of Dexia Credit Local is also Director of Public and Wholesale Banking credit risk for the Dexia Group. To enhance the independence of the risk management function, all of the directors of credit risk in Dexia Credit Local's foreign subsidiaries and branches now report directly to the Chief Risk Officer of Dexia Credit Local.

RISK REVIEW OF 2009

In 2009, the activities of the Risk Management and Permanent Control department were strongly impacted by the financial crisis and by the transformation plan.

The reduction of Dexia Credit Local's risk profile was manifest in 2009 in a number of divestments, including the sale of FSA Insurance (finalized in July 2009), and by an active policy to reduce the run-off bond portfolio (EUR 17.3 billion in 2009). The divestitures and the reduction of the run-off portfolio resulted in a reduction of Dexia Credit Local's credit equivalent risk in 2009 (EUR -58 billion [(1)]). The weighted risks naturally followed the same trend and declined by EUR 5.1 billion during the year, while the core capital ratio (Tier 1) improved from 7.51% at the end of 2008 to 8.90% at end 2009. It is also worth noting that the cost of the risk (excluding Financial products) returned to normal, representing EUR 635 million in 2009 against EUR 2,196 million in 2008.

Substantial progress was made with liquidity. Dexia Credit Local and the Group had been facing a serious liquidity crisis following the bankruptcy of Lehman Brothers in September 2008 and the severe drying up of money and capital markets that ensued. In October 2008, the Belgian, French and Luxembourg states provided a guarantee on Dexia's short- and long-term funding. This guarantee has been extended until October 31, 2010 (details concerning the mechanics and the terms of renewal of the guarantee of Dexia's funding are provided in the "Significant events" section of the present report). The guaranteed amounts totaled EUR 50.4 billion as of December 31, 2009, compared with a maximum of EUR 95.8 billion in May 2009, which attests to the rebalancing of the Group's funding and the decrease in its balance sheet.

The Risk Management and Permanent Control department also assisted with the reorganization of the Treasury and Financial Markets (TFM) activity, the cut-back of trading operations and, in particular, the complete discontinuation of all credit trading operations. This resulted in a reduction of Dexia Credit Local's market limits (VaR 99% -10 days limit of EUR 107 million to EUR 54 million) and in a complete overhaul of all procedures.

One other notable achievement in 2009 was the continuing implementation of a model-based system for valuing illiquid exposures. Applied from the beginning of the year to assets available for sale, its use was extended to the valuation of all outstanding loans and other receivables as of December 31, 2009.

In the area of operational risk, 2009 was a year of strengthening existing procedures through the continuous collection of incidents and the updating of self-assessment scenarios. Collaboration with the other departments responsible for risk and control functions (in particular the Internal Audit, Compliance and Legal departments) has also been strengthened through the development of a common tool for monitoring the action plans induced by the recommendations of the Internal Audit department and by the risk assessments. Use of the tool began in early 2010.

Lastly, the main cross-divisional projects have continued and been developed:

- new models have been developed and will gradually be used to calculate regulatory capital as from December 31, 2010;
- use of the Pillar 1 and Pillar 2 stress tests has been extended throughout the Group;
- economic capital measurements have been refined and recalibrated to incorporate the lessons learned from the crisis.

In 2010, the efforts made to strengthen liquidity and reduce the Group's risk profile will continue in the same direction, while taking account of the agreement concluded with the European Commission. Risk appetite indicators will be put in place for Dexia Credit Local, in accordance with the guidelines established for the Dexia Group.

Many projects will also be induced by regulatory standards: response to the recommendations of the Pillar 2 project; implementation of requirements regarding the calculation of risk-adjusted capital for financial markets activities (in particular the use of an integrated system for calculating historical VaR and the definition of stressed VaR); change in IFRS regulations regarding the provisioning and measurement of outstandings; changes linked to the new regulatory standards proposed by the Bank for International Settlements (BIS) in the context of the quantitative impact study notably with regard to the definitions of capital, buffer capital, the leverage ratio and counterparty risk.

BASEL II FRAMEWORK

Since January 1, 2008, Dexia Credit Local has used the Advanced Internal Ratings Based Approach (AIRBA) to calculate its capital requirements and capital adequacy ratios.

The Group therefore used the AIRBA proposed in the first pillar of Basel II for the second time in 2009. Back-testing carried out during the year confirmed the sturdiness of these models, and the credit conversion factors for all of the local public sector rating systems were able to be modeled. The rollout of the development plan for the rating system used for GSFP-type (*Groupements sans Fiscalité Propre*) non-taxable groupings and public sector agencies continued, while reinforcing those aspects pertaining to the use test.

The year was also marked by the progress made with the implementation of Pillar 2. This system, which has been applicable since December 31, 2008, requires banks to demonstrate to their regulators that they are sufficiently capitalized given their risk profile. To accomplish this, they must notably have internal systems for calculating and managing their risk that are capable of making a valid assessment of their economic capital needs (Internal Capital Adequacy Assessment Process, or ICAAP). This process is based on two major processes: the analysis of risk by the Risk Management and Permanent Control department, and the preparation of the financial plan (including an allocation of capital and analyses of trends in the results of the business lines and the internal capital offer) by the Finance department.

(1) Excluding FSA.

Dexia made an initial presentation of its Pillar 2 approach on March 25, 2009 to the Group's twelve principal regulators. The regulators committee examined the Group's Pillar 2 in detail during the fourth quarter of 2009.

The Management Committee of Dexia Credit Local has been kept closely informed of all Pillar 2-related developments.

Pillar 3, which defines a set of qualitative and quantitative risk-related disclosures to be provided to market players, is to be applied the highest consolidated level of the Dexia Group, and has been an integral part of Dexia Credit Local's external communication policy since 2008.

Lastly, Dexia was closely involved in national and international discussions of amendments to the capital adequacy directive and, more generally, in the ongoing debates regarding the optimal level of capitalization for banks (dynamic provisioning, leverage ratio, definition of capital, etc.).

CREDIT RISK

Credit risk represents the potential loss (decrease in the value of the asset or default of payment) that Dexia Credit Local may incur due to the deterioration of the solvency of a counterparty.

Governance

The Dexia Credit Local Risk Management and Permanent Control department oversees Dexia Credit Local's credit risk, under the aegis of the Management Committee and a number of specialized risk committees. Credit risk policy is defined at the Dexia Group level, and the Dexia Credit Local Risk Management and Permanent Control department is closely involved in the process. Authorization rules are defined by the Dexia Credit Local Risk Management and Permanent Control department and approved by the Dexia Group Risk Management and Permanent Control department. These rules are defined on the basis of the type of counterparty, credit rating and credit risk exposure.

The Dexia Credit Local Risk Management department oversees the credit analysis/rating process and all control procedures concerning exposures.

Following the reorganization of the risk functions, Central Analysis Cells (CAC), specialized by type of counterparty (project, corporate, bank, ABS, international public sector and country), will be established at Group level to pool available expertise and provide all Group entities - and therefore Dexia Credit Local itself - with all of the analyses they will need. All decisions concerning these counterparties (commitments, provisioning) will remain the responsibility of the different entities and of Dexia Credit Local, in particular.

Analysis of matters not within the purview of the CACs continues to be performed directly by Dexia Credit Local and its subsidiaries/branches.

The following intercompany committees are organized by Dexia SA:

- the Risk Policy Committee (quarterly), which approves the rules of allocation of credit risk, which are then detailed in the credit risk policies;
- the Executive Risk Management Committee (weekly), which is responsible for determining risk management strategy and the organization of the function;
- the Management Credit Committee (weekly), which makes decisions on proposals involving very large amounts or high-risk credits.

The Chief Risk Officer of Dexia Credit Local is a member of the Executive Risk Management Committee and the Management Credit Committee.

The management of credit risk falls under the more general framework of the internal capital adequacy process (see Part 8 – Economic capital).

Decisions regarding commitments and the monitoring of these commitments are made through of a series of committees. These are organized by business line, and include notably the Public and Wholesale Banking credit committees and the TFM credit committees. They approve all transactions that are not delegated to different subsidiaries and branches and operate under the authority of the Management Credit Committee. Each proposal submitted to a committee includes an independent analysis performed by the Risk Management and Permanent Control department of either Dexia Credit Local or the Group.

The credit committees make commitment decisions on proposals and meet weekly.

The specialized committees described below meet quarterly:

- watchlist committees monitor "sensitive" assets that have been placed under active surveillance;
- default committees qualify and monitor all counterparties in default in accordance with Basel II, employing the prevailing rules applied by Dexia;
- impairment committees approve quarterly allocations of provisions and monitor the cost of the risk;
- credit ratings committees ensure that the internal credit rating system is applied correctly and that the credit rating process is adequate;
- the credit line committee allocates and verifies limits for certain counterparties monitored by the credit risk knowledge center for financial market operations.

These Public and Wholesale Banking committees are organized in the various subsidiaries and branches (the local committees), in the Head Office of Dexia Credit Local, and in the Head Office of the Dexia Group for all credit authorities that have not been delegated. The Dexia Credit Local Risk Management department chairs all of the Dexia Credit Local committees. It systematically participates in all Dexia Group committees and presents proposals concerning Dexia Credit Local and its various branches and subsidiaries. The department approves all credit proposals to be housed within Dexia Credit Local and its various branches and subsidiaries. The DCL Risk Management department has veto power over these proposals.

TFM committees are organized solely at the Dexia Group level. The DCL Risk Management department participates systematically in these TFM committees, decides on all proposals concerning Dexia Credit Local and its various branches and subsidiaries, and also has veto power over these proposals.

All delegations of powers to international entities for public sector customers and project finance operations were cancelled in late 2008. Very limited delegations were reintroduced mid-2009, mainly to the Italian and Spanish subsidiaries and solely in respect of public sector customers. All delegations granted to the commercial network in France have been maintained.

Risk management

Dexia Credit Local manages its credit risk by measuring it, controlling it and taking all necessary steps to keep it as low as possible.

Credit risk limits are defined to manage the risk profile at the level of the Dexia Group as a whole and to limit any concentrations of risk. A limit is set for each counterparty in accordance with credit risk policies and represents the maximum exposure to credit risk that the Dexia Group is willing to accept for a given counterparty. The total exposure held by Dexia Credit Local and its subsidiaries and by any other Dexia Group entity for any given counterparty must remain below the limit set for that counterparty. Limits may also be imposed by business sector and by product. To take account of events as they occur, specific limits may be frozen at any time by the Risk Management and Permanent Control department.

To measure its credit risk, Dexia Credit Local notably uses the entire internal rating mechanism set in place in connection with Basel II. Credit risk analysts are responsible for assigning credit ratings to all counterparties. Each rating corresponds to an assessment of the level of risk of the counterparty expressed through an internal scale which, unless otherwise justified, takes account of all potential risks related to the country in which it is established. Once it has been assigned, the internal rating is a key factor in the decisions made by the credit committee. By reviewing ratings every year, Dexia is able to proactively identify those counterparties that require more regular monitoring, which are then incorporated into a watchlist that is reviewed once a quarter jointly by the Credit Risk Management department and the Commercial department within a Special Mention and Watchlist Committee for assets under active surveillance.

General credit risk environment in 2009

The year was marked by the strength of economic stimulus policies, through initiatives undertaken by both states and central banks. The economic climate was unfavorable, however, marked by rising unemployment and the loss of consumer and entrepreneurial confidence. The year was also in many ways one of paradox. While the amount of outstanding corporate debt declined worldwide for the first time in at least 15 years, bond investors returned to capital market in force and a record volume of non-bank bonds were sold in Europe. In a context of low interest rates, this segment offered substantial premiums in the early part of the year which then tightened considerably.

Dexia Credit Local's main domestic credit markets experienced a similar trend, with an increase in lending to consumers and a decline in lending to businesses. The latter also diversified their sources of funding by taking increased recourse to the market, especially as the banking sector's ability to provide loans remained constrained by increased capital requirements. This explains in part the slowdown of the global market, which continued throughout the year with negative seasonally-adjusted net flows. The mortgage market, on the other hand, grew due to low interest rates and government incentives in favor of green investment.

Fundamentals of Dexia Credit Local's credit risk in 2009

Dexia Credit Local's portfolio reflected the deterioration of macroeconomic conditions in 2009. The average rating of the portfolios deteriorated during the year, and especially during the first quarter, causing the Group to set aside collective reserves to address the possible consequences of this deterioration. Dexia Credit Local's asset base stood up well and confirmed the low risk profile of Dexia Credit Local's business lines, which was also reduced significantly following the sale of FSA Insurance, finalized on July 1, 2009.

In 2009, in its management of credit risk, Dexia Credit Local continued to take account of the weakening of the economic system (increase in default rates observed, adverse macroeconomic conditions, etc.) stemming from the current financial crisis and continued to strengthen the procedures used to identify and track sensitive exposures and sectors. Moreover, all credit limits that needed to be were revised downward, and in particular on bank, large corporate and sovereign counterparties; some activities were suspended; and the Group continued its initiatives to reduce its balance sheet (see below).

The fundamentals of the Public and Wholesale Banking business line remain very strong overall. In the area of corporate credit, a close monitoring was put in place for some more vulnerable areas, such as ports and highways which are subject to traffic risk. Authorizations were reviewed and credit limits lowered.

The year was marked by a significant decrease in the bond portfolio, with a freeze on all new purchases and a continuation of the program to sell off the existing bonds held in the portfolio. While there were no remarkable incidents of significant deterioration in terms of performance or expected loss, the impact of the crisis was felt nonetheless and resulted in the lowering of ratings. The deterioration was especially strong in the collateralized loan obligation (whose risk was, in large part, hedged) and residential mortgage-backed security segments in the United Kingdom and the United States. Ninety-seven percent of the bond portfolio is still rated investment grade. The decline in the ratings of the Financial products portfolio, with a longer maturity, was significantly weaker during the second half of 2009 than during the first half, and as of December 31, 2009, 43% of the portfolio was rated investment grade. Sovereign risk was reduced substantially or entirely on those countries presenting a high degree of risk or considered more vulnerable. Bank counterparty risk trends were different depending on the counterparty, although the portfolio has not experienced any defaults. Indirect risk on monoline insurers was also reduced, following the discontinuation of the granting of liquidity lines in New York and the disposal of certain assets.

MARKET RISK

Dexia Credit Local's market risk includes its consolidated exposure to adverse changes in market parameters, such as interest rates, exchange rates and, to a lesser extent, changes in equity prices and other market risks (basis risk, inflation risk, etc.).

Interest rate risk includes both general risk on changes in market interest rates and specific risk (spread risk) on changes in the credit spread of a particular issuer, class of assets or rating category.

Equity risk reflects the risk of the potential decline in the value of shares held. Currency risk reflects the potential decline in value due to fluctuations in foreign exchange rates.

Other market risks reflect a potential loss of value due to any changes in organized or OTC markets not already taken into account in the above definitions.

Governance

The teams responsible for the management of financial markets risk (Financial Markets and Risk Management, or FMRM) act as a knowledge center, covering all Treasury and Financial Markets (TFM) activities for the Group as a whole.

FMRM is an integrated function within the Group. With a powerful, comprehensive approach to risk management, FMRM is responsible for the identification, analysis, monitoring, evaluation and reporting of all risks and results.

FMRM defines risk management policy and oversight through the drafting of detailed procedures and guidelines for each TFM function. FMRM also ensures that they are strictly enforced. The risk management teams are also responsible for defining the methods used to calculate the income statement and measure risk, and provide a consolidated measure of risks and performances for the financial markets activities of the Dexia Group as a whole.

Located within the operating entities, the local FMRM are responsible for the day-to-day monitoring of operations, including the evaluation and monitoring of risk at a local level (calculation of risk indicators, verification of limits and triggers, etc..), the production of local risk and results reports, reconciliations with the local accounting staff and reconciliation with the local information system.

Each operating entity is also responsible for monitoring and reporting to all local control and regulatory bodies.

Committees

The Market Risk and Guidelines Committee (MRGC) meets monthly and covers a broad range of topics, including: analysis of risk and profit and loss[1] warning threshold reports and related decisions; definition and revision of approval limits; proposed approvals of all new products; discussion of risk guidelines, governance and standards; risk concepts; and risk measurement methods.

If need be, an ad hoc MRGC will settle any specific problems with regard to the management of activities and/or risks.

In addition to the monthly MRGC meeting, a specific MRGC meeting is held each quarter to review the risk and results reports for each TFM line of business.

The Dexia Market Risk Committee (DMRC) meets every two months and acts as the supervisory committee for the MRGC.

The Risk Policy Committee and the Executive Risk Management Committee validate all significant changes to be made to the risk profile or to the governance of risk.

Risk management

Risk measures

The Dexia Group has adopted the Value at Risk (VaR) risk measurement method as one of its main risk metrics. VaR measures potential loss over a 99% confidence interval for a 10-day period. Dexia uses several VaR techniques to obtain a precise measurement of the inherent market risk of its portfolios and various market activities:

- general interest rate and currency risk are measured using parametric VaR;
- specific interest rate risk is calculated using the traditional VaR method; and
- non-linear and individual risks are measured using the specific and historical VaR techniques, in order to obtain a more accurate assessment of exposure to market volatility.

Dexia Credit Local's exposure to market risk, measured in terms of VaR, comes mainly from general and specific (spread) interest rate risk, reflecting the daily volatility observed in credit markets. Dexia Credit Local does not hold any open trading positions in equities, exchange rates or any other risk factors.

Dexia Credit Local uses the Group's VaR model to calculate its regulatory capital requirements on interest rate and currency risk within its trading activities. Dexia Credit Local's trading activities were reduced dramatically during 2009, following the closure or transfer of its interest rate and credit trading operations to Dexia Bank Belgium (DBB) under the terms of Dexia's transformation plan.

The VaR techniques employed are continuously optimized. In 2009, backtesting did not generate any exceptions to general interest rate or currency risk or credit spread-related risk, which proves the effectiveness of the techniques employed for the main risk factors.

In addition to the measurements and performance warning thresholds provided by the use of VaR techniques, Dexia uses a wide range of other measures to assess the risks associated with its different businesses (limits for nominal volumes, maturities and authorized markets; limits for interest rate, spread and options sensitivity (Greeks); and scenario analysis).

Stress testing is increasingly important to any rigorous risk management system, as it explores a range of low probability events outside the probabilistic scope of VaR measurement techniques. VaR measures estimated market risk under traditional, everyday conditions, while stress testing quantifies it under abnormal circumstances.

The various probabilistic scenarios were continuously revised and updated during 2009.

Bonds in the held-to-maturity portfolio (banking book) are not subject to VaR limits, due to their different investment horizon. Under the Dexia transformation plan, much of the portfolio has been placed in run-off.

Exposure to market risk

Value at risk

Details regarding the VaR used by the TFM activity (excluding the held-to-maturity portfolio) are provided in the table below.

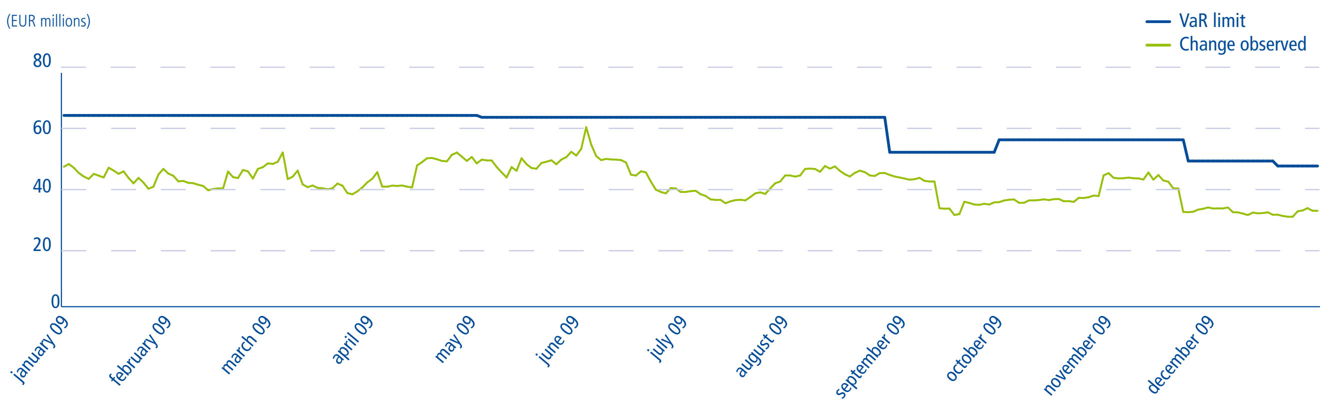
The limits were revised sharply downward in accordance with the principle of reduction of risk appetite laid out in the Dexia transformation plan. The TFM limit was reduced from EUR 107 million as of December 31, 2008 to EUR 54 million in the first quarter of 2009.

(1) Profit and loss warning thresholds which alert staff to a deterioration of earnings, are expressed as a percentage of VaR limits, i.e. generally 50%, 75% and 100% for triggers 1, 2 and 3, and discontinuation of activity at 300% of VaR.

(EUR millions)	VaR on Dexia Credit Local's market risk [1] Average	% limit	Maximum	% limit	Limit for the quarter
Q1	39.13	64%	48.02	79%	60.68
Q2	43.21	72%	56.65	94%	60.04
Q3	35.61	74%	43.38	90%	48.08
Q4	31.83	73%	41.47	95%	43.38

(1) Excluding EUR 10 million equity limit.

VaR ON MARKET RISKS IN 2009*



(*) VaR on interest rates & spread risk on market scope.

Bond portfolio

Dexia Credit Local manages bond portfolios, most of which have been placed in run-off, with an aggregate value of EUR 89.2 billion as of December 31, 2009 (excluding the Balance Sheet Management [BSM] and Financial products [FP] portfolios).

As the interest rate risk on these bond portfolios is hedged, they are not very sensitive to changes in interest rates.

As of December 31, 2009, the sensitivity of the fair value to a one-basis-point increase in the spread amounts to EUR 93 million for the bond portfolio (compared with EUR 96 million/basis point as of June 30, 2009[1]).

In light of the illiquidity of the markets and the reduced visibility for prices-spreads in the valuation process, models have been used to value the portfolio of assets available for sale (AFS portfolio) since the end of 2008.

The credit spreads supplied by this model were based on the components of credit plus a liquidity premium. In 2009, methodological and operational improvements were made to the advanced model to include all illiquid assets available for sale. This advanced model was also applied to loans and receivables (part of the available-for-sale portfolio was reclassified into loans and receivables in 2008) as of December 31, 2009, in accordance with IFRS.

(1) Including the Dexia Municipal Agency and tender option bond (TOB) portfolios.

BALANCE SHEET MANAGEMENT

The risks associated with balance sheet management (BSM) include structural market risk (interest rate risk, currency risk, on- and off-balance sheet equity risk generated by the business lines) and liquidity risk.

The detailed definitions of structural interest rate risk, currency risk and equity risk are provided in the section on market risks.

Liquidity risk is defined as the probability that the Bank will be incapable of satisfying its expected and unexpected current and future cash needs.

Governance

Committees

Overall BSM risks are managed at the monthly meeting of the Group's Asset & Liability Management Committee (ALCO). The Group ALCO sets limits and ensures that the appropriate strategy is adopted given the Group's BSM overall risk. It decides which hedges must be put in place (investments/divestments to be carried out for the insurance activities) and validates the internal transfer pricing mechanisms used within the Group. Group entities have their own local ALCOs. They manage specific local risks under the guidelines defined by the Group ALCO.

The Funding & Liquidity Committee (FLC), by delegation from the Group ALCO, centralizes and coordinates the decision making process for all liquidity issues. The FLC is in charge of monitoring changes in short- and long-term funding needs and establishing Dexia's overall funding strategy. It is also responsible for examining and updating the stress scenarios that must be considered with regard to liquidity; for establishing emergency action plans and proposing corrective measures to improve the Group's liquidity profile; and for coordinating the general reporting of liquidity to the Group's various boards as well as to the rating agencies, regulators, central banks and states.

The FLC meets both weekly and monthly (expanded committee).

Risk management

Risk measures

Interest rate risk

BSM is used to reduce the volatility of the income statement, in order to protect the profits generated by the business lines and to preserve the Group's overall creation of value.

The different Group entities use the same methods to measure balance sheet risk. Currently, the primary indicator used is a calculation of the sensitivity of the net present value of the BSM positions. In 2010, Dexia will optimize the calculation of Earnings at Risk (EaR) in stress scenarios within the different Group entities in order to incorporate this indicator into the decision making process.

Exposure to risk, as measured in both economic and accounting terms, is generated primarily by long-term European interest rates and results from the structural imbalance between Dexia's assets and its liabilities. Risk sensitivity measurements reflect the exposure of the balance sheet to first- and second-order sensitivity. VaR calculations are used to provide complementary measurements.

Equity risk

The Value at Risk technique is used to measure the sensitivity of the portfolio to adverse changes in equity prices, volatility and correlation. Among others, the market risk management framework includes earnings at risk and stress test measurements that provide an indication of the maximum accounting loss under different scenario calculations. The equity portfolios of the banking entities have been placed in run-off.

Dexia Credit Local's portfolio amounted to only EUR 2.9 million as of December 31, 2009.

Currency risk (structural)

Although Dexia's reporting currency is the euro, many of its assets, liabilities, revenues and costs are also denominated in a number of other currencies. The Group ALCO establishes the hedges to be used to offset structural currency risk, in order to reduce the volatility of income.

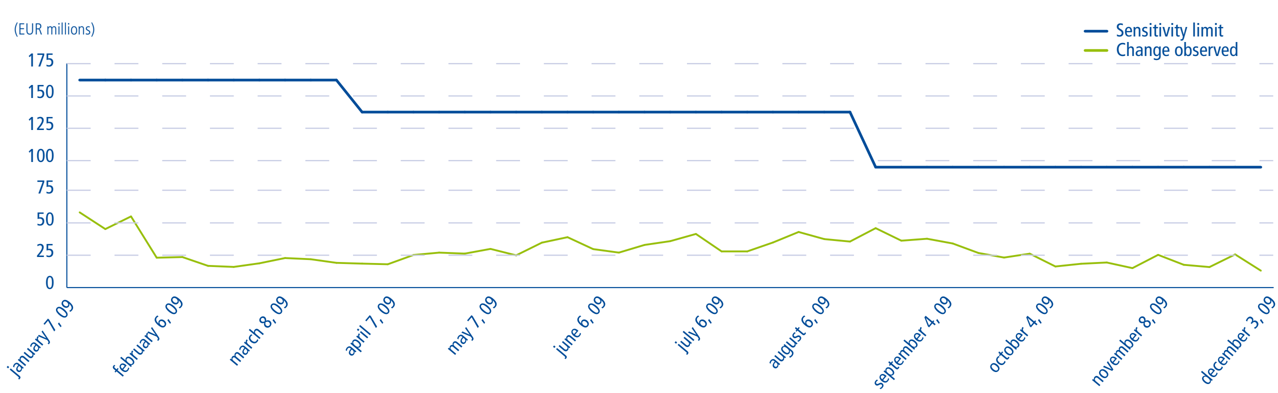
BSM exposure

BSM exposure to interest rate risk (sensitivity)

Interest rate risk sensitivity measures the change in the net economic value of the balance sheet caused by a 1% increase along the entire interest rate curve. The long-term ALM sensitivity amounted to negative EUR 13 million as of December 31, 2009 (versus negative EUR 59 million the previous year). The limit of sensitivity to interest rates amounted to EUR 94 million as of December 31, 2009, versus EUR 162 million the previous year.

This trend is fully consistent with the new BSM strategy, which seeks to minimize the volatility of the income statement while preserving overall creation of value.

BANK ALM SENSIVITY IN 2009



The Financial products portfolio had exposure of EUR 10.9 billion as of December 31, 2009. Interest rate risk amounted to negative EUR 6.2 million (compared to a limit of EUR 42 million).

LIQUIDITY RISK

Strong improvement of the liquidity profile

Substantial progress was made in improving liquidity in 2009.

In an amendment signed October 14, 2009, the guarantee on a significant portion of Dexia's short- and long-term funding, granted in October 2008 by the states of Belgium, France and Luxembourg was extended until October 31, 2010.

The following changes were made to the guarantee mechanism:

- the ceiling on guaranteed outstandings was lowered from EUR 150 billion to EUR 100 billion;
- the maximum term of new long-term funding commitments issued was lengthened to four years.

In addition, since October 16, 2009, Dexia has renounced the benefit of the guarantee on all new contracts with a term of less than one month and on all new contracts with no fixed maturity date. Dexia was easily able to replace this guaranteed funding with unsecured funding.

On October 30, 2009, the European Commission temporarily authorized the extension of the guarantee until the end of February 2010. Under the terms of the agreement entered into with the European Commission on February 5, 2010, an early exit from the guarantee mechanism was announced.

In 2009, the Dexia Group raised a total of EUR 45.7 billion (of which EUR 33.9 billion for the Dexia Credit Local Group) in medium- and long-term debt securities, with an average term of five years. The share of the loans not covered by the tripartite sovereign guarantee increased continuously during the year, to 51% by year end.

This good performance was made possible by:

- the reopening of the covered bonds market in the second quarter of 2009, which enabled Dexia to issue a total of EUR 13 billion in covered bonds in 2009 through its three issuers, Dexia Municipal Agency and Dexia Kommunalbank Deutschland and Dexia Lettres de Gage Banque;
- renewed access to unsecured funding, especially starting in the third quarter of 2009, resulting in the sale by the Dexia Group of medium- and long-term unsecured issues totaling EUR 10.3 billion in 2009 (of which EUR 4 billion by Dexia Credit Local).

The short-term funding profile also improved significantly during the second half of the year due to the gradual increase in funds raised via the bilateral and triparty repo market and better access to unsecured short-term liquidity.

Overall, the Group's short-term funding requirement fell sharply in 2009 due to the active balance sheet reduction strategy undertaken by the Group since the fourth quarter of 2008 (EUR 15 billion of assets in the run-off bond portfolio were sold in 2009, with an average term of 4.5 years) and the strength of the long-term issuance program.

The combination of all of these factors resulted in a significant reduction of outstanding short- and long-term guaranteed debt. These outstandings amounted to EUR 50.4 billion as of December 31, 2009, compared with a maximum of EUR 95.8 billion in May 2009.

In 2010, the efforts to improve liquidity are continuing, with a target of become completely unreliant on the guarantee by June 30, 2010, meaning that the Group will no longer issue any new funding covered by the tripartite central government guarantees after that date at the latest.

Management of liquidity risk

Dexia has revised its liquidity risk management strategy, due to the financial and liquidity crisis. The strategy is now based on the general principle that Dexia's future funding requirements will never exceed its demonstrated ability to obtain secured financing. In other words, Dexia ensures that its short-term funding requirements can always be met through the use of liquid assets in the interbank market.

Dexia strives to maintain a liquidity buffer sufficient to meet all outflows of cash provided for under different scenarios. This liquidity buffer consists of unencumbered securities accepted as underlyings by those central banks to which Dexia has access.

The Group's future funding needs are assessed dynamically and exhaustively, taking account of liquidity requirements generated by existing and planned transactions (both on- and off-balance sheet). The ability to obtained secured funding is determined in a prudent manner, drawing upon the lessons learned from the current crisis. Dexia's ability to cover its future liquidity needs by obtaining secured funding is verified under both a normal scenario and a scenario with several stress factors built in. These include stresses specific to the Bank and market stresses, as well as a combination of the two.

Short-term funding requirements are monitored on a daily basis. Longer-term funding needs (up to three years) are monitored on a monthly basis. More generally, the management of liquidity risk lies at the very heart of the definition of Dexia's three-year financial plan. The results of this monitoring are presented on a weekly basis to the Funding & Liquidity Committee, which determines the major strategic foci of the Group's liquidity management. This supervision is subsequently verified and updated regularly in accordance with best risk management practices and incorporating all local regulatory constraints.

The diversity of Dexia's sources of funding reduces the Group's liquidity risk. Dexia's main sources of funding are:

- retail deposits (mainly in Belgium, Luxembourg and Turkey);
- long-term funding:
  - secured debt,
  - unsecured debt, with or without sovereign guarantees (including the debt securities distributed through Dexia's network);
- short-term funding:
  - bilateral and triparty repo transactions,
  - central bank tender offers,
  - a wide variety of unsecured short-term sources of funding, some with the benefit of sovereign guarantees.

Dexia takes a centralized approach to its liquidity risk management. Although the various Group entities manage their own liquidity positions, Dexia's funding strategy is managed on a centralized and integrated basis.

In June 2009, the Belgian Banking, Finance and Insurance Commission (CBFA) established a monthly stress test observation ratio for liquidity. This ratio measures the liquidity position of a bank under exceptional circumstances by comparing potential liquidity requirements with the bank's available on- and off-balance sheet liquidity. This approach combines the impact of a so-called "idiosyncratic" (bank-specific) shock with the consequences of a general liquidity crisis.

The assumptions of this stress are based mainly on the impossibility of obtaining unsecured funding, the impossibility of selling or securitizing illiquid assets, and a limited or lack of recourse to certain sources of funding.

RISK MONITORING IN SUBSIDIARIES AND BRANCHES

Each subsidiary and branch has its own local risk management structure. These structures:

- are segregated strictly from the front offices;
- report to the Dexia Credit Local Risk Management and Permanent Control department either directly (branches) or functionally (subsidiaries).

b. Management of interest rate and currency risk hedging

The Group uses the hedging relationships (swaps, options and forward currency contracts) primarily to cover its interest rate risk and foreign currency risk.

Depending on the purpose for which they are used, the derivatives are classified either as fair values hedges, cash flow hedges or hedges of net investment in a foreign currency.

In every case, each hedging relationship is formally documented from the outset, with a description of the strategy pursued, designating the instrument hedged and the hedging instrument, the type of risk covered, and the method used to evaluate both prospectively and retrospectively the effectiveness of the hedging relationship.

Insofar as the interest rate risk is concerned, fair value hedges are used either for specificied fixed-rate assets or liabilities, or for portfolios of fixed-rate assets or liabilities. Derivatives are used to reduce the exposure of the value of these instruments to changes in interest rates.

Hedges of specified assets or liabilities concern primarily loans, securities available for sale and debt securities issued by the Group.

Hedges of portfolios of financial assets or liabilities, classified by currency, concern:

- fixed-rate credits: customers loans;
- fixed-rate customer borrowings (debt issues).

Amounts hedged are identified by establishing a maturity schedule for the items hedged and selecting one amount for each maturity band considered. These maturities are established on the basis of the contractual terms of the transactions.

The prospective effectiveness of each hedging relationship is measured by ensuring that the total value of the items hedged is greater than the total value of the designated derivatives.

The retrospective effectiveness is measured by ensuring that the monthly changes in the amount hedged at the beginning of the period does not reveal ex post facto any over-hedging.

Insofar as the interest rate risk is concerned, the Group uses derivatives to hedge changes in the income and expenses associated with adjustable-rate assets and liabilities.

Highly probable future transactions are also hedged. The items hedged are positioned in maturity schedules by currency and by interest rate index. The Group uses derivatives to hedge all or part of the risk exposure created by these adjustable-rate instruments.

7.1 FAIR VALUE

a. Fair value of assets

(EUR millions)	December 31, 2008			December 31, 2009		
	Carrying amount	Fair value	Unrecognized fair value adjustment	Carrying amount	Fair value	Unrecognized fair value adjustment
Cash, central banks and postal checking accounts	632	632	0	901	901	0
Loans and securities at fair value through profit or loss (see note 2.1) (1)	5,848	5,848		3,434	3,434	
Derivatives (see note 4.1.a) (1)	27,689	27,689		18,858	18,858	
Financial assets available for sale (1)	60,674	60,674		47,617	47,617	
Interbank loans and advances	35,892	33,116	(2,776)	26,796	25,151	(1,645)
Customer loans and advances	248,916	249,587	671	239,198	233,284	(5,914)
Fair value revaluation of portfolio hedges (1) (2)	2,084	2,084		1,788	1,788	
Financial assets held to maturity	1,131	1,191	60	973	1,037	64
Investments in associates	275	371	96	0	0	0
Other assets	24,894	24,894	0	20,700	20,700	0
Non-current assets held for sale	6,225	6,225	0	0	0	0
TOTAL	**414,260**	**412,311**	**(1,949)**	**360,265**	**352,770**	**(7,495)**

(1) The fair value of these items is equal to their carrying amount.
(2) The lines "Fair value revaluation of portfolio hedges" corresponds to the remeasurement of the interest rate risks on assets covered by portfolio hedges. These assets are included in the lines "Customer loans and advances," "Interbank loans and advances," and "Financial assets available for sale."

b. Analysis of fair value of liabilities, excluding equity

(EUR millions)	December 31, 2008			December 31, 2009		
	Carrying amount	Fair value	Unrecognized fair value adjustment	Carrying amount	Fair value	Unrecognized fair value adjustment
Central banks, postal checking accounts, interbank borrowings and deposits	155,432	152,942	(2,490)	105,438	102,922	(2,516)
Financial liabilities at fair value through profit or loss (see note 3.1) (1)	6,977	6,977		4,681	4,681	
Derivatives (see note 4.1.a) (1)	45,483	45,483		32,421	32,421	
Customer borrowings and deposits	17,619	17,568	(51)	13,967	13,927	(40)
Fair value revaluation of portfolio hedges (1) (2)	1,386	1,386		1,884	1,884	
Debt securities	172,853	169,516	(3,337)	190,896	186,520	(4,376)
Subordinated debt	5,002	4,986	(16)	4,846	4,093	(753)
Other liabilities	5,721	5,721	0	4,857	4,857	0
Liabilities relating to non-current assets held for sale	5,697	5,697	0	0	0	0
TOTAL	**416,170**	**410,276**	**(5,894)**	**358,990**	**351,305**	**(7,685)**

(1) The fair value of certain items is equal to their carrying amount.
(2) The line "Fair value revaluation of portfolio hedge" corresponds to the remeasurement of the interest rate risks on liabilities covered by portfolio hedges. These liabilities are included in the lines "Interbank borrowings and deposits," "Customer borrowings and deposits" and "Debt securities."

The fair value presented above includes only the impact related to interest rates, except for "Liabilities held for trading" and "Liabilities at fair value through profit or loss."

c. Methods used to determine the fair value of financial instruments

FAIR VALUE OF FINANCIAL ASSETS

(EUR millions)	December 31, 2009			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Loans and securities at fair value through profit or loss (see note 2.1)	67	1,008	2,359	3,434
Derivatives (see note 4.1.a)	20	17,175	1,663	18,858
Financial assets available for sale	9,927	7,668	30,022	47,617
TOTAL	**10,014**	**25,851**	**34,044**	**69,909**

(1) Price quoted on an active market for the same type of instrument.
(2) Price quoted on an active market for a similar financial instrument or use of a valuation technique for which all significant parameters are observable.
(3) Use of a valuation technique for which not all significant parameters are observable.

FAIR VALUE OF FINANCIAL LIABILITIES

(EUR millions)	December 31, 2009			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Financial liabilities at fair value through profit or loss (see note 3.1.a)	0	4,663	18	4,681
Derivatives (see note 4.1.a)	0	30,622	1,799	32,421
TOTAL	**0**	**35,285**	**1,817**	**37,102**

(1) Price quoted on an active market for the same type of instrument.
(2) Price quoted on an active market for a similar financial instrument or use of a valuation technique for which all significant parameters are observable.
(3) Use of a valuation technique for which not all significant parameters are observable.

The Dexia Credit Local Group restated the disclosure on fair value classification reported in 2008 for the following reasons:

- the IASB published the Amendment to IFRS 7 – Improving Disclosure about Financial Instruments – in March 2009 and an Exposure Draft on Fair Value Measurement in May 2009. These texts better defined the classification between levels 1, 2 and 3 and clarified that an instrument must be classified in level 3 based on "the lowest level input that is significant to the fair value measurement in its entirety;"
- for these financial instruments not quoted on a market, the Group Dexia Credit Local developed internal models to determine the fair value including the major risk parameters (see sensitivity section hereunder). In the past, given that the Group's counterparties are mainly governments, public authorities and banks, credit risk has been assessed as the most important unobservable input having an impact, considered as limited, on the fair value of the financial instrument. In 2009, considering the new texts published, the liquidity factor plays a greater role in determining financial instruments' fair value classification by level.

This restatement of fair value classification is merely a disclosure issue and has no impact on the measurement of the financial instruments.

TRANSFER BETWEEN LEVELS 1 AND 2

	As of December 31, 2009	
(EUR millions)	From 1 to 2	From 2 to 1
Loans and securities at fair value through profit or loss	0	29
Derivatives	130	0
Financial assets available for sale	0	121
TOTAL FINANCIAL ASSETS	**130**	**150**
Financial liabilities at fair value through profit or loss	0	0
Derivatives	0	0
TOTAL FINANCIAL LIABILITIES	**0**	**0**

LEVEL 3 RECONCILIATION

(EUR millions)	As of December 31, 2008	Restatement according to new definition	As of January 1, 2009	Total gains losses through profit or loss	Total unrealised or deferred gains and losses	Purchase	Sale	Origination	Settlement	Transfer in level 3	Transfer out level 3	Other variations	As of December 31, 2009
Loans and securities at fair value through profit or loss	1,297	6	1,303	689		173	(923)		(88)	1,258	(219)	166	2,359
Derivatives	418	1,690	2,108	1,336	0	9	(601)		(1,538)	234	(55)	170	1,663
Financial assets available for sale	1,508	26,702	28,210	661	636	840	(898)		(1,424)	3,854	(1,695)	(162)	30,022
Total financial assets	**3,223**	**28,398**	**31,621**	**2,686**	**636**	**1,022**	**(2,422)**	**0**	**(3,050)**	**5,346**	**(1,969)**	**174**	**34,044**
Financial liabilities at fair value through profit or loss	6,495	(6,495)	0	3	0	0	0	0	0	15	0	0	18
Derivatives	351	1,752	2,103	(627)	0	0	0	0	26	500	(5)	(198)	1,799
Total financial liabilities	**6,846**	**(4,743)**	**2,103**	**(624)**	**0**	**0**	**0**	**0**	**26**	**515**	**(5)**	**(198)**	**1,817**

The column "Restatement according to new definition" is a net amount consisting of the following reclassifications:

- reclassifications out of level 3 (as reported in 2008) into level 2:

– for "financial liabilities designated at fair value" the significance of own credit risk assessed against the fair value is not material;

– for some derivatives, the input used in the pricing model could be considered as "observable" based on the guidance in the amended IFRS 7;

- reclassifications out of level 2 into level 3:
  - these financial instruments mostly contained non-closely related embedded derivatives for which a change in risk parameters (such as equity prices) resulted in a significant shift in the fair value;
  - for some financial assets, mainly bonds, liquidity risk became a more important factor in the determination of the fair value and therefore led to a classification into level 3;
  - most complex derivatives were reclassified into level 3 due to the definition published by the amended IFRS 7. Note that complex products are mostly back-to-back structures.

Evolution of level 3 instruments during 2009 can be explained as follows:

- some markets recovered during 2009, e.g. German and French covered bonds and some bank securities, so those instruments moved in the fair value hierarchy from level 3 to level 2;
- the column "Total gains/losses through profit and loss" cannot be analysed on a stand-alone basis, as some assets/liabilities classified in amortized cost or in level 1 or 2 may be hedged by derivatives classified in level 3 (see note 5.3 – Analysis of net result of hedge accounting – for an economic view on the profit and loss impact);
- improvements in the internal model as well as increasing the backtesting resulted in a transfer between levels, mainly from level 3 to level 2;
- during its review of classification levels in 2009, the Dexia Credit Local Group identified that some senior bank bonds, classified as liquid and therefore level 2, became illiquid. Consequently, they were transferred to level 3;
- high sales and low purchases of financial instruments are mainly explained by management's decision to stop proprietary trading activities and to reduce the Group's bond portfolio. However, the impact on the profit and loss is rather limited due to the fact that structured financial instruments are fully hedged: not only the interest rate risks but also the risks attached to the structure via back-to-back derivatives.

SENSITIVITY OF LEVEL 3 VALUATIONS TO ALTERNATIVE ASSUMPTIONS

For its mark-to-model price, the Dexia Credit Local Group uses a discounted cash flow model. The sensitivity measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.

When using its models, the Group decided to draw up alternative assumptions for the unobservable parameters, mainly:

- credit spreads, depending on availability of credit spreads for the same counterparty, or credit spreads based on similar counterparties, similar sectors or by using credit risk indexed to liquid CDS indices;
- liquidity premiums, that are mainly used in the context of calculating the fair value for bonds and mainly depend on the ability to qualify as eligible for refinancing at central banks;
- illiquidity of the financial instrument, depending on the liquidity of the market for the same instrument, similar products, including analysis of the difference between bid and ask prices for actual transactions.

Tests have been performed on all financial instruments classified in level 3. The main impacts are as follows:

- for level 3 bonds in AFS, the sensitivity of the AFS reserve to alternative assumptions is estimated to range from a positive impact of EUR 241 million to a negative impact of EUR 108 million;
- negative basis trades are considered as a single product on the market, and are therefore tested for the bond and its related CDS together. The main assumption having an impact on their fair value is the unwinding (bid – ask spread) impact. Based on the significant number of unwinds performed by the Dexia Credit Local Group in 2009, and taking into account the stock of remaining NBT transactions, the positive impact (median unwind premium of 2009) is EUR 4 million whereas the negative impact (highest unwind premium of 2009) is EUR 10 million;
- the Dexia Credit Local Group tested the impact of different unobservable parameters for its derivatives, e.g. exotic currencies, interest rate volatility (unobservable vega and smile) and correlation, model uncertainties, extrapolation for long-term periods, equities' sensitivities (unobservable vega, dividend volatility, correlation, etc.). The main impacts relate to credit spread on CDS, where the estimated impact ranges from positive EUR 20 million (positive scenario) to negative EUR 16 million (negative scenario) before tax.

d. Disclosure of difference between transaction prices and modeled values (day one profit)

No material deferred day one profit was recognized in 2008 or 2009. Transactions generating a profit on the first day (essentially perfect matches) are measured using observable market parameters.

7.2 CREDIT RISK EXPOSURE

Credit risk exposure is disclosed in the same way as it is 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 provisions);
- the mark-to-market value and the add-on for derivative 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 Credit Local has a commitment to honour the guarantees it has granted to third parties.

a. Exposure by geographic region and by counterparty category

Credit risk exposure is broken down by geographical region and by counterparty taking into account all guarantees obtained.

This means that when credit risk exposure is guaranteed by a third-party whose weighted risk (for Basel regulations) is lower than that of the direct borrower, the exposure is assigned to the guarantor's geographical region and industrial segment, as explained below.

Credit risk exposure is based on a scope that encompasses the fully-consolidated subsidiaries of Dexia Credit Local Group and includes 50% of the joint venture Domiserve.

EXPOSURE BY GEOGRAPHIC REGION

(EUR millions)	As of December 31, 2008	As of December 31, 2009
France	103,238	94,646
Belgium	25,983	39,419
Germany	36,758	32,884
Italy	53,160	48,076
Luxembourg	4,752	4,937
Rest of EU	70,736	68,998
Rest of Europe	9,281	7,747
Turkey	522	473
U.S. and Canada	72,302	59,962
South and Central America	2,895	2,998
Southeast Asia	3,097	1,255
Japan	20,893	14,453
Rest of world (1)	8,645	7,789
TOTAL	**412,262**	**383,637**

(1) Includes supranational entities.

EXPOSURE BY COUNTERPARTY CATEGORY

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Central governments	45,127	39,216
Local governments	234,298	213,811
Financial institutions	74,412	72,906
Private companies	16,724	13,781
Monoline insurers	7,898	7,548
ABS/MBS	18,421	20,165
Project finance	14,974	15,789
Private individuals, SME, sole traders	408	421
TOTAL	**412,262**	**383,637**

b. Maximum credit risk exposure

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Financial assets available for sale (excluding variable-income securities)	61,075	45,489
Financial assets designated at fair value (excluding variable-income securities)	298	227
Financial assets held for trading (excluding variable-income securities)	5,506	3,204
Loans and advances (at amortized cost)	270,425	256,086
Financial assets held to maturity	1,310	1,003
Derivatives	5,570	3,399
Other financial instruments	538	512
Loan commitments granted	54,827	41,172
Guarantee commitments granted	22,496	32,545
TOTAL	**422,045**	**383,637**

The collateral held by Dexia Credit Local Group is comprised of financial collateral.

Financial collateral consists primarily of cash collateral and term deposits, but also includes investment grade bonds (AAA to AA sovereign or banking issuers), shares of mutual funds and equities listed on recognized markets.

This table includes only collateral eligible under Basel II and held directly by Dexia Credit Local.

c. Credit quality of unimpaired financial assets

(EUR millions)	As of December 31, 2009 AAA to AA-	A+ to BBB-	Non investment grade or non-rated	Total
Financial assets available for sale (excluding variable-income securities)	18,252	24,410	2,808	45,470
Financial assets designated at fair value (excluding variable-income securities)	0	207	20	227
Financial assets held for trading (excluding variable-income securities)	1,007	1,632	549	3,188
Loans and advances (at amortized cost)	117,724	115,895	21,213	254,832
Financial assets held to maturity	420	581	2	1,003
Derivatives	1,551	1,195	586	3,332
Other financial instruments	72	8	432	512
Loan commitments granted	28,784	10,353	1,987	41,124
Guarantee commitments granted	5,651	26,008	861	32,520
Impaired financial assets				846
Past-due financial assets				583
TOTAL	**173,461**	**180,289**	**28,458**	**383,637**

There are no significant restructured loan assets on the balance sheet.

The credit quality of financial assets reflects internal credit ratings (Basel II standard), or external ratings when internal ratings are not available.

d. Past-due and impaired financial assets

	As of December 31, 2008					As of December 31, 2009				
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets	Collateral received on past due or impaired loans	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets	Collateral received on past due or impaired loans
(EUR millions)	Less than 90 days	90 days to 180 days	Over 180 days			Less than 90 days	90 days to 180 days	Over 180 days		
Financial assets available for sale (excluding variable-income securities)	0	0	0	219	0	0	0	0	215	0
Loans and advances (at amortized cost) [(1)]	389	287	293	2,144	100	116	291	650	2,447	279
Financial assets held to maturity	0	0	0	0	0	0	0	0	0	0
Other financial instruments	0	0	0	211	0	0	0	0	215	0
TOTAL	**389**	**287**	**293**	**2,574**	**100**	**116**	**291**	**650**	**2,877**	**279**

(1) As of December 31, 2009, the carrying amount of individually impaired assets includes an amount of EUR 1,780 million in respect of Financial products for which no guarantee is presented in this note: the assets of the Financial products portfolio are covered by a guarantee from the French and Belgian governments described in note 4.3 "Transactions with related parties."

Financial assets are classified as impaired in accordance with the description made in chapter 1.3 "Accounting policies and valuation methods."

e. Collateral and other credit enhancements obtained by taking possession of collateral during the period

None.

f. Movements on impairment of financial assets

(EUR millions)	2008							
	As of January 1	Additions	Reversals	Other adjustments (1)	Transfers between allowances (2)	As of December 31	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific impairment	**(119)**	**(1,507)**	**22**	**7**	**6**	**(1,591)**	**0**	**(4)**
Interbank loans and advances	0	0	0	0	0	0	0	0
Customer loans and advances	(52)	(102)	15	(1,020)	0	(1,159)	0	(4)
Financial assets held to maturity	0	0	0	0	0	0	0	0
Financial assets available for sale	(67)	(1,223)	7	1,027	6	(250)	0	0
Fixed income instruments	*(9)*	*(1,191)*	*0*	*1,001*	*4*	*(195)*	*0*	*0*
Variable income instruments	*(58)*	*(32)*	*7*	*26*	*2*	*(55)*	*0*	*0*
Accruals and other assets	*0*	*(182)*	*0*	*0*	*0*	(182)	0	0
Collective impairment	**(221)**	**(573)**	**49**	**(14)**	**0**	**(759)**	**0**	**0**
TOTAL	**(340)**	**(2,080)**	**71**	**(7)**	**6**	**(2,350)**	**0**	**(4)**

(1) Other adjustments include notably the impact of changes in exchange rates and in the scope of consolidation during the year.
(2) The transfers between allowances include impairments on FSA's securities transfered to activities held for sale.

(EUR millions)	2009							
	As of January 1	Additions	Reversals	Other adjustments (1)	Transfers between allowances	As of December 31	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
Specific impairment	**(1,591)**	**(501)**	**174**	**95**	**0**	**(1,823)**	**3**	**(30)**
Interbank loans and advances	0	0	0	0	0	0	0	0
Customer loans and advances	(1,159)	(488)	161	104	0	(1,382)	0	0
Financial assets held to maturity	0	0	0	0	0	0	3	(30)
Financial assets available for sale	(250)	(13)	13	2	0	(248)	0	0
Fixed income instruments	*(195)*	*(3)*	*8*	*0*	*0*	*(190)*	*0*	*0*
Variable income instruments	*(55)*	*(10)*	*5*	*2*	*0*	*(58)*	*0*	*0*
Accruals and other assets	(182)	0	0	(11)	0	(193)	0	0
Collective impairment	**(759)**	**(174)**	**166**	**9**	**0**	**(758)**	**0**	**0**
TOTAL	**(2,350)**	**(675)**	**340**	**104**	**0**	**(2,581)**	**3**	**(30)**

(1) Other adjustments include notably the impact of changes in exchange rates and in the scope of consolidation during the year.

g. Credit risk information on loans and advances designated at fair value through profit or loss

(EUR millions)	Maximum credit risk exposure	Maximum credit risk exposure hedged by a credit derivative	Change in the fair value attributable to changes in the credit risk		Change in the fair value of credit derivative hedging loans and advances designated at fair value through profit or loss	
			Change for the period	Cumulative amount	Change for the period	Cumulative amount
As of December 31, 2008	**7**	**0**	**0**	**0**	**0**	**0**
As of December 31, 2009	**7**	**0**	**0**	**0**	**0**	**0**

Every quarter, the Dexia Credit Local Group measures the fair value of its assets by discounting the future cash flows.

h. Credit risk information on financial liabilities designated at fair value through profit or loss

(EUR millions)	Carrying amount	Amount of change in the fair value attributable to changes in the credit risk		Difference between carrying amount and amount required to be paid contractually at maturity [1]
		Change for the period	Cumulative amount	
As of December 31, 2008	6,975	(356)	(356)	699
As of December 31, 2009	4,681	(226)	(226)	172

(1) Amount includes premiums/discounts and changes in market value.

The fair value option is essentially used by Dexia FP Holdings Inc. and FSA Global Funding Ltd. for financial liabilities for which the conditions relating to hedge accounting are not met or might not be met.

The credit spread used when revaluing these liabilities is Dexia's long-term refinanicng spread.

7.3 INFORMATION ON COLLATERAL

a. Nature of the assets received as collateral if this collateral can be sold or repledged

(EUR millions)	2008		2009	
	Fair value of collateral held	Fair value of collateral sold or repledged	Fair value of collateral held	Fair value of collateral sold or repledged
Equity instruments	0	0	0	0
Debt securities	11,026	0	706	0
Loans and advances	1,378	0	13	0
Non-financial assets	0	0	0	0
TOTAL	**12,404**	**0**	**719**	**0**

Collateral is obtained in connection with the repurchase agreement activities.

b. Financial assets pledged as collateral for liabilities or contingent liabilities

(EUR millions)	2008	2009
Carrying amount of financial assets pledged as collateral for liabilities	51,781	47,377
Carrying amount of financial assets pledged as collateral for contingent liabilities	0	0

Assets are pledged primarily to collateralize repurchase agreements and debts to Dexia Credit Local Group sister companies.

7.4 RISK ON RESETTING OF INTEREST RATES: ANALYSIS BY TIME UNTIL NEXT INTEREST RATE RESET DATE

Demand deposits are reported in the "Demand" column, as the information presented below takes into account the current maturity until the next date on which interest rates are reset from an accounting standpoint, rather than assumptions based on observed behavioral data.

a. Analysis of assets

	As of December 31, 2009									
(EUR millions)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash, central banks and postal checking accounts	901	0	0	0	0	0	0			**901**
Loans and securities at fair value through profit or loss	0	1,421	465	246	1,501		1,308	8,531		**13,472**
Derivatives							3,465	5,355		**8,820**
Financial assets available for sale	368	8,974	4,318	9,197	23,352	54	718	885	(249)	**47,617**
Interbank loans and advances	6,565	11,279	2,833	3,382	1,996	0	123	627	(9)	**26,796**
Customer loans and advances	1,981	46,760	48,787	24,654	107,306	0	2,141	9,700	(2,131)	**239,198**
Fair value revaluation of portfolio hedge								1,788		**1,788**
Financial assets held to maturity	0	94	101	135	633	0	10	0	0	**973**
Tax assets						3,470			(1,424)	**2,046**
Accruals and other assets	106	17,794	145	1	1	31	4	0	(194)	**17,888**
Investments in associates						14			(14)	**0**
Tangible fixed assets						676			(176)	**500**
Intangible assets and goodwill						691			(425)	**266**
Non-current assets held for sale						0		0	0	**0**
TOTAL	**9,921**	**86,322**	**56,649**	**37,615**	**134,789**	**4,936**	**7,769**	**26,886**	**(4,622)**	**360,265**

b. Analysis of liabilities excluding equity

(EUR millions)	As of December 31, 2009								
	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Total
Central banks, postal checking accounts, interbank borrowings and deposits	1,109	62,302	36,204	4,232	1,205	0	230	156	**105,438**
Financial liabilities at fair value through profit or loss	0	994	861	831	1,730	0	1,369	9,830	**15,615**
Hedging derivatives							3,617	17,870	**21,487**
Customer borrowings and deposits	2,599	6,124	2,593	1,776	739	0	87	49	**13,967**
Debt securities	4	51,064	35,340	48,607	51,017	0	2,715	2,149	**190,896**
Fair value revaluation of portfolio hedge								1,884	**1,884**
Tax liabilities						132			**132**
Accruals and other liabilities	374	3,558	25	28	98	376	3		**4,462**
Technical provisions of insurance companies						0			**0**
Provisions						263			**263**
Subordinated debt	0	4,187	12	182	397	0	31	37	**4,846**
Liabilities relating to non-current assets held for sale						0		0	**0**
TOTAL	**4,086**	**128,229**	**75,035**	**55,656**	**55,186**	**771**	**8,052**	**31,975**	**358,990**

c. Sensitivity gap of the balance sheet

(EUR millions)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity
As of December 31, 2009	5,835	(41,907)	(18,386)	(18,041)	79,603	4,165

The sensitivity gap of the balance sheet is hedged by derivatives.

7.5 SENSITIVITY TO INTEREST RATE RISKS AND OTHER MARKET RISKS

Sensitivity to interest rate risks and other market risks was measured as follows in 2009 (see 2008 annual report for the measure of sensitivity to risks in 2008):

a) Treasury and Financial Markets (TFM)

- Trading book: general interest rate, foreign exchange, equity, credit spread and other risks (inflation, CO_2) are managed within Value at Risk limits.
- Banking book, Cash and Liquidity Management (CLM): liquidity risk is managed within Value at Risk (VaR) and interest rate sensitivity limits.
- Banking book, Portfolio Management Group (PMG): credit risk is managed through credit spread sensitivities.

b) Balance Sheet Management (BSM)

- Interest rate risk is monitored against sensitivity limits and Value at Risk (VaR).
- Credit spread risk is monitored through spread sensitivities.

1. TREASURY AND FINANCIAL MARKETS

Treasury and Financial Market activities are mainly intended as a support function for the Group.

TFM engages in trading activities, and takes non trading-related risk positions in relation to the short-term balance sheet and to capital management activities.

Following the reorientation of TFM activities, the Risk Committee meeting held on November 7, 2008 decided to reduce the VaR limits of TFM.

The TFM limits have been reduced from EUR 107 million at the end of 2008 to EUR 54 million since the third quater of 2009.

TFM also manages Portfolio Management Group (PMG) securities on banking books which have been largely put in run-off.

Detail of VaR usage

The detailed Value at Risk usage of Dexia Credit Local Group is shown in the table hereafter.

The Dexia Credit Local Group calculated interest rate and Forex VaR based mainly on a parametrical method (99%, 10 days), and a credit spread VaR based on an historical method calculated from sensitivity.

However, the PMG exposure on banking books is not included in the table below as it is monitored through spread sensitivity and not in VaR (see further).

VaR (10 days, 99%) (EUR millions)		2008							
		Interest rate and forex (banking and trading)				Spread (trading)			
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
By risk factor	Average	9.0	15.0	11.2	13.5	19.8	19.6	20.5	30.0
	Maximum	14.9	20.3	15.4	19.0	29.7	22.1	31.5	58.6
Global	Average				34.6				
	Maximum				77.6				
	Limit				79				

VaR (10 days, 99%) (EUR millions)		2009							
		Interest rate and forex (banking and trading)				Spread (trading)			
		Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
By risk factor	Average	10.7	7.9	8.3	7.8	25.7	28.0	21.0	13.1
	Maximum	15.3	13.1	11.8	17.5	36.0	36.1	27.0	15.5
		Q 1		Q 2		Q 3		Q 4	
Global	Average	39.1		43.2		36.6		31.8	
	Maximum	48.0		56.7		43.4		41.1	
	Limit	60.7		60.0		48.1		43.4	

The risks on equities (trading), inflation, commodities and CO_2 have no or immaterial VaR.

CLM risk is also monitored using sensitivity limits to interest rates.

As of December 31,2008, the sensitivity to a 1% change in interest rates amounted to negative EUR 82 million against a limit of EUR 85 million, which was substantially reduced by the Risk Committee of November 2008.

As of December 31, 2009, the sensitivity to a 1% change in interest rates amounts to negative EUR 71 million against a limit of EUR 115 million.

PMG exposure (banking portfolio only, largely in run-off)

Exposure

(EUR billions)	2008	2009
EXPOSURE	**114.15**	**96.71**

Interest rate sensitivity

The interest rate risks of the PMG portfolio is hedged, its sole purpose being to manage the credit spread: therefore it has a very limited sensitivity to changes in interest rate.

Credit spread sensitivity

This estimates the sensitivity in fair value after a one basis point spread increase, in EUR millions.

(EUR millions)	2008	2009
TFM BANKING PORTFOLIO SPREAD	**(0.098)**	**(0.072)**

2. BSM INTEREST RATE AND CREDIT SPREAD RISKS

BSM falls under the direct decision and control authority of ALCO Group and the Funding & Liquidity Committee.

The sensitivity measures the change in the balance sheet net economic value if interest rates rise by 1% across the entire curve.

For the sensitivity calculation, the term to maturity of the portfolio until the next interest rate refixing date is defined using assumptions on the observed behavior of customers and not on legal repayment date (see note 7.4).

a. Banking companies, excluding Dexia Financial products (Dexia FP)

	2008							
	Interest rate (1) (2)				Credit spread (1)			
(EUR millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	(91)	(196)	(110)	(59)	(16)	(15)	(15)	(16)

(1) Sensitivities to 1% shift.
(2) As of December 31, 2008, the interest rate sensitivity limit for BSM amounted to EUR 162 million (for a 1% change).

	2009							
	Interest rate (1) (2)				Credit spread (1)			
(EUR millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	(17)	(21)	(34)	(13)	(5)	(5)	(6)	(4)

(1) Sensitivities to 1% shift.
(2) As of December 31, 2009, the interest rate sensitivity limit for BSM amounts to EUR 94 million (for a 1% change).

b. Dexia FP's interest rate and credit spread sensitivity

Dexia FP portfolio consists primarily of U.S. dollar-denominated asset-backed securities, U.S. agency and government securities and mortgage-backed securities: they are part of the run-off portfolio.

The assets and liabilities are hedged using interest rate swaps or futures.

Certain categories of assets and liabilities are economically hedged, without the use of derivatives.

Dexia FP portfolio amounted to EUR 10.9 billion as of December 31, 2009.

Interest rate risks amounted to negative EUR 6.2 million against a limit of EUR 42 million (for a 1% change), while the spread sensitivity stood at negative EUR 4.4 million (sensitivity to a 1 basis point change).

7.6 SENSITIVITY OF LISTED EQUITIES

Value at Risk (VaR) measures the potential change in market value, while the notion of earnings at risk (EaR) measures the impact of the VaR scenario on reported earnings.

The VaR calculated by Dexia Credit Local measures the potential loss over a 99% confidence interval for a 10-day holding period.

EaR is lower than VaR because most listed equities have a positive AFS reserve.

The -25% column represents the value of the impairment that could be recognized if share prices were to fall by 25%.

(EUR millions)	Market value	VaR [1]	% VaR	EaR	-25%
As of March 31, 2008	143.4	23.9	16.6%	(4.0)	(5.4)
As of June 30, 2008	130.7	24.5	18.8%	(14.0)	(18.9)
As of September 30, 2008	94.2	21.2	22.5%	(18.4)	(18.2)
As of December 31, 2008	**25.0**	**8.3**	**33.2%**	**(1.1)**	**(1.0)**
As of March 31, 2009	20.7	7.5	36.2%	(5.5)	(6.3)
As of June 30, 2009	11.0	4.0	36.4%	0.0	0.0
As of September 30, 2009	14.9	5.0	33.9%	0.0	0.0
AS OF DECEMBER 31, 2009	**2.9**	**0.6**	**21.0%**	**0.0**	**0.0**

(1) VaR measures the potential loss that could be incurred on a position of EUR 100 million.

7.7 LIQUIDITY RISK

a. Analysis by term to maturity

A large part of the balance sheet consists of the revaluation of assets, liabilities and derivatives. As such revaluations vary constantly and cannot therefore be linked to the maturity of the financial instruments, they are presented under a separate column.

Demand deposits and saving deposits are included in the "Demand" column, even though they have no fixed repayment date.

ANALYSIS OF ASSETS

	As of December 31, 2009									
(EUR millions)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash, central banks and postal checking accounts	729	172	0	0	0	0	0			**901**
Loans and securities at fair value through profit or loss	0	11	152	584	2,886	0	1,308	8,531		**13,472**
Derivatives							3,465	5,355		**8,820**
Financial assets available for sale	320	854	2,878	12,942	29,056	213	718	885	(249)	**47,617**
Interbank loans and advances	6,281	6,826	1,828	7,216	3,904	0	123	627	(9)	**26,796**
Customer loans and advances	350	4,081	9,624	48,506	166,927	0	2,141	9,700	(2,131)	**239,198**
Fair value revaluation of portfolio hedge								1,788		**1,788**
Financial assets held to maturity	0	94	55	181	633	0	10	0	0	**973**
Tax assets						3,470			(1,424)	**2,046**
Accruals and other assets	7	17,787	145	3	100	36	4	0	(194)	**17,888**
Investments in associates						14			(14)	**0**
Tangible fixed assets						676			(176)	**500**
Intangible assets and goodwill						691			(425)	**266**
Non-current assets held for sale						0		0	0	**0**
TOTAL	**7,687**	**29,825**	**14,682**	**69,432**	**203,506**	**5,100**	**7,769**	**26,886**	**(4,622)**	**360,265**

ANALYSIS OF LIABILITIES, EXCLUDING EQUITY

	As of December 31, 2009								
(EUR millions)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Accrued interest	Fair value adjustment	Total
Central banks, postal checking accounts, interbank borrowings and deposits	904	45,817	39,686	9,708	8,937	0	230	156	**105,438**
Financial liabilities at fair value through profit or loss	0	91	702	1,528	2,095	0	1,369	9,830	**15,615**
Hedging derivatives							3,617	17,870	**21,487**
Customer borrowings and deposits	2,251	3,643	981	4,576	2,380	0	87	49	**13,967**
Debt securities	2	28,240	25,032	66,539	66,219	0	2,715	2,149	**190,896**
Fair value revaluation of portfolio hedge								1,884	**1,884**
Tax liabilities						132			**132**
Accruals and other liabilities	366	3,558	31	27	98	379	3		**4,462**
Technical provisions of insurance companies						0			**0**
Provisions						263			**263**
Subordinated debt	0	18	2	1,597	3,161		31	37	**4,846**
Liabilities relating to non-current assets held for sale						0		0	**0**
TOTAL	**3,523**	**81,367**	**66,434**	**83,975**	**82,890**	**774**	**8,052**	**31,975**	**358,990**

NET LIQUIDITY GAP

(EUR millions)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity
As of December 31, 2009	4,164	(51,542)	(51,752)	(14,543)	120,616	4,326

This table takes into account neither the liquidity of assets nor any decision to refinance an asset; certain long-term assets may be sold to meet liquidity needs.

b. Steps taken to improve Dexia Credit Local Group's liquidity

In 2009, the Group made substantial efforts to reduce the liquidity gap, particularly in terms of asset disposals, being EUR 15 billion with an average maturity of 4.5 years, and the issue of long-term instruments with or without State guarantees (respectively 51% and 49%) totalling EUR 34 billion with an average maturity of 5.6 years.

7.8 CURRENCY RISK

	As of December 31, 2008				
Classification by original currency (EUR millions)	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	257,435	28,154	90,036	38,635	414,260
Total liabilities and equity	265,144	17,157	107,910	24,049	414,260
NET BALANCE SHEET POSITION	**(7,709)**	**10,997**	**(17,874)**	**14,586**	**0**

Classification by original currency (EUR millions)	As of December 31, 2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	247,531	21,891	56,788	34,055	360,265
Total liabilities and equity	265,624	14,798	57,411	22,432	360,265
NET BALANCE SHEET POSITION	**(18,093)**	**7,093**	**(623)**	**11,623**	**0**

7.9 RISK WEIGHTED ASSETS

(EUR millions)	2008	2009
Credit risk	75,136	70,738
Market risk	1,909	1,368
Operational risk	2,915	2,784
TOTAL	**79,960**	**74,890**

8. ANALYSIS BY GEOGRAPHIC REGION AND BY LINE OF BUSINESS

a. Analysis by geographic region

(EUR millions)	Eurozone (countries employing the euro)	Rest of Europe	United States	Rest of world	Total
As of December 31, 2008					
Net banking income	923	100	854	97	**1,974**
Income (losses) from associates	(53)	0	0	0	**(53)**
Income before income taxes	(328)	69	(4,246)	33	**(4,472)**
TOTAL ASSETS	**323,017**	**1,572**	**80,632**	**9,039**	**414,260**
Of which, investments in associates	*275*	*0*	*0*	*0*	***275***
As of December 31, 2009					
Net banking income	1,211	62	573	6	1,852
Income (losses) from associates	(1)	0	0	0	(1)
Income before income taxes	734	31	(158)	(48)	559
TOTAL ASSETS	**305,023**	**730**	**46,189**	**8,323**	**360,265**
Of which, investments in associates	*0*	*0*	*0*	*0*	*0*

The geographic region is assigned on the basis of the country in which the company that engaged in the transaction is located, and not the country in which the counterparty is located.

b. Analysis by line of business

The business segmentation was adapted to Dexia Credit Local's new profile and strategic directions. Dexia Credit Local is now divided into two divisions representing operational activities focused on homogeneous client franchises: Public and Wholesale Banking and Retail and Commercial Banking. A third division, named Group Center (GC), includes treasury operations and activities in run-off as well as the former Central Assets segment.

The 2008 figures have been revised.

(EUR millions)	Public and Wholesale Banking	Retail and Commercial Bank	Group Center	Total
As of December 31, 2008				
Net banking income	1,224	35	715	**1,974**
Income (losses) from associates	0	(31)	(22)	**(53)**
Income before income taxes	(3,033)	(35)	(1,404)	**(4,472)**
Subtotal assets (1)	**189,971**	**763**	**181,629**	**372,363**
Of which, investments in associates	*0*	*253*	*22*	*275*
Subtotal liabilities (2)	**6,377**	**1,059**	**342,772**	**350,208**
As of December 31, 2009				
Net banking income	1,116	149	587	**1,852**
Income (losses) from associates	0	0	(1)	**(1)**
Income before income taxes	675	86	(202)	**559**
Subtotal assets (1)	**180,194**	**1,673**	**152,475**	**334,342**
Of which, investments in associates	*0*	*0*	*0*	*0*
Subtotal liabilities (2)	**5,564**	**1,931**	**306,004**	**313,499**

(1) Includes interbank loans and advances, customer loans and advances, loans and securities held for trading, financial assets available for sale, investments in associates, and other assets specific to insurance companies.
(2) Includes interbank loans, borrowings and deposits, customer deposits, debt securities, and technical provisions of insurance companies.

Various costs and income are retroceded or transferred at market conditions in the management accounts between the various lines of business and, more particularly, between the commercial lines of products, financial markets and new lending and service centers. The net results of each line of products also include:

- payments of commercial transformation margins, including the costs of managing such transformations and the capital allocated to this activity on the basis of the level of outstanding medium-and long-term loans;
- interest on economic capital: economic capital is allocated to the commercial lines of products for internal purposes, and return on economic capital is used to measure the performance of each commercial line;
- the cost of funding.

Statutory Auditors' Report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Shareholder's Meeting, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying consolidated financial statements of Dexia Credit Local;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of Dexia Credit Local as of December 31, 2009, and of the results of its operations for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Without qualifying our opinion, we draw your attention to note 1.3 of the consolidated financial statements, which presents the changes in accounting methods applied since January 1, 2009.

II. JUSTIFICATION OF ASSESSMENTS

The financial and economic crisis, which resulted notably in an increase in volatility and strong decrease in liquidity in certain markets, and made it difficult to judge financial and economic outlooks, has had several impacts on credit institutions, in particular on their activities, their results, their risks and their funding, as described in notes 1.1d and 7.0 to the consolidated financial statements.

It is in this context and in accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments that we bring to your attention the following matters:

Accounting principles:

As mentioned in note 1.3 to the consolidated financial statements, your Company made changes to the accounting methods used during the year ended December 31, 2009 following the application of new International Financial Reporting Standards and interpretations or revised standards. As part of our assessment of the accounting policies adopted by your Company, we have verified the correct application of these changes in accounting methods and reviewed the related disclosures.

Accounting estimates:

Valuation of financial instruments

- As mentioned in note 1.3 to the consolidated financial statements your Company uses internal models to value financial instruments that are not listed on active markets. Our procedures consisted in reviewing the control procedures for the models used, assessing the underlying data and assumptions, and verifying that the risks and results related to these instruments were taken into account.
- We also reviewed the control procedures relating to the identification of financial instruments that can no longer be traded on an active market or for which market parameters could no longer be observed, and the methodology used for their valuation as a consequence.

Valuation of certain financial liabilities recognized at fair value

- As mentioned in note 3.1 to the consolidated financial statements, your Company assessed the impact of changes in its own credit risk with respect to the valuation of certain financial liabilities measured at fair value. We have verified the appropriateness of the parameters used for this purpose.

Impairment of credit and counterparty risks

- As mentioned in note 1.3 to the consolidated financial statements, your Company records impairment to cover the credit risks inherent to its activities. We examined the system used to control monitoring of credit risks, impairment procedures, evaluation of the risk of non-collection and the level of credit risk cover provided by specific and general impairment provisions.

Recognition of deferred tax assets

- As mentioned in note 4.2 to the consolidated financial statements, your Company has booked deferred tax assets on the fair value reserve for financial assets available for sale and for cash flow hedging derivatives as of December 31, 2009. We examined the main estimates and assumptions that resulted in the recognition of these deferred taxes.

These assessments were performed as part of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the unqualified opinion we expressed in the first part of this report.

III. SPECIFIC VERIFICATION

We have also verified the information given in the Group management report as required by French law and professional standards.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine - April 8, 2010

The Statutory Auditors

MAZARS		**DELOITTE & ASSOCIÉS**
Hervé HELIAS	Virginie CHAUVIN	José-Luis GARCIA

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Balance sheet

ASSETS

(EUR millions)	Note	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009
I. Cash, central banks and postal checking accounts	*2.1*	685	275	238
II. Government securities	*2.2*	3,607	3,066	3,235
III. Interbank loans and advances	*2.3*	36,248	34,289	41,624
IV. Customer loans and advances	*2.4*	41,757	51,048	49,207
V. Bonds and other fixed-income securities	*2.5*	109,818	83,144	60,057
VI. Equities and other variable-income securities	*2.6*	280	299	281
VII. Long-term equity investments	*2.7*	5,151	3,077	2,650
VIII. Intangible assets	*2.8*	56	54	46
IX. Tangible non-current assets	*2.9*	20	18	14
X. Unpaid capital		0	0	0
XI. Uncalled capital		0	0	0
XII. Treasury stock		0	0	0
XIII. Other assets	*2.10*	4,182	18,239	12,983
XIV. Accruals	*2.10*	11,059	19,935	9,740
TOTAL ASSETS		**212,863**	**213,444**	**180,075**

LIABILITIES AND EQUITY

(EUR millions)	Note	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009
I. Interbank borrowings and deposits	*3.1*	93,995	129,716	84,299
II. Customer deposits	*3.2*	4,551	3,581	1,910
III. Debt securities	*3.3*	57,269	39,502	67,361
IV. Other liabilities	*3.4*	36,623	12,689	5,660
V. Accruals	*3.4*	10,922	19,451	10,980
VI. Provisions for risks and charges	*3.5*	978	1,840	2,625
VII. General banking risks reserve		0	0	0
VIII. Subordinated debt	*3.6*	5,373	5,423	5,271
EQUITY	3.7	**3,152**	**1,242**	**1,969**
IX. Capital stock		1,327	501	501
X. Additional paid-in capital		1,087	5,414	861
XI. Reserves and retained earnings		419	264	(92)
XVII. Net income for the year		319	(4,937)	699
TOTAL LIABILITIES AND EQUITY		**212,863**	**213,444**	**180,075**

Off-balance sheet items

(EUR millions)	Note	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009
Commitments given				
I. Financing commitments given	*4.1*	22,066	42,833	42,909
II. Guarantees given	*4.2*	66,357	53,332	58,312
III. Other commitments given	*4.3*	59,401	35,029	31,526
Commitments received				
IV. Financing commitments received	*4.4*	12,104	9,912	4,980
V. Guarantees received	*4.4*	9,298	13,913	23,987
VI. Commitments related to securities	*4.5*	798	604	552
VII. Commitments related to foreign currency transactions	*4.6*	107,460	105,325	82,385
VIII. Commitments related to forward and derivative financial instruments	*4.7*	831,549	822,963	600,116

Income statement

(EUR millions)	Note	2007	2008	2009
I. Interest income	*5.1*	26,508	27,254	10,017
II. Interest expense	*5.1*	(26,761)	(27,200)	(9,659)
III. Income from variable-income securities	*5.2*	213	559	239
IV. Fee and commission income	*5.3*	17	15	12
V. Fee and commission expenses	*5.3*	(18)	(15)	(17)
VI. A. Net gains on held-for-trading portfolio transactions	*5.4*	778	175	113
VI. B. Net gains or losses on available-for-sale portfolio transactions	*5.4*	(750)	(3,133)	1,051
VI. C. Net losses on held-to-maturity portfolio transactions		0	0	(2)
VII. Other banking income	*5.8*	2	6	6
VIII. Other banking expenses	*5.8*	(1)	(4)	0
NET BANKING INCOME		**(12)**	**(2,343)**	**1,760**
IX. General operating expenses	*5.5*	(248)	(322)	(196)
X. Depreciation and amortization		(25)	(26)	(28)
GROSS OPERATING INCOME		**(285)**	**(2,691)**	**1,536**
XI. Cost of risk	*5.6*	(13)	(331)	(813)
OPERATING INCOME AFTER COST OF RISK		**(298)**	**(3,022)**	**723**
XII. Net gain (loss) on long-term investments	*5.7*	32	(2,364)	66
INCOME BEFORE TAX		**(266)**	**(5,386)**	**789**
XIII. Non-recurring items	*5.9*	0	0	0
XIV. Corporate income tax	*5.10*	107	449	(90)
XV. Net recovery of general banking risks reserve		478	0	0
NET INCOME		**319**	**(4,937)**	**699**
Basic earnings per share (EUR)		*3.67*	*(56.71)*	*8.03*
Fully-diluted earnings per share (EUR)		*3.67*	*(56.71)*	*8.03*

Notes to the financial statements

1. ACCOUNTING POLICIES AND VALUATION METHODS

1.1 SIGNIFICANT EVENTS IN 2009

Significant events in 2009 were:

- during 2009, Dexia Credit Local benefited from a sovereign guarantee of the states of Belgium, Luxembourg and France. This guarantee was renewed until October 31, 2010. It covers the repayment obligations of Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Credit Local. The total commitment by these states may not exceed a ceiling of EUR 100 billion.

  Under the terms of this guarantee, Dexia Credit Local recorded a charge of EUR 251 million during the fiscal year;
- during the fourth quarter of 2009, Dexia Credit Local sold its 10% stake in Crédit du Nord to Société Générale for EUR 338 million, generating a capital gain of EUR 153 million;
- given the improvement in issuers' credit spreads and tighter liquidity conditions in the markets during 2009, substantial reversals, amounting to EUR 1,447 million, were made to provisions for impairment on available-for-sale portfolios. These reversals should be considered in the context of the large 2008 impairment charges, which amounted to EUR 3,133 million;
- the cost of risk includes a provision for impairment of EUR 770 millions, calculated on the basis of the value in use of the Dexia Holdings Inc. subsidiary, of which Dexia Credit Local holds 90%. This subsidiary supports the residual activities of FSA. This impairment covers charges relating to the guarantee granted by the states on the risks of the FSA Financial products portfolio over the entire period of the guarantee. On the balance sheet, it is broken down into a EUR 414 million provision for risks and a EUR 356 million provision for impairment of subordinated debt;
- under the terms of the implementation of the Dexia Credit Local transformation plan, all assets of the Swedish branch were transferred to the Head Office in November 2009. This entity will be closed in 2010;
- on November 3, 2009, the Management Board of Dexia Credit Local decided not to pay interest due on November 18, 2009 on the EUR 700 million super-subordinated perpetual securities issued in late 2005.

This decision resulted from discussions between Dexia and the European Commission, following which Dexia has a commitment not to pay discretionary coupons on Tier 1 and Upper Tier 2 issues for a period of four months.

1.2 ACCOUNTING POLICIES AND VALUATION METHODS USED TO PRESENT THE FINANCIAL STATEMENTS

The balance sheet, income statement and off-balance sheet are presented in accordance with the standards applicable to banks.

The annual financial statements have been prepared in accordance with the principles and standards contained in European Council Directives governing the financial statements of banking institutions, in compliance with French Accounting Regulations Committee (CRC) Standards 99-04 and 00-03 as modified.

a. Changes in accounting policies and valuation methods applied to the annual financial statements

No changes have been made to the accounting policies and valuation methods applied to the annual financial statements, except for the early application of CRC Regulation 2009-03 of December 3, 2009 concerning recognition of fees received by a banking institution and incremental transaction costs on extending or acquiring credits.

b. Measurement of items in the balance sheet, off-balance sheet, income statement and summary financial statements

VALUATION METHODS AND PRESENTATION

The financial statements have been prepared in accordance with the rules of prudence, and fundamental accounting principles:

- going-concern assumption;
- matching principle;
- consistency criterion.

Customer loans

Any loans granted but not yet disbursed are shown as off-balance sheet items.

Current and accrued interest on Customer loans is recognized in banking income on an accrual basis, as is the interest on missed payments. Interest on non-performing loans reported in net banking income is neutralized by the recognition of an equivalent amount of impairment.

Related fees and commissions received and incremental transaction costs on extending or acquiring credits, if significant, are spread over the effective life of the loan. Other fees received are recorded directly to income.

For both accounting and tax purposes, all early repayment penalties on loans recognized up to December 31, 2004 will continue to be amortized over the remaining life of the related loans in proportion to the outstanding interest that would have had to be paid. The balance of outstanding penalties to be amortized is classified under deferred income.

Since January 1, 2005, all early repayment penalties on loans are taken into income at the repayment date.

Customer loans are stated in the balance sheet net of provisions for possible losses. They are broken out into four separate categories: performing loans, restructured performing loans, non-performing loans under collection and doubtful non-performing loans.

Non-performing loans are considered to be doubtful as soon as it becomes apparent that they will probably or certainly not be repaid. Non-performing loans are defined as follows: local government loans with installments that are more than nine months overdue; real estate loans with installments that are more than six months overdue; and other loans with installments that are more than three months overdue. Loans to borrowers that have been subject to formal alert procedures or filed for bankruptcy are classified as loans under collection, this category being analyzed in the notes to the financial statements in the same way as non-performing loans.

Impairment on non-performing loans is computed on the basis of the estimated loss exposure. Interest is written down in full.

Non-performing loans are considered to be doubtful as soon as their repayment becomes highly uncertain and it becomes apparent that they will eventually be written off.

Non-performing loans are downgraded from "under collection" to "doubtful" either one year at the latest after becoming non-performing, or immediately if the loan had previously been classified as a restructured performing loan. The interest on these loans is no longer included in net interest income once they have been classified as doubtful non-performing.

Loans that have been restructured under non-market conditions are included in the second category through their final maturity. They are written down for impairment in an amount equal to the present value of the future interest payments gap. This write-down is taken immediately into expense under the cost of risk, and is reversed into income on an accrual basis over the remaining term of the loan.

Securities transactions

The securities held by Dexia Credit Local are recorded on the balance sheet under the following asset headings:

- government securities eligible for central bank refinancing;
- bonds and other fixed-income securities;
- equities and other variable-income securities.

In accordance with French Banking Regulatory Committee (CRB) Regulation 2005-01 and modifying CRB Regulation 90-01, they are broken out in the notes to the financial statements into "Securities held for trading," "Securities available for sale" and "Securities held to maturity."

Securities held for trading

Securities held for trading are securities traded on a liquid market that are purchased or sold with the intention of being sold or repurchased within a short period of time. The Dexia Credit Local held-for-trading portfolio consists primarily of adjustable-rate bonds. Securities held for trading are taken to the balance sheet at cost, including accrued interest and excluding acquisition costs. At each period end, they are marked to market and the resulting unrealized gain or loss is taken to the income statement.

Securities available for sale

These consist of securities that are not recognized as securities held for trading, securities held to maturity, portfolio securities, other long-term investments, investments in associates or investments in related parties.

The portfolio consists primarily of fixed and adjustable-rate bonds but also includes some variable-income securities. Fixed-rate bonds are generally hedged against interest rate risk by means of interest rate and/or currency swaps classified as hedges. The use of this technique has the effect of creating synthetic adjustable or variable-rate assets that are immunized against interest rate risk.

Securities available for sale are taken to the balance sheet at cost, excluding acquisition costs and accrued interest, which are recorded separately. Any premiums or discounts, corresponding to the difference between the acquisition cost and redemption price, are recorded in the balance sheet and amortized to the income statement on a quasi yield-to-maturity basis over the remaining life of the securities. This method is applied to all securities in the portfolio.

At closing, in application of the conservatism principle, securities available for sale are recorded on the balance sheet at the lower of their acquisition cost or their selling price at closing, after taking into account gains on micro hedging transactions for purposes of calculating the reduction in their value.

If no active market is available for a given financial instrument, valuation techniques are used to calculate the realizable value (or the market value, as defined elsewhere in the notes) of the instrument. The valuation model must factor in all of the parameters considered by market players when measuring the value of the asset. In such cases, Dexia Credit Local uses its own valuation models, taking account of market conditions at the date of the valuation as well as of any changes in the credit risk quality of these financial instruments and market liquidity.

If the potential decrease in the value of the securities exceeds the related unrealized hedging gain, a provision corresponding to the difference is deducted from the securities' carrying amount. A reserve is booked to the liabilities side of the balance sheet for any unrealized hedging losses that are not offset by an increase in the market value of the hedged securities.

Gains and losses on disposals of marketable securities available for sale are calculated using the FIFO method.

Any securities available for sale transferred to the held-to-maturity portfolio are transferred at cost.

Any provisions for impairment that are no longer required at the date of transfer are released to the income statement over the remaining life of the securities.

Securities held to maturity

Securities held to maturity consist of fixed-income securities with fixed maturities that have been acquired or transferred from "securities available for sale" and "securities held for trading" with the explicit intention of being held to maturity.

They are either financed with back-to-back resources or hedged in order to neutralize the effect of interest rate fluctuations on earnings. The hedging instruments used consist solely of interest rate and/or currency swaps.

The use of these specific, allocated hedges has the effect of creating synthetic adjustable- or variable-rate assets that are immunized against interest rate risk.

Securities held to maturity are stated at cost, excluding acquisition costs and accrued interest at the date of acquisition, which are recorded separately. Premiums and discounts, representing the difference between the cost of the securities, excluding accrued interest, and the redemption price, are amortized on a yield-to-maturity basis over the remaining life of the securities.

Unrealized gains are not recognized and no provisions are booked for unrealized losses at the balance sheet date except in cases where:

- the ability of the issuer to honor its repayment obligations appears uncertain; or
- it is probable that the securities will not be held to maturity due to a change in circumstances.

Should a material proportion of all securities held to maturity be sold or transferred to another portfolio category for an amount that is material relative to the total amount of securities held to maturity, Dexia Credit Local would no longer be authorized to classify any securities previously or subsequently acquired as held to maturity until the third following full fiscal year, unless said sale or transfer does not call into question the bank's intention of maintaining its other securities held to maturity through their maturity (e.g. sale of one particular held-to-maturity security whose issuer's credit quality has deteriorated significantly, or in the case of securities held for trading or available for sale that were previously transferred into held-to-maturity under extraordinary market conditions that required a change of strategy and which may once more be traded on an active market). All previously acquired securities held to maturity are reclassified as "securities available for sale" at their carrying amount at the same time that the other securities are reclassified.

Portfolio securities

This category includes variable-income securities purchased on a regular basis with the intention of selling them at a profit in the medium term. At the time of purchase, the Company has no intention of investing in the long-term development of the issuer's business or of actively participating in its day-to-day management.

Portfolio securities are taken to the balance sheet at cost excluding acquisition costs. At each period end, they are stated at the lower of historical cost and fair value to the Group. Fair value is determined based on a range of criteria, including the issuer's outlook and the length of the estimated holding period. For listed securities, fair value is the average market price determined over a sufficiently long period in view of the estimated holding period to eliminate the impact of any wide swings in market prices. At each period end, and for each line of securities, if the fair value represents less than carrying amount, a provision is booked for the unrealized loss. For the purpose of determining the provision, unrealized losses are not netted against unrealized gains, which are not recognized.

Gains and losses on disposals of portfolio securities are determined using the FIFO method.

Sale and repurchase agreements and lending of securities

Securities may be sold under repurchase agreements, lent or borrowed for the purpose of reducing Dexia Credit Local's short-term liquidity cost. The securities may or may not be physically delivered to the buyer.

When securities are sold under a repurchase agreement, a debt corresponding to the value of the repurchase commitment is recognized in the balance sheet. The interest paid on the funds received is recognized in the income statement on an accrual basis.

Gains and losses on repurchase agreements are calculated using the same method as for outright sales, depending on the portfolio from which the securities were taken.

Transactions involving the simultaneous cash sale and forward purchase of the same securities are accounted for in the same way as repurchase agreements. The cash held in connection with repurchase agreements is periodically adjusted to take account of changes in the market value of the securities during the term of the contract, so as to reduce the credit risk incurred by the buyer as a result of any impairment in value of the collateral represented by the securities.

Loaned securities are reclassified as receivables for an amount equal to the carrying amount of the loaned securities. At each balance sheet date, the receivable is re-measured using the valuation principles applicable to the securities that have been loaned.

Borrowed securities are recorded as securities held for trading, with a contra entry to a liability to the lender. At each balance sheet date, the borrowed securities and the corresponding liability are re-measured using the valuation principles applicable to securities held for trading.

Long-term investments

Investments in associates

Investments in associates represent investments that are intended to be useful to the Group's activities over the long-term. They are intended to:

- be held on a long-term basis to exercise influence or control over the issuer; or
- underpin banking relations with the company concerned.

They are stated at cost excluding any related acquisition costs. At the balance sheet date, these shares are measured at the lower of cost or value in use, i.e. the fair value based on the utility of the investment to Dexia Credit Local.

In the case of companies whose net assets are at least equal to their value when the last shares were acquired, with prior-year positive earnings or an outlook for genuine recovery in the current year, value in use to the Group is considered as being at least equal to the historical cost of the investment. In all other cases, a range of criteria are applied to determine the possible need to record a provision for impairment in value in accordance with the conservatism principle.

In accordance with CRB Regulation 89-01, differences arising on translation at the year-end rate of investments denominated in foreign currencies that are financed in euros are taken to equity, under "Accumulated translation adjustments," and not to the income statement.

In the event of disposal of part of the Group's interest in an associate, the resulting gain or loss is determined using the FIFO method.

Other long-term investments

This category comprises variable-income securities acquired with the aim of developing long-term business ties with the issuer, although Dexia Credit Local is not in a position to influence the management of the issuer due to the small proportion of voting rights held. Other long-term securities are taken to the balance sheet at cost, excluding acquisition costs. At each period end, they are stated at the lower of historical cost or fair value. The fair value of other long-term securities corresponds to the price that the Company would be willing to pay to acquire them, taking into account the purpose for which they are acquired, irrespective of whether or not the securities are listed. Gains and losses on disposals of other long-term securities are determined using the FIFO method.

Tangible and intangible assets

These assets are stated at cost and depreciated or amortized using the straight-line method over their estimated useful life, at the rate at which their future economic benefits are consumed. Unless otherwise stated, furniture and fixtures are depreciated over ten years and office equipment generally over five years. Software is amortized over three to five years.

Other assets

This heading includes mainly collateral (guarantee deposits) receivable under swap transactions, which is recognized at its carrying amount.

Debt securities

Debt securities include bonds and money market instruments.

Bonds

Bonds are recorded at face value. The related accrued interest is computed at contractual rates and recorded under interest expense.

Zero-coupon bonds are recorded at their issue price. At each period end, accrued interest for the period, computed on the basis of the yield to maturity announced at the time of issue, is charged to the income statement as expenses on debt securities and an equivalent amount is added to the debt on the liabilities side of the balance sheet through to the maturity date so as to gradually increase the carrying amount of the debt to the amount repayable at maturity.

Bond issuance costs are deferred and amortized on a straight-line basis over the life of the bonds. Since January 1, 2005, premiums paid or received on bonds acquired by Dexia Credit Local are recognized directly through profit or loss.

Bonds denominated in foreign currencies are accounted for in the same way as foreign currency transactions.

Money market securities

Money market securities are stated at face value. Interest on medium-term notes, BMTN (domestic short- or medium-term notes) and negotiable certificates of deposit is recorded under "Interest expense" on an accrual basis. Prepaid interest on commercial paper is recorded under "Accrued assets" on the transaction date and amortized over the residual life of the paper.

Discounts and premiums on debt securities

Bond discounts and premiums and redemption premiums are amortized on a straight-line basis over the remaining life of the bonds from the date of acquisition. They are recorded in the consolidated balance sheet under the relevant liabilities accounts. Amortization is taken to the income statement under "Interest expense on bonds and other fixed-income securities."

Other liabilities

This heading includes mainly collateral (guarantee deposits) payable under swap transactions, which is recognized at its carrying amount.

Reserves

Provisions for risks and charges are set aside at their present value when:

- Dexia Credit Local has a legal or implicit obligation resulting from past events;
- it is probable that financial resources will need to be outlaid to extinguish this obligation; and
- it is possible to estimate with reasonable precision the amount of the obligation.

General (or collective) provisions on customer loans are included in this heading. These provisions cover the risk of impairment in the absence of any signs of specific impairment but when there are objective indications that losses will probably be incurred in certain sectors of the portfolio or on other financing commitments underway at the balance sheet date. These potential losses are estimated on the basis of the historical loss record and trends specific to each sector, while taking account of the general economic environment in which the borrower operates. To calculate these reserves, Dexia Credit Local has created a credit risk model based on an approach including probabilities of default and of losses given default.

Regulatory tax reserves are set aside in the financial statements for medium- and long-term credits and accelerated depreciation. Reserves against forward and derivative financial instruments are booked in accordance with the rules specified below in the paragraph concerning forward and derivatives financial instruments.

Retirement and other post-employment benefits are calculated in accordance with the local regulations applicable in each country and are recognized as expenses for the year. These commitments are recalculated each year using an actuarial method and recognized under reserves.

These reserves also include provisions for deferred taxes.

Subordinated debt

Subordinated redeemable notes issued by Dexia Credit Local are considered as Tier 2 capital for the purpose of calculating the European capital adequacy ratio, in accordance with CRB Regulation 90-02 (Article 4-d).

Forward and derivative financial instruments

Dexia Credit Local uses forward and derivative financial instruments in the normal course of business, mainly as hedges against interest rate and currency risks and, to a lesser extent, in order to take advantage of favorable interest rate and currency trends. The instruments used include interest rate and/or currency swaps, FRAs, caps, floors, interest rate options, futures, credit default swaps and credit spread options.

Forward and derivatives financial instruments are valued and accounted for in four transaction categories, in accordance with CRB Regulations 90-15 and 92-04 based on the initial purpose of the transaction.

The four transaction categories are specific hedges, macro-hedges, isolated open positions and specialist portfolio management; each category has its own rules for measurement and recognition.

For transactions in all categories, the commitment or notional amount is recorded as an off-balance sheet commitment over the life of the contract, i.e. from the date of signing of the contract to its maturity or the start date of the reference period in the case of forward rate agreements. The amount of the commitment is adjusted to reflect any changes in notional amounts, so as to show at all times the maximum current or future commitment. Each contract is recorded separately and is classified in one of the above four categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Upfront equalization payments on hedging transactions are amortized over the remaining life of the instrument. All transactions are now amortized on a quasi-yield-to-maturity basis.

Hedging transactions

Micro hedging

Micro-hedges are used to cover interest rate risks on a specific item or group of items with similar characteristics, identified at the outset. The criteria applied to determine whether transactions qualify as micro-hedges are as follows:

- the hedged item must contribute to the bank's overall exposure to fluctuations in prices or interest rates;
- the contracts must be purchased or sold for the specific purpose, and must have the specific effect, of reducing the bank's exposure to fluctuations in prices or interest rates in respect of the hedged item and must be identified as such at the outset.

Instruments meeting this definition consist primarily of swaps acquired as micro-hedges of primary issues, bonds held in the "securities available for sale" and "securities held to maturity" portfolios and Customer loans. The hedging instruments have the effect of creating synthetic variable- or adjustable-rate assets or liabilities, which are immunized against interest rate risk.

Expenses and income on micro-hedges are recorded in the income statement in the same way as the expenses and income on the hedged item or group of similar items.

In cases where the hedged item is repaid early (or disposed of), the following accounting treatment is applied to the equalization payment received or paid due to the early unwinding of the hedging instrument:

- if the hedge was unwound before January 1, 2005 the equalization payment is spread over the remaining life of the cancelled transaction;
- if the hedge was unwound after January 1, 2005 the equalization payment is recognized in profit or loss during the period in which the hedge was unwound. However, the equalization payment paid by Dexia Credit Local is charged against income only for the portion that exceeds gains not yet recorded in income on the symmetric position.

In both cases, the inventory of deferred equalization payments is recorded in accrued assets or liabilities.

Macro hedging

This category includes contracts that are intended to hedge and manage Dexia Credit Local's overall exposure to interest rate risks on assets, liabilities and off-balance sheet items, other than micro-hedges, contracts representing isolated open positions and contracts acquired for specialist portfolio management purposes.

Macro-hedges have the effect of reducing Dexia Credit Local's overall exposure to interest rate risks on its business transactions.

Expenses and income on macro-hedges are recorded in the income statement on an accrual basis under "Interest expense on macro-hedges" and "Interest income on macro-hedges." The contra entry is recorded in the balance sheet in an accruals account until such time as the funds are collected or disbursed.

In the event of the unwinding of a macro-hedge, the equalization payment is recognized in the following manners:

- equalization payments on swaps unwound before January 1, 2005 are amortized when the unwinding of the position is not linked to a prior change in the overall interest rate risk to be hedged, or are taken into income symmetrically to those components that resulted in the modification of said risk;
- as from January 1, 2005, the equalization payment is recognized through profit or loss.

Position management

Dexia Credit Local conducts two types of position management transactions:

- specialist held-for-trading portfolio management;
- position-taking.

Specialist held-for-trading portfolio management

This activity covers transactions with local governments and their symmetrical transactions entered into with banks. Its purpose is the specialist management of a held-for-trading portfolio comprising specific interest rate swaps and other interest-rate-based derivatives. The portfolio is actively managed based on sensitivity criteria, within predefined interest rate exposure limits set internally in accordance with CRB Regulation 97-02 as modified. Positions are centralized and results calculated on a daily basis.

Gains and losses are recognized on a mark-to-market basis, as follows:

- total future cash-flows are marked to market on a monthly basis and the resulting unrealized gain or loss is taken to the income statement;
- all payments made or received are recorded directly in the income statement.

Mark-to-market gains and losses are calculated on derivatives using the replacement cost method. This method consists of taking each individual contract and simulating a new contract, which at the balance sheet date, closes the open position created by the original contract. The differences in cash flows between the actual and simulated contracts are then discounted.

The portfolio valuation takes into account portfolio management costs and credit risks.

For purposes of this activity, the Dexia Credit Local New York Branch centrally manages the risks generated by the portfolios. The transfer of risk is performed through internal contracts. These contracts are put in place, recorded and valued in accordance with CRB Regulation 90-15.

Position-taking

Derivatives held in the position-taking portfolio are intended to keep isolated positions open in order to take advantage of any favorable interest rate movements. The portfolio also includes all contracts (including credit derivatives) that do not fulfill the criteria for classification as specialist portfolio management.

Gains and losses are recognized in accordance with the conservatism principle as follows:

- provisions for risks are booked for any unrealized losses calculated as a result of periodic mark-to-market valuations; unrealized gains are not recognized in the income statement;
- interest and equalization payments are recognized in the income statement on an accrual basis.

Foreign exchange transactions

Dexia Credit Local uses currency swaps and forward purchases and sales of foreign currencies to hedge its currency risks. Currency swaps are used to match funding currencies with the currencies of the assets financed.

Forward purchases and sales of foreign currencies are used to offset or reduce the impact of exchange rate fluctuations on specific items or groups of similar items. A limited number of unhedged foreign exchange positions are also established in connection with Dexia Credit Local's position-taking activities.

In accordance with CRB Regulation 89-01, currency instruments are classified as either hedged transactions or position-management transactions. This categorization determines the applicable accounting treatment for the related gains and losses.

Currency instruments in both categories are recorded as off-balance sheet commitments over the life of the contract, i.e. from the date of signing of the contract to the start date of the reference period.

Each contract is recorded separately and is classified in one of the categories defined by the regulation. The accounting treatment of income depends on the category and reflects the substance of the transaction.

Hedging transactions

The difference between the forward rate and the spot rate – the contango or backwardation – is recognized in the income statement on an accrual basis. The position is initially recorded at the spot rate and its value is gradually adjusted over the life of the contract to take into account the contango or backwardation.

Position-management transactions

These represent forward currency transactions that do not meet the criteria for qualification as hedged forward currency transactions as defined in CRB Regulation 89-01, in that they do not relate simultaneously to loans and borrowings or to spot currency transactions. Such transactions are entered into with the aim of taking advantage of exchange rate movements.

Gains and losses on position-management transactions are determined and accounted for by converting movements in the currency accounts into euros at the forward rate applicable to the remaining terms of the contracts.

Foreign currency transactions

In accordance with CRB Regulation 89-01, as amended by Regulation 90-01, Dexia Credit Local recognizes foreign currency transactions in open account in each of the currencies concerned.

Specific foreign currency position accounts are maintained in each currency showing the position in that currency and the EUR equivalent.

At each period end, the difference between the value of the foreign currency position account translated into EUR at the year-end spot rate and the value of the foreign currency position in the euro equivalent account is taken to the income statement. Differences arising on the translation into EUR of investments in foreign currency-denominated non-consolidated companies financed in euros are recorded in shareholders' equity under "Accumulated translation adjustments."

Differences arising on the translation into euros of securities held to maturity denominated and financed in foreign currencies are recognized on a symmetrical basis with the differences arising on translation of the related financing.

The balance sheets of foreign consolidated branches of Dexia Credit Local are translated into euros at the period-end exchange rate, with the exception of equity, which is translated at the historical rate. Income statement items are translated at the average rate for the period. Differences arising on translation are recorded as a separate component of equity under "Accumulated translation adjustments."

Cost of risk

The cost of risk includes movements in loss reserves on interbank and Customer loans, fixed-income securities held to maturity (in the case of recognized risk of default by the issuer) and off-balance sheet items (other than off-balance sheet derivatives), as well as loan losses, recoveries of loans written off in prior years, and movements in other provisions and reserves for credit risks and contingencies relating to these items.

Non-recurring items

Non-recurring income and expenses result from events or transactions that do not relate to the ordinary business operations or routine management of the assets and liabilities of the Company.

They represent material items of income and expense that do not depend on decisions made in connection with the routine management of the business or of the Company's assets and liabilities, but which result from external events that are exceptional in terms of their infrequency and their impact on net income. Only items of this nature, that have a significant impact on profit and loss for the period, are classified as non-recurring income and expenses.

Corporate income tax

The standard French corporate income tax rate for both current and deferred taxes is 34.43% in France.

The income of foreign subsidiaries is taxed at the rates prevailing in the countries in which they operate.

Tax consolidation

Dexia Credit Local has adopted the tax consolidation method.

The Dexia SA Établissement Stable in France became head of the tax consolidation Group that includes Dexia Credit Local on January 1, 2002.

Only the Établissement Stable is liable for the payment of corporate income taxes and the annual fixed taxes paid each year by the Group as a whole. In its individual financial statements, Dexia Credit Local recognizes its income tax expense on a standalone basis.

The Dexia SA Établissement Stable records the benefits achieved through tax consolidation.

Locations and activities in tax haven countries or territories

In compliance with Article L.511-45 of the French Monetary and Financial Code, it should be noted that Dexia Credit Local has no offices (branches, subsidiaries or special purpose entities), affiliates or other exclusively or jointly controlling de facto or de jure interests in entities in countries that do not have administrative assistance agreements with France.

Company consolidating the financial statements of Dexia Credit Local

Dexia SA, Place Rogier, 11-B-1210 Brussels – Belgium.

2. NOTES ON THE ASSETS

2.1 CASH, CENTRAL BANKS AND POSTAL CHECKING ACCOUNTS (ITEM I - ASSETS)

a. Accrued interest

	0

b. Detailed analysis, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Cash	0	0
Deposits with central banks and issuing institutions	275	238
Deposits with postal checking accounts	0	0
TOTAL	**275**	**238**

2.2 GOVERNMENT SECURITIES ELIGIBLE FOR CENTRAL BANK REFINANCING (ITEM II - ASSETS)

This item includes government securities eligible for central bank refinancing.

a. Accrued interest

(EUR millions)	80

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	As of December 31, 2009
	194	77	145	2,739	3,155

c. Analysis by type of portfolio and movements for the year, excluding accrued interest

	Banking activity and other			Total
(EUR millions)	Held for trading	Available for sale	Held to maturity	
Cost as of December 31, 2008	48	3,019	180	3,247
Movements for the year:				
• Acquisitions	0	230	30	260
• Disposals and redemptions	0	(71)	(174)	(245)
• Transfers	0	0	0	0
• Translation adjustments	(1)	0	4	3
• Other movements	0	0	0	0
Cost as of December 31, 2009	**47**	**3,178**	**40**	**3,265**
Impairment as of December 31, 2008	0	(271)	0	(271)
Movements for the year:				
• Charges	0	(1)	0	(1)
• Recoveries	0	179	0	179
• Translation adjustments	0	(17)	0	(17)
• Other movements	0	0	0	0
Impairment as of December 31, 2009	**0**	**(110)**	**0**	**(110)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2009	**47**	**3,068**	**40**	**3,155**

As of December 31, 2009 there were EUR 235 million in securities lent in the available-for-sale portfolio and EUR 10 million in the held-to-maturity portfolio.

d. Transfers between portfolios

No transfers were made between portfolios in 2009.

e. Listed and unlisted securities, excluding accrued interest

(EUR millions)	Carrying amount as of December 31, 2009	Market value as of December 31, 2009	Net unrealized capital loss as of December 31, 2009
Listed securities [1]	3,151	3,084	(67)
Unlisted securities	4		
TOTAL	**3,155**		

(1) "Listed" means quoted on a stock exchange.

Analysis by type of portfolio	Total	Held for trading	Available for sale	Held to maturity
Listed securities [1]	3,151	47	3,064	40
Unlisted securities	4	0	4	0
TOTAL	**3,155**	**47**	**3,068**	**40**

(1) "Listed" means quoted on a stock exchange.

f. Unrealized capital gains and losses on securities

(EUR millions)	Available for sale	Held to maturity
Unrealized capital gains	0	0
Unrealized capital losses	(70)	0

2.3 INTERBANK LOANS AND ADVANCES (ITEM III - ASSETS)

a. Accrued interest

(EUR millions)	148

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	4,512	14,268	14,268	0	0	0
Term loans and advances	29,674	27,208	14,812	2,114	3,275	7,007
TOTAL	**34,186**	**41,476**	**29,080**	**2,114**	**3,275**	**7,007**

c. Analysis of non-performing loans, excluding accrued interest

	As of December 31, 2008	As of December 31, 2009		
Valuation of risk (EUR millions)	Total	Non-performing loans under collection	Doubtful non-performing loans	Total
Gross non-performing loans	58	57	0	57
Accumulated impairment [1]	(37)	(37)	0	(37)
NET NON-PERFORMING LOANS	**21**	**20**	**0**	**20**

(1) This amount corresponds to the impairment of receivables from the Lehman Brothers Holdings Inc.

d. Analysis of term loans by degree of subordination, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Subordinated interbank loans	730	1,078
Non-subordinated interbank loans	28,944	26,130
TOTAL	**29,674**	**27,208**

e. Analysis of subordinated non-performing loans, excluding accrued interest

	As of December 31, 2008	As of December 31, 2009		
Valuation of risk (EUR millions)	Total	Non-performing loans under collection	Doubtful non-performing loans	Total
Gross non-performing loans	0	347	0	347
Accumulated impairment [1]	0	(347)	0	(347)
NET NON-PERFORMING LOANS	**0**	**0**	**0**	**0**

(1) This amount corresponds to the impairment of receivables from Dexia Holdings Inc.

2.4 CUSTOMER LOANS AND ADVANCES (ITEM IV - ASSETS)

a. Accrued interest

(EUR millions)	321

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity or not analyzed	As of December 31, 2009
	936	1,994	11,429	34,527	0	48,886

c. Analysis by type of borrower, excluding accrued interest

	As of December 31, 2008	As of December 31, 2009		
(EUR millions)	Total	Public sector	Other sectors	Total
Performing loans	50,495	28,704	20,000	48,704
Restructured performing loans	0	0	0	0
Non-performing loans under collection	11	1	13	14
Doubtful non-performing loans	88	3	165	168
TOTAL	**50,594**	**28,708**	**20,178**	**48,886**

d. Analysis of non-performing loans, excluding accrued interest

Valuation of risk (EUR millions)	As of December 31, 2008	As of December 31, 2009
Gross non-performing loans under collection	16	20
Accumulated impairment	(5)	(6)
Net non-performing loans under collection	**11**	**14**
Gross doubtful non-performing loans	136	220
Accumulated impairment	(48)	(52)
Net doubtful non-performing loans	**88**	**168**

e. Analysis by degree of subordination, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Subordinated customer loans	10	10
Non-subordinated customer loans	50,584	48,876
TOTAL	**50,594**	**48,886**

2.5 BONDS AND OTHER FIXED-INCOME SECURITIES (ITEM V - ASSETS)

a. Accrued interest

(EUR millions)	527

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	As of December 31, 2009
	11,546	3,456	6,461	38,067	59,530

c. Analysis by type of issuer, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Type of issuer		
Public sector issuers	29,496	18,847
Other issuers	52,972	40,683
TOTAL	**82,468**	**59,530**

The decrease in the securities portfolio is attributable to the policy of reducing the liquidity gap.

d. Listed and unlisted securities, excluding accrued interest

(EUR millions)	Carrying amount as of December 31, 2009	Market value as of December 31, 2009	Net unrealized capital loss as of December 31, 2009
Listed securities [1]	28,252	27,960	(292)
Unlisted securities	31,278		
TOTAL	**59,530**		

(1) "Listed" means quoted on a stock exchange.

Analysis by type of portfolio	Total	Held for trading	Available for sale	Held to maturity
Listed securities [1]	28,252	5,657	22,515	80
Unlisted securities	31,278	2,392	28,269	617
TOTAL	**59,530**	**8,049**	**50,784**	**697**

(1) "Listed" means quoted on a stock exchange.

e. Analysis by type of portfolio and movements for the year, excluding accrued interest

	Banking business and other			Total
(EUR millions)	Held for trading	Available for sale	Held to maturity	
Cost as of December 31, 2008	19,204	65,129	1,201	85,534
Movements for the year:				
• Acquisitions	113	4,891	202	5,206
• Disposals and redemptions	(11,302)	(16,284)	(712)	(28,298)
• Other changes	0	0	0	0
• Translation adjustments	34	(1,158)	6	(1,118)
Cost as of December 31, 2009	**8,049**	**52,578**	**697**	**61,324**
Impairment as of December 31, 2008	0	(3,066)	0	(3,066)
Movements for the year:				
• Charges [1]	0	(330)	0	(330)
• Recoveries	0	1,580	0	1,580
• Other changes	0	0	0	0
• Translation adjustments	0	22	0	22
Impairment as of December 31, 2009	**0**	**(1,794)**	**0**	**(1,794)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2009	**8,049**	**50,784**	**697**	**59,530**

(1) An explanation regarding the change is provided in note 5.4.

As of December 31, 2009, the total value of securities lent amounted to EUR 218 million in the held-for-trading portfolio, EUR 16,724 million in the available-for-sale portfolio and EUR 167 million in the held-to-maturity portfolio.

f. Analysis by degree of subordination, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Subordinated bonds and other subordinated fixed-income securities issued by credit institutions	442	679
Subordinated bonds and other subordinated fixed-income securities issued by other companies	0	0
Non-subordinated bonds and other non-subordinated fixed-income securities	82,026	58,851
TOTAL	**82,468**	**59,530**
of which: listed subordinated bonds and other listed subordinated fixed-income securities	*0*	*0*

g. Transfers between portfolios

No transfers were made between portfolios in 2009.

h. Held-for-trading portfolio, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Market-to-market gains (losses)	(2,546)	261

i. Available-for-sale and held-to-maturity portfolios, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Unrealized gains (redemption value higher than carrying amount)	513	715
Unrealized losses (redemption value lower than carrying amount)	787	452

j. Analysis of non-performing loans, excluding accrued interest

Valuation of risk (EUR millions)	As of December 31, 2008	As of December 31, 2009
Gross non-performing loans	163	164
Accumulated impairment [1]	(147)	(148)
Net non-performing loans	**16**	**16**

(1) Impairment relates essentially to provisions made against securities issued by Lehman Brothers Holdings Inc. and by Icelandic banks.

2.6 EQUITIES AND OTHER VARIABLE-INCOME SECURITIES (ITEM VI - ASSETS)

a. Analysis by type of portfolio and movements for the year

	Banking activity and other		Total
(EUR millions)	Held for trading	Available for sale	
Cost as of December 31, 2008	**0**	**347**	**347**
Movements for the year:			
• Acquisitions	0	108	108
• Disposals and redemptions	0	(118)	(118)
• Other movements	0	0	0
• Translation adjustments	0	2	2
Cost as of December 31, 2009	**0**	**339**	**339**
Impairment as of December 31, 2008	0	(48)	(48)
Movements for the year:			
• Charges	0	(11)	(11)
• Recoveries	0	2	2
• Other movements	0	0	0
• Translation adjustments	0	(1)	(1)
Impairment as of December 31, 2009	**0**	**(58)**	**(58)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2009	**0**	**281**	**281**

b. Transfers between portfolios (excluding insurance business)

No transfers were made between portfolios in 2009.

c. Listed and unlisted securities

(EUR millions)	Carrying amount as of December 31, 2009	Market value as of December 31, 2009	Net unrealized capital gain as of December 31, 2009
Listed securities	107	122	15
Unlisted securities	174		
TOTAL	**281**		

d. Unrealized capital gains (losses) on variable-income securities

(EUR millions)	Available for sale securities
Unrealized capital gains	19
Unrealized capital losses	0

2.7 LONG-TERM EQUITY INVESTMENTS (ITEM VII - ASSETS)

a. Accrued interest

	0

b. Analysis by type of issuer and movements for the year

	Dexia Group related parties		Other long-term equity investments		Total
(EUR millions)	Credit institutions	Other	Credit institutions	Other	
Cost as of December 31, 2008	**4,802**	**206**	**460**	**25**	**5,493**
Movements for the year:					
• Acquisitions [(1)]	167	1	0	3	171
• Disposals and redemptions [(2)]	(337)	0	(437)	(2)	(776)
• Transfers	(27)	(4)	27	4	0
• Translation adjustments [(3)]	(19)	0	0	0	(19)
• Other movements	0	0	0	0	0
Cost as of December 31, 2009	**4,586**	**203**	**50**	**30**	**4,869**
Impairment as of December 31, 2008	(2,170)	(1)	(240)	(5)	(2,416)
Movements for the year:					
• Charges	(76)	0	0	(1)	(77)
• Recoveries [(4)]	0	0	206	0	206
• Reversals	0	0	0	0	0
• Transfers	0	0	0	0	0
• Translation adjustments [(3)]	68	0	0	0	68
• Other movements	0	0	0	0	0
Impairment as of December 31, 2009	**(2,178)**	**(1)**	**(34)**	**(6)**	**(2,219)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2009	**2,408**	**202**	**16**	**24**	**2,650**

(1) The primary acquisitions in 2009 pertained to capital increases in Dexia Kommunalbank Deutschland and Dexia CLF Banque, and the acquisition of 20% of the shares of Dexia CLF Banque from Crédit du Nord, bringing the stake in Dexia CLF Banque from 80% to 100%.
(2) The disposals primarily concerned the SISL and Crédit du Nord shares.
(3) The translation adjustments pertained to the Dexia Holdings Inc. subsidiary.
(4) The write-back of impairment corresponds to the sale of the Kommunalkredit Austria subsidiary to the government of Austria.

c. Listed and unlisted securities

(EUR millions)	Net carrying amount as of December 31, 2009	Market value as of December 31, 2009	Unrealized capital gain as of December 31, 2009
Listed securities	0	0	0
Unlisted securities	2,650		
TOTAL	**2,650**		

d. Significant investments

(EUR millions)	Gross carrying amount as of December 31, 2009	Impairment as of December 31, 2009	Net carrying amount as of December 31, 2009
Listed securities	0	0	0

Unlisted securities	Gross carrying amount as of December 31, 2009	Impairment as of December 31, 2009	Net carrying amount as of December 31, 2009	% interest in equity	Interest in equity as of December 31, 2009	Last balance sheet date
TOTAL	**4,869**	**2,219**	**2,650**			
Principal interests in long-term equity investments						
Dexia Holdings Inc. [1]	2,126	2,126	0	90.00	153	Dec. 31, 2009
Dexia Municipal Agency	1,060	0	1,060	100.00	1,240	Dec. 31, 2009
Dexia Crediop	581	0	581	70.00	783	Dec. 31, 2009
Dexia Kommunalbank Deutschland	293	0	293	100.00	331	Dec. 31, 2009
Dexia Kommunalkredit Bank	160	0	160	100.00	226	Dec. 31, 2009
Dexia Sabadell, SA	142	0	142	60.00	247	Dec. 31, 2009
CBX.IA 2	100	0	100	70.85	72	Dec. 31, 2009
Dexia Israel Bank Ltd.	56	0	56	65.31	70	Dec. 31, 2009
Dexia Sofaxis	50	0	50	99.98	60	Dec. 31, 2009
CBX.IA 1	40	0	40	100.00	1	Dec. 31, 2009
Dexia Flobail	39	0	39	100.00	(62)	Dec. 31, 2009
Dexia Épargne Pension	35	35	0	12.25	(2)	Dec. 31, 2009
Dexia CLF Immo	34	18	16	100.00	16	Dec. 31, 2009
Dexia Credit Local Asia Pacific Pty Ltd.	33	33	0	100.00	40	Dec. 31, 2009
Dexia CLF Banque	20	0	20	100.00	29	Dec. 31, 2009
Exterimmo	20	0	20	40.00	20	Dec. 31, 2009
Société d'Investissement Suisse Luxembourgeoise	17	0	17	100.00	61	Dec. 31, 2009
Dexia CLF Régions Bail	8	0	8	100.00	17	Dec. 31, 2009

(1) Total impairment of Dexia Holdings Inc. shares in light of the agreement to sell FSA's insurance business to Assured Guaranty Ltd.

2.8 INTANGIBLE ASSETS (ITEM VIII - ASSETS)

DETAILED ANALYSIS AND MOVEMENTS FOR THE YEAR

(EUR millions)	Start-up costs	Other intangible assets	Total
Gross carrying amount as of December 31, 2008	0	240	240
Movements for the year:			
• Increases	0	14	14
• Decreases	0	0	0
• Other	0	0	0
• Translation adjustments	0	(1)	(1)
Gross carrying amount as of December 31, 2009	**0**	**253**	**253**
Amortization and impairment as of December 31, 2008	0	(186)	(186)
Movements for the year:			
• Charges	0	(22)	(22)
• Recoveries	0	0	0
• Other	0	1	1
• Translation adjustments	0	0	0
Amortization and impairment as of December 31, 2009	**0**	**(207)**	**(207)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2009	**0**	**46**	**46**

Intangible assets primarily include purchased software and in-house software development costs that have been capitalized.

2.9 TANGIBLE NON-CURRENT ASSETS (ITEM IX - ASSETS)

DETAILED ANALYSIS AND MOVEMENTS FOR THE YEAR

(EUR millions)	Land and buildings	Fixtures, equipment, furniture and vehicles	Other property and equipment	Assets under construction and prepayments	Total
Cost as of December 31, 2008	**1**	**6**	**49**	**0**	**56**
Movements for the year:					
• Acquisitions	0	0	1	0	1
• Disposals and retirements	0	0	(4)	0	(4)
• Other	0	0	0	0	0
• Translation adjustments	0	0	0	0	0
Cost as of December 31, 2009	**1**	**6**	**46**	**0**	**53**
Depreciation and impairment as of December 31, 2008	0	(3)	(35)	0	(38)
Movements for the year:					
• Charges	0	0	(4)	0	(4)
• Recoveries	0	0	3	0	3
• Other	0	0	0	0	0
• Translation adjustments	0	0	0	0	0
Depreciation and impairment as of December 31, 2009	**0**	**(3)**	**(36)**	**0**	**(39)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2009	**1**	**3**	**10**	**0**	**14**

2.10 OTHER ASSETS AND ACCRUALS (ITEMS XIII AND XIV - ASSETS)

a. Detailed analysis

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Other assets		
Premiums paid on swaptions issued	94	17
Premiums paid on options	128	68
Guarantee deposits paid [1]	17,184	12,150
Tax receivables	1	1
Deferred tax assets	741	729
Other non-current financial assets	91	0
Other assets	0	18
TOTAL OTHER ASSETS	**18,239**	**12,983**

(1) Guarantee deposits paid consist nearly entirely of collateral deposited under contracts with the primary counterparties trading on derivative markets. The decrease in cash collateral is due essentially to the change in interest rates in 2009.

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Accruals		
Premiums and deferred charges on borrowings	347	335
Premiums on loans and other deferred charges on loans	51	67
Premiums and deferred charges on hedging transactions	972	845
Premiums and deferred charges on trading transactions	810	752
Accrued income on hedging transactions	4,192	1,044
Accrued income on trading transactions	12,209	4,975
Unrealized translation losses	718	416
Other accrued income	636	1,306
TOTAL ACCRUALS	**19,935**	**9,740**

2.11 ANALYSIS OF ASSETS BY CURRENCY

Classification by currency of origin (EUR millions)	As of December 31, 2009
In EUR	89,666
In other EU currencies	17,889
In other currencies	72,520
TOTAL ASSETS	**180,075**

3. NOTES ON THE LIABILITIES AND EQUITY

3.1 INTERBANK BORROWINGS AND DEPOSITS (ITEM I - LIABILITIES AND EQUITY)

a. Accrued interest

(EUR millions)	171

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits [(1)]	51,965	12,517	12,456	61		
Term deposits	77,420	71,611	35,436	22,952	6,837	6,386
TOTAL	**129,385**	**84,128**	**47,892**	**23,013**	**6,837**	**6,386**

(1) Due to the intense refinancing activity conducted during 2009, funding from central banks now represents less than EUR 10 billion as of December 31, 2009, compared with EUR 44 billion as of December 31, 2008.

3.2 CUSTOMER DEPOSITS (ITEM II - LIABILITIES AND EQUITY)

a. Accrued interest

(EUR millions)	18

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	0	0				
Term deposits	3,559	1,892	1,318	0	351	223
TOTAL	**3,559**	**1,892**	**1,318**	**0**	**351**	**223**

c. Analysis by type of customer, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Public sector	1,551	1,118
Other sectors	2,008	774
TOTAL	**3,559**	**1,892**

3.3 DEBT SECURITIES (ITEM III - LIABILITIES AND EQUITY)

a. Accrued interest

(EUR millions)	325

b. Analysis by term to maturity, excluding accrued interest

(EUR millions)	As of December 31, 2008	As of December 31, 2009	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities (1)	36,047	59,511	16,792	14,249	21,758	6,712
Bonds	3,158	7,525	10	106	3,641	3,768
TOTAL	**39,205**	**67,036**	**16,802**	**14,355**	**25,399**	**10,480**

(1) This increase resulted from strong intermediate- to long-term refinancing activity in 2009 thanks to sovereign guarantees for new issues, as well as gradual normalization of market conditions.

c. Analysis by type of security and movements for the year, excluding accrued interest

(EUR millions)	Interbank and money market securities and notes	Bonds	Total
As of December 31, 2008	**36,047**	**3,158**	**39,205**
Movements for the year			
• New issues	46,440	5,099	51,539
• Redemptions	(22,681)	(616)	(23,297)
• Translation adjustments	(295)	(116)	(411)
• Other	0	0	0
AS OF DECEMBER 31, 2009	**59,511**	**7,525**	**67,036**

This heading (item III of liabilities and equity) includes issue premiums of EUR 229 million, of which EUR 53 million had been amortized as of December 31, 2009.

3.4 OTHER LIABILITIES AND ACCRUALS (ITEMS IV AND V - LIABILITIES AND EQUITY)

DETAILED ANALYSIS

Other liabilities and accruals (EUR millions)	As of December 31, 2008	As of December 31, 2009
Other liabilities		
Guarantee deposits received	3,311	629
Premiums on options sold	412	16
Other creditors [(1)]	8,966	5,015
TOTAL OTHER LIABILITIES	**12,689**	**5,660**
Accruals		
Deferred income on loans	86	64
Discounts recognized on purchase of receivables	0	0
Deferred income on hedging transactions	1,040	1,067
Deferred income on trading transactions	775	907
Deferred gains on hedging contracts	210	89
Accrued charges on hedging transactions	4,706	2,423
Accrued charges on trading transactions	11,352	4,815
Unrealized translation gains	815	928
Other deferred income	60	57
Other accrued charges	129	120
Other accrued liabilities	278	510
TOTAL ACCRUALS	**19,451**	**10,980**

(1) As of December 31, 2009, EUR 5 billion corresponded to liabilities related to borrowed securities.

3.5 PROVISIONS FOR RISKS AND CHARGES (ITEM VI - LIABILITIES AND EQUITY)

(EUR millions)	As of December 31, 2008	Additions	Recoveries	Other movements [3]	As of December 31, 2009
Provisions for risks and charges	**1,340**	**1,022**	**(152)**	**18**	**2,228**
• Pensions and similar commitments [1]	13	4	(9)	0	8
• Financing commitments	240	149	(114)	0	275
• Other financial instruments	721	421	0	36	1,178
• Other risks and charges [2]	366	446	(29)	(18)	765
• Country risk	0	2	0	0	2
Provisions for deferred taxes	**163**	**1**	**(95)**	**(9)**	**60**
Regulated provisions	**337**	**12**	**(12)**	**0**	**337**
• Provisions for medium- and long-term loans	310	0	0	0	310
• Provisions for accelerated tax depreciation	21	12	(11)	0	22
• Provision for investment	6	0	(1)	0	5
TOTAL	**1,840**	**1,035**	**(259)**	**9**	**2,625**

(1) Provisions for termination benefits and service awards amounted to EUR 8 million.
(2) Other provisions for risks and charges include the EUR 600 million provision for risk on the Dexia Holdings Inc. subsidiary to which EUR 423 million was added during the year.
(3) Other movements relate to the amortization of gains on disposals, realized when assigning loans of EUR 12 million to Dexia Municipal Agency, and to translation adjustments.

3.6 SUBORDINATED DEBT (ITEM VIII - LIABILITIES AND EQUITY)

a. Accrued interest

(EUR millions)	25

b. Movements for the year, excluding accrued interest

(EUR millions)	Total
As of December 31, 2008	**5,361**
Movements for the year:	
• New issues	0
• Maturities and redemptions	(61)
• Translation adjustments	(54)
• Other movements	0
AS OF DECEMBER 31, 2009	**5,246**

c. Details of subordinated borrowing:

Currency	Due	Amount (in millions)	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	No fixed maturity	200	a) Early repayment impossible during the first 10 years except after prior approval by the General Secretariat of the Banking Commission and unless replaced by equity of equivalent or better quality. Early repayment possible at each due date for interest payments from July 1, 2015, after approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M +0.79 From July 2015, EURIBOR 3M +1.40 From July 2020, EURIBOR 3M +2.15
EUR	No fixed maturity	700	a) Early repayment impossible during the first 10 years except after prior approval by the General Secretariat of the Banking Commission and unless replaced by equity of equivalent or better quality b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M +0.73 Super-subordinated perpetual note From November 18, 2015, Euribor 3M +1.73
USD	No fixed maturity	250	a) Early repayment impossible during the first 10 years except after prior approval by the General Secretariat of the Banking Commission and unless replaced by equity of equivalent or better quality. Early repayment possible at each due date for interest payments from October 1, 2012, after approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +1.1 From October 1, 2012, LIBOR USD 3M +1.85
USD	No fixed maturity	1,190	a) Early repayment impossible during the first 10 years except after prior approval by the General Secretariat of the Banking Commission and unless replaced by equity of equivalent or better quality. Early repayment possible at each due date for interest payments from April 5, 2015, after approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.39 From April 5, 2015, LIBOR USD 3M +1.14
EUR	June 27, 2011	640	a) Early repayment possible at each due date for interest payments from July 1, 2006, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M +0.58
USD	September 27, 2012	60	a) Early repayment possible at each due date for interest payments from October 1, 2007, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.5925
USD	April 1, 2013	130	a) Early repayment possible at each due date for interest payments from April 1, 2008, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.5475
USD	April 1, 2013	200	a) Early repayment possible at each due date for interest payments from April 1, 2008, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.4975

Currency	Due	Amount (in millions)	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
USD	October 1, 2013	200	a) Early repayment possible at each due date for interest payments from October 1, 2008, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.4625
USD	January 1, 2014	100	a) Early repayment possible at each due date for interest payments from January 1, 2009, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.485
USD	July 1, 2014	135	a) Early repayment possible at each due date for interest payments from July 1, 2009, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.43
USD	October 1, 2014	265	a) Early repayment possible at each due date for interest payments from October 1, 2009, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	LIBOR USD 3M +0.33
EUR	December 1, 2014	100	a) No repayment possible b) No specific conditions c) No conversion	93.25% * CMS
EUR	January 1, 2015	450	a) Early repayment possible at each due date for interest payments from January 1, 2010, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M +0.32
EUR	July 9, 2017	500	a) Early repayment possible at each due date for interest payments from July 9, 2012, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M +0.15 From July 9, 2012, EURIBOR 3M +0.65
EUR	December 28, 2017	300	a) Early repayment possible at each due date for interest payments from December 28, 2012, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M + 1.45 From December 28, 2012, EURIBOR 3M +1.95
EUR	June 20, 2018	300	a) Early repayment possible at each due date for interest payments from June 20, 2013, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M +1.50 From June 20, 2013, EURIBOR 1 year +2
EUR	February 12, 2019	300	a) Early repayment possible at each due date for interest payments from February 12, 2014, after prior approval by the General Secretariat of the Banking Commission b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	Fixed rate 4.375 From February 12, 2014, EURIBOR 3M +0.72

3.7 EQUITY

ANALYSIS OF EQUITY

(EUR millions)	Total
As of December 31, 2008	
Capital stock	501
Additional paid-in capital	5,414
Commitments to increase capital stock and APIC	0
Legal reserves	133
General reserves	302
Retained earnings	0
Translation adjustments	(171)
Net loss for the year	(4,937)
Interim dividends	0
EQUITY AS OF DECEMBER 31, 2008	1,242
Movements for the year	
Capital stock	0
Additional paid-in capital (1)	(4,552)
Commitments to increase capital stock and APIC	0
Reserves and retained earnings (1)	4,634
Legal reserves	(83)
Translation adjustments	29
Dividends paid (-)	0
Net income for the year	699
Other movements	0
AS OF DECEMBER 31, 2009	
Capital stock	501
Additional paid-in capital	862
Commitments to increase capital stock and APIC	0
Legal reserves	50
General reserves	0
Retained earnings	0
Translation adjustments	(142)
Net income for the year (2)	699
Interim dividends	0
EQUITY AS OF DECEMBER 31, 2009	**1,969**

(1) At the Shareholders' Meeting on May 14, 2009, it was decided to allocate the loss for the year 2008 of EUR 4,937 million as follows: EUR 4,327 million to undistributable reserves, EUR 302 million to general reserves, EUR 83 million to legal reserves, EUR 225 million to additional paid-in capital.
(2) The Shareholders' Meeting is requested to allocate all net income in respect of the year ended December 31, 2009 to general reserves.

In respect of the year 2008, Dexia Credit Local increased its capital stock in cash by EUR 3.5 billion and reduced its capital stock by EUR 4.3 billion, resulting in total capital stock of EUR 500.5 million.

A dividend of EUR 4.55 per share was paid in respect of 2007.

A dividend of EUR 3.45 per share was paid in respect of 2006, together with an extraordinary dividend of EUR 1.04 per share.

Dexia Credit Local had capital stock of EUR 500,513,102.75, divided into 87,045,757 shares with a par value of EUR 5.75 per share.

3.8 ANALYSIS OF LIABILITIES AND EQUITY BY CURRENCY

Classification by currency of origin (EUR millions)	As of December 31, 2009
In EUR	104,037
In other EU currencies	11,697
In other currencies	64,341
TOTAL LIABILITIES AND EQUITY	**180,075**

3.9 OTHER NOTE TO THE BALANCE SHEET

TRANSACTIONS WITH RELATED PARTIES - ANALYSIS BY ITEM

(EUR millions)			Total	Of which, related parties (1)
Assets	Items III, IV	Interbank loans and advances and Customer loans and advances	90,831	36,652
	Items V, VI, VII	Securities held	62,988	3,874
	Items XIII, XIV	Other assets and Accruals	22,723	2,020
Liabilities	Items I, II	Interbank borrowings and deposits and Customer deposits	86,209	52,759
	Items III	Debt securities	67,361	1,530
	Items VIII	Subordinated debt	5,271	5,271
	Items IV, V	Other liabilities and Accruals	16,640	0

(1) Related parties are entities included within the scope of consolidation of the Dexia Group.

4. NOTES ON THE OFF-BALANCE SHEET

4.1 FINANCING COMMITMENTS GIVEN (ITEM I - OFF-BALANCE SHEET)

This item includes financing commitments given and commitments given on securities and on loaned foreign currencies. Financing commitments on loans and lines of credit include loans granted but not disbursed as of December 31, 2009.

ANALYSIS BY TYPE OF BENEFICIARY

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Commitments to credit institutions	7,214	9,175
Commitments to customers	35,131	33,432
Commitments given on securities	488	302
TOTAL	**42,833**	**42,909**

4.2 GUARANTEES GIVEN (ITEM II - OFF-BALANCE SHEET)

a. Analysis by type of beneficiary

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Guarantees given to credit institutions	31,693	34,639
Guarantees given to customers	21,639	23,673
TOTAL	**53,332**	**58,312**

b. Analysis by type of transaction

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Types of guarantees given		
• Guarantees	53,332	58,312
• Endorsements	0	0
• Liens on assets	0	0
TOTAL	**53,332**	**58,312**

c. Contingent liabilities and risks and losses not quantifiable at the date of preparation of the financial statements

At the date when the the financial statements were prepared, there were no contingent liabilities, risks or losses that were not quantifiable.

4.3 ASSETS PLEDGED AS COLLATERAL (ITEM III - OFF-BALANCE SHEET)

(EUR millions)	Pledges on assets (1)
As collateral for debts and commitments of the Company	0
Balance sheet liabilities	0
Off-balance sheet items	31,526
TOTAL	**31,526**

(1) Carrying amount of the assets pledged. This item relates to (i) collateral of EUR 6.4 billion in loans pledged for borrowings from international financial institutions; (ii) loans of EUR 4.2 billion given as collateral to Dexia Lettre de Gage Banque SA; (iii) assets amounting to EUR 10.4 billion pledged as collateral to central banks; and (iv) commitments of EUR 7.4 billion given on the New York Branch's Tender Option Bonds (TOB).

4.4 FINANCING COMMITMENTS AND GUARANTEES RECEIVED (ITEMS IV AND V - OFF-BALANCE SHEET)

These items include all financing commitments and guarantees received from credit institutions, commitments received on securities and on foreign currency borrowing.

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Financing commitments received from credit institutions	8,696	4,227
Currencies borrowed but not yet received	1,216	753
Guarantees received from credit institutions [1]	1,109	11,762
Guarantees received from local authorities or claims on local authorities acquired as guarantees	10,913	10,575
Other commitments received	1,891	1,650
TOTAL	**23,825**	**28,967**

(1) The increase in financing commitments and guarantees received in 2009 corresponds to the guarantee received from Dexia Holdings Inc. via the New York Branch for EUR 10.8 billion to hedge the Financial products portfolio held by Dexia Holdings Inc.

4.5 COMMITMENTS RELATED TO SECURITIES (ITEM VI - OFF-BALANCE SHEET)

a. Analysis by type of transaction

(EUR millions)	As of December 31, 2008	As of December 31, 2009
Purchases		
• Spot	0	0
• Forward	302	276
Sales		
• Spot	0	0
• Forward	302	276
TOTAL	**604**	**552**

b. Isolated open positions

Unrealized gains on isolated open positions	0

4.6 COMMITMENTS RELATED TO FOREIGN CURRENCY TRANSACTIONS (ITEM VII - OFF-BALANCE SHEET)

Spot and forward foreign currency transactions are presented at their value in their accounting currency, translated at the closing foreign exchange rate at the end of the year.

The lines "foreign currencies to be received" and "foreign currencies to be delivered" each amounted to EUR 41 billion as of December 31, 2009.

4.7 COMMITMENTS RELATED TO FORWARD AND DERIVATIVE FINANCIAL INSTRUMENTS (ITEM VIII - OFF-BALANCE SHEET)

a. Analysis by type of use and instrument

Type transaction (EUR millions)	As of December 31, 2008	As of December 31, 2009	Hedging		Trading		Fair value as of December 31, 2009
			Micro hedging	Macro hedging	Isolated open position	Specialized trading portfolio management	
Foreign currency instruments [1]	50,815	40,776	13,986	19,720	4,253	2,817	(1,054)
• Forward currency purchases and sales	15,542	15,517	0	12,291	3,226	0	0
• Currency and interest rate swaps	35,265	25,259	13,986	7,429	1,027	2,817	(1,054)
• Currency futures	0	0	0	0	0	0	0
• Currency options	0	0	0	0	0	0	0
• Forward currency agreements	8	0	0	0	0	0	0
Other financial instruments	822,963	600,116	83,652	365,231	7,498	143,735	(4,946)
Interest rate instruments [2]					0		
• Interest rate swaps	763,276	587,196	77,346	365,231	2,246	142,373	(5,761)
• Futures	2,371	25	0	0	25	0	0
• Forward rate agreements	7,416	2,215	206	0	2,009	0	0
• Interest rate options	38,160	2,832	1,196	0	300	1,336	24
Other forward purchases and sales [3]							
• Other options	11,740	7,848	4,904	0	2,918	26	791
• Other futures	0	0	0	0	0	0	0
• Other forward purchases and sales	0	0	0	0	0	0	0
TOTAL	**873,778**	**640,892**	**97,638**	**384,951**	**11,751**	**146,552**	**(6,000)**

(1) Amount to be delivered.
(2) Face value/notional amount.
(3) Purchase/selling price agreed between the parties.

b. Analysis by type of market

Type of instrument (EUR millions)	Over-the-counter market	Organized market	Total as of December 31, 2009
Foreign currency instruments	40,776	0	40,776
Other financial instruments			
• Interest rate instruments	592,268	0	592,268
• Other forward purchases and sales	7,848	0	7,848
TOTAL	**640,892**	**0**	**640,892**

c. Analysis of forward contracts and options

Type of instrument (EUR millions)	Forward contracts	Options	Total as of December 31, 2009
Foreign currency instruments	40,776	0	40,776
Other financial instruments			
• Interest rate instruments	588,667	3,601	592,268
• Other forward purchases and sales	6,019	1,829	7,848
TOTAL	**635,462**	**5,430**	**640,892**

d. Analysis by term to maturity

Type of instrument (EUR millions)	Less than 1 year	1 to 5 years	Over 5 years	Total as of December 31, 2009
Foreign currency instruments	19,685	5,008	16,083	40,776
Other financial instruments				
• Interest rate instruments	223,490	165,301	203,477	592,268
• Other forward purchases and sales	149	870	6,829	7,848
TOTAL	**243,324**	**171,179**	**226,389**	**640,892**

e. Off-balance sheet forward transactions, including securities, currencies and other forward and derivatives financial instruments

Commitments related to interest rate derivatives are recorded in compliance with CRB Regulations 88-02 and 90-15:

- forward contracts are carried at the nominal value of the contracts;
- options are carried at the par value of the underlying instrument.

Dexia Credit Local uses forward financial instruments as part of the three following strategies:

- asset-liability management:

  This includes all transactions intended to cover and manage the total interest rate exposure of the Company. ALM is carried out primarily through the use of swaps and futures contracts;

- specific hedging:

  Hedges are used to cover interest rate risks on a specific item or a group of items with similar characteristics, identified at the outset.

  Instruments meeting this definition consist primarily of swaps acquired as micro hedges of primary issues, bonds in the available for sale or held to maturity portfolios, and customer loans. The hedging instruments have the effect of creating synthetic variable- or adjustable-rate assets or liabilities, which are immunized against interest rate risk.

  Foreign currency swaps are also classified as hedges when they are used to transform sources of funding in one currency into the currency used in the transactions they finance in the goal of reducing currency risk;

- position management:

  The position management strategy includes two types of activities:

  – specialist trading portfolio management;

  – position-taking.

  The specialist trading portfolio management activity includes all transactions entered into with local governments and the symmetrical transactions executed with banking counterparties. These transactions include primarily interest rate swaps. Specialized duration management is employed for the transactions included in this activity.

  Derivatives held in the position-taking portfolio are intended to keep isolated open positions in order to take advantage of any favorable movements in interest rates or exchange rates. These transactions include primarily interest rate swaps and forward foreign exchange transactions.

f. Risk monitoring

Risk is measured regularly by the Risk Management and Permanent Control department. The main risk indicator used by Dexia Credit Local, and throughout the entire Dexia Group, is VaR. The VaR calculated by the Dexia Group measures the potential loss over a 99% confidence interval over a 10-day period. The risk management system consists of allocating to each entity, and for each type of financial market activity, the following items:

- a list of foreign currencies and transactional structures likely to be used;
- a VaR limit.

4.8 TRANSACTIONS WITH RELATED PARTIES

ANALYSIS BY ITEM

(EUR millions)			Total	Of which related parties [1]
Off-balance sheet	Item I	Financing commitments given	42,909	13,379
	Item II	Guarantees given	58,312	41,223
	Item IV	Financing commitments received	4,980	1,100
	Item V	Guarantees received	23,987	10,867
	Items III, VI, VII, VIII	Other commitments given and received	714,579	164,169

(1) Related parties equate to entities included within the scope of consolidation of the Dexia Group.

5. NOTES ON THE INCOME STATEMENT

5.1 INTEREST INCOME AND INTEREST EXPENSE (ITEMS I AND II - INCOME STATEMENT)

(EUR millions)	2008	2009
Interest income on:		
Interbank loans (a)	2,432	825
Customer loans (b)	2,375	1,751
Bonds and other fixed-income securities (c1)	3,962	1,897
Macro hedging transactions (d)	18,485	5,544
TOTAL INTEREST INCOME	**27,254**	**10,017**
Interest expense on:		
Interbank loans (a)	(4,543)	(1,774)
Customer loans (b)	(175)	(155)
Bonds and other fixed-income securities (c2)	(3,624)	(1,617)
Macro hedging transactions (d)	(18,858)	(6,113)
TOTAL INTEREST EXPENSE	**(27,200)**	**(9,659)**
NET INTEREST INCOME	**54**	**358**

(a) Interest income and expenses on interbank transactions

Interest income and expense on interbank transactions includes EUR -981 million of transactions with related parties. Includes expense related to the sovereign guarantee which amounted to EUR 251 million in 2009 compared with 12 million in 2008.

(b) Interest income and expenses on customer loans

Interest income and expenses on Customer loans represented a net amount of EUR 1,596 million.

The heading includes EUR 1,468 million in accrued interest income and expense on customer loans. It also includes income from financing commitments and guarantees of EUR 128 million.

(c1) Interest income on bonds and fixed-income securities

The heading includes EUR 1,897 million in accrued interest on bonds and other fixed-income securities, amortization of discounts and premiums on securities held to maturity and securities available for sale, and the related hedging gains and losses on these securities.

(c2) Interest expenses on bonds and fixed-income securities

This line represents EUR 1,617 million in interest expenses for Dexia Credit Local.

In addition to interest expenses on bonds and other fixed-income securities, the heading also includes interest rate hedging gains and losses on specifically-identified money market, bond and subordinated debt issues.

(d) Income and expenses on macro hedging transactions

Income and expenses on macro hedging transactions amounted to EUR 5,544 million and EUR 6,113 million respectively. These amounts are included in either Items I or II of the income statement, as appropriate.

5.2 ANALYSIS OF INCOME FROM VARIABLE-INCOME SECURITIES (ITEM III - INCOME STATEMENT)

(EUR millions)	2008	2009
Dexia Group related parties [(1)]	533	188
Other related parties and long-term investments	22	49
Equities and other variable-income securities	4	2
TOTAL	**559**	**239**

(1) Includes dividends of EUR 114 million received from the Dexia Municipal Agency subsidiary. The decrease in total income from this source from 2008 to 2009 is attributable to the reduction in dividends received from the SISL subsidiary from EUR 400 million in 2008 to EUR 57 million in 2009.

5.3 ANALYSIS OF FEES AND COMMISSIONS (ITEMS IV AND V - INCOME STATEMENT)

a. Analysis of fee and commission income (Item IV - Income statement)

Type (EUR millions)	2008	2009
Loans	13	11
Other financial services	2	1
TOTAL	**15**	**12**

b. Analysis of fee and commission expenses (Item V - Income statement)

Type (EUR millions)	2008	2009
Loans	(1)	(1)
Derivatives transactions	(2)	0
Securities transactions	(3)	(2)
Other financial services	(9)	(14)
TOTAL	**(15)**	**(17)**

5.4 ANALYSIS OF GAINS (LOSSES) ON SECURITIES PORTFOLIOS (ITEM VI - INCOME STATEMENT)

(EUR millions)	2008	2009
Gains (losses) on:		
• Securities held for trading (1)	(344)	927
• Foreign currency transactions	105	(106)
• Other financial instruments (1)	414	(708)
Subtotal	**175**	**113**
• Securities available for sale and similar securities (1) (2)	(3,133)	1,051
Subtotal	**(3,133)**	**1,051**
TOTAL	**(2,958)**	**1,164**

(1) The portfolios of securities held for trading and available for sale reflected the strong volatility and illiquidity of the financial markets.
(2) This line includes gains and losses on disposal and charges to/recoveries from provisions in respect of the securities available for sale, as well as gains or losses on portfolio securities.

Analysis of gains and losses on disposal and changes in impairment provisions for securities available for sale:

(EUR millions)	2008	2009
• Charges to impairment	(3,116)	(526)
• Recoveries of impairment	3	1,547
Subtotal	**(3,113)**	**1,021**
• Disposal losses	(95)	(50)
• Disposal gains	75	80
Subtotal	**(20)**	**30**
TOTAL	**(3,133)**	**1,051**

5.5 GENERAL OPERATING EXPENSES (ITEM IX - INCOME STATEMENT)

a. Detailed analysis

(EUR millions)	2008	2009
Payroll costs	**(211)**	**(184)**
Salaries and wages	(139)	(122)
Social security	(72)	(62)
Other administrative expenses	**(111)**	**(12)**
Taxes and duties	(22)	(22)
Other administrative expenses [(1)]	(46)	(7)
Provision for restructuring [(2)]	(43)	17
TOTAL	**(322)**	**(196)**

(1) The reduction in administrative expenses arose due to the cancellation in 2009 of expenditure brought into account in 2008, and also due to a reduction in general costs during 2009.
(2) In 2009, a EUR 17 million provision was reversed as part of the Dexia Credit Local transformation plan's implementation.

b. Employee information

	2008	2009
Total employees as of December 31	**1,737**	**1,472**
• Executive management	160	146
• Other management	1,107	977
• Administrative personnel	470	349
Payroll costs (EUR millions)	**(206)**	**(189)**
• Salaries and benefits	(130)	(127)
• Payroll taxes	(53)	(42)
• Other payroll costs	(22)	(19)
• Pension cost	(1)	(1)
Provisions for pensions (EUR millions)	**(5)**	**5**
• Charges (+)	(5)	(4)
• Recoveries (-)	0	9
TOTAL	**(211)**	**(184)**

5.6 COST OF RISK (ITEM XI - INCOME STATEMENT)

(EUR millions)	Charges and losses	Reversals and recoveries	Total 2009
Provisions for impairment and losses on loans	(376)	17	(359)
Provisions for risks	(575)	120	(455)
Regulated reserves	0	1	1
TOTAL	**(951)**	**138**	**(813)**

The cost of risk increased sharply in 2009.

It includes a provision of EUR 770 million, calculated on the basis of the value in use of the subsidiary Dexia Holdings Inc.:

- a provision of EUR 347 million for impairment of loans;
- a provision of EUR 423 million for risks.

Excluding the provision for Dexia Holdings Inc., the cost of risk amounted to EUR 43 million.

5.7 NET GAIN (LOSS) ON LONG-TERM INVESTMENTS (ITEM XII - INCOME STATEMENT)

a. Detailed analysis

	2008		Total	2009		Total
(EUR millions)	Related parties	Other		Related parties	Other	
Provisions for impairment [1]	(2,152)	(244)	(2,396)	(77)	0	(77)
Recoveries of impairment [2]	0	5	5	0	205	205
Subtotal	**(2,152)**	**(239)**	**(2,391)**	**(77)**	**205**	**128**
Disposal losses [2]	0	(6)	(6)	(7)	(209)	(216)
Disposal gains [3]	0	33	33	0	154	154
Subtotal	**0**	**27**	**27**	**(7)**	**(55)**	**(62)**
TOTAL	**(2,152)**	**(212)**	**(2,364)**	**(84)**	**150**	**66**

(1) Inclues impairment of Dexia Holdings Inc. securities for EUR 2,152 in 2008.
(2) Includes the reversal of the provision of EUR 205 million against shares in Kommunalkredit Austria and recognition of the equivalent loss.
(3) Includes the gain on disposal of shares in Crédit du Nord (EUR 153 million).

b. Analysis by type of investment

(EUR millions)	2008	2009
Participating interests	(212)	150
Investments in related parties	(2,152)	(84)
TOTAL	**(2,364)**	**66**

5.8 OTHER BANKING INCOME AND EXPENSES

a. Other banking income (Item VII - Income statement)

(EUR millions)	2008	2009
Other banking income	3	5
Other miscellaneous income	3	1
TOTAL	**6**	**6**

b. Other banking expenses (Item VIII - Income statement)

(EUR millions)	2008	2009
Other banking expenses	(4)	0
Other miscellaneous expenses	0	0
TOTAL	**(4)**	**0**

5.9 NON-RECURRING ITEMS (ITEM XIII - INCOME STATEMENT)

(EUR millions)	2008	2009
Non-recurring income	0	0
Non-recurring expenses	0	0

5.10 CORPORATE INCOME TAX (ITEM XIV - INCOME STATEMENT)

a. Analysis of taxation charge

(EUR millions)	2008	2009
Corporate income tax	(37)	(184)
Deferred taxes	486	94
Other	0	0
TOTAL	**449**	**(90)**

In 2009, the tax rate used for France amounted to 34.43%.

The tax rate applicable to foreign branches was generally lower.

b. Exceptions to the general valuation principles, as provided for by tax law

(EUR millions)	2008	2009
Regulated reserves	**(1)**	**1**
• Provision for medium- and long-term loans	0	0
• Provision for investments	(1)	1
Accelerated tax depreciation	**(5)**	**(1)**

c. Tax consolidation

Dexia SA Établissement Stable in France became head of the tax consolidation Group in 2002. Dexia Credit Local is part of that group.

5.11 FINANCIAL RELATIONSHIP WITH MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

(EUR millions)	
Compensation paid to the members of the Management Board and the Board of Directors of the Company in respect of their functions within the Company and its subsidiaries and associated companies	
Management Board	5
Board of Directors	0
TOTAL	**5**
Amounts owed, contingent liabilities in their favor and other material commitments underwritten in their favor as of December 31, 2009	
Management Board	1
Board of Directors	0
TOTAL	**1**

All advances and loans granted to members of management bodies during the year were extended under the conditions traditionally applied.

5.12 ANALYSIS BY GEOGRAPHICAL REGION AND LINE OF BUSINESS

a. Analysis by geographical region

(EUR millions)	Net banking income	Gross operating income	Net income
France	342	196	(514)
Foreign branches	1,418	1,340	1,213
TOTAL	**1,760**	**1,536**	**699**

b Analysis by line of business

	Net banking income		Gross operating income		Net income	
(EUR millions)	2008	2009	2008	2009	2008	2009
Public and Wholesale Banking	(112)	327	(285)	120	(2,769)	100
Retail and Commercial Banking	0	161	0	161	0	158
Other	(2,231)	1,272	(2,406)	1,255	(2,168)	441
TOTAL	**(2,343)**	**1,760**	**(2,691)**	**1,536**	**(4,937)**	**699**

6. SUBSIDIARIES AND EQUITY INVESTMENTS AS OF DECEMBER 31, 2009

Company (EUR)	Capital stock	Additional paid-in capital, reserves and retained earnings	Revenue or net banking income for last financial year	Net income (loss) for last financial year
1 - Details of subsidiaries and equity investments where carrying amount exceeds 1% of Dexia Credit Local's capital stock				
A - Subsidiaries (50% to 100% equity)				
Dexia CLF Immo 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	2,364,700	13,616,637	181,627	38,293
Dexia Credit Local Asia Pacific Pty. Ltd. Level 23,Veritas house, 207 Kent Street, Sydney, NSW, 2000.	33,279,843	22,918,092	85,404,364	(16,142,189)
Dexia Sabadell SA* Paseo de las Doce Estrallas 4 Campo de las Naciones- E - 28042 Madrid	237,061,000	108,574,946	119,123,064	65,240,570
Dexia Crediop* Via Venti settembre N. 30 - I00187 Rome	450,210,000	617,467,460	152,453,093	50,423,909
Dexia Holdings INC. 445 Park Avenue, 7th floor, NY 10022 New York	1,833,571,289	601,278,153	(2,183,965,737)	(2,264,894,402)
Dexia Kommunalbank Deutschland Charlottenstr. 82 - D - 10969 Berlin	182,500,000	148,008,168	43,794,000	585,169
Dexia Municipal Agency 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	1,060,000,000	82,141,870	252,324,694	98,050,922
Dexia Israel Bank Ltd 19 Ha'arbaha Str, Hatihon Building - Tel-Aviv PO BOX 709 - Tel Aviv 61200	32,335,544	65,350,097	22,132,046	9,212,510
SISL 180, rue des aubépines L 1145 - Luxembourg	1,000,000	49,742,970	15,655,190	10,275,329
Dexia Sofaxis Route de Creton - 18110 Vasselay	613,020	46,296,222	21,434,612	13,283,378
CBX. IA 1 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	1,130,004	(22,639)	(200,482)	(205,410)
CBX. IA 2 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	141,140,624	(48,500,019)	22,295,048	9,583,195
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	56,100,175	(97,012,223)	8,352,295	(21,037,843)
Dexia Kommunalkredit Bank Fischhof 3 - A - 1010 Vienna	220,000,000	(5,982,230)	77,524,554	12,270,410
Dexia CLF Banque 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	5,688,000	33,290,000	15,990,000
Dexia Bail 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	4,550,000	(39,106)	345,197	(1,877,318)
Dexia CLF Régions Bail 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	7,134,418	5,244,263	2,441,277
B - Equity investments (10% to 50% equity)				
Dexia Épargne Pension 76 rue de la Victoire - 75009 Paris	193,674,375	(38,540,923)	484,049,740	(168,605,843)
Exterimmo 100-104 Avenue de France- 75013 Paris	50,000,000	0	1,099,000	451,000
2 - General information				
A - Other subsidiaries not included in section 1-A				
- French companies				
- Foreign companies				
B - Other companies not included in section 1-B and participating interests where equity is less than 10% held				
- French companies				
- Foreign companies				

* *Companies that only produce financial statements under IFRS.*

Interest in equity (%)	Carrying amount of securities held		Dividend received by Dexia Credit Local during the year	Loans and advances granted by Dexia Credit Local	Guarantees given by Dexia Credit Local	Activity
	Gross	Net				
100.00%	33,691,141	16,232,208	0	0	150,162,282	Real estate financing
100.00%	33,279,843	0	0	1,265,528,594	0	Non banking finance company
60.00%	142,236,600	142,236,600	0	6,302,609,562	6,041,099,747	Bank, credit institution
70.00%	581,223,585	581,223,585	0	1,364,519,027	5,072,746,290	Bank, credit institution
90.00%	2,125,834,731	0	0	347,258,395	0	Holding company
100.00%	293,339,375	293,339,375	0	1,002,532,147	0	Bank, credit institution
100.00%	1,059,999,909	1,059,999,909	113,520,000	3,500,000,000	7,411,773,453	*Société de crédit foncier*
65.31%	56,002,387	56,002,387	610,263	128,783,031	162,681,014	Bank, credit institution
100.00%	16,864,002	16,864,002	56,832,927	0	0	Management of equity investments
99.98%	50,056,308	50,056,308	16,766,087	0	0	Holding and management of equity investments in insurance broking companies
100.00%	39,863,172	39,863,172	0	25,485,028	14,972	Acquisition of land, buildings and property rights
70.85%	100,000,058	100,000,058	0	175,481,051	94,018,950	Real estate leasing
99.99%	39,127,397	39,127,397	0	818,434,039	1,353,099,311	Lease financing of local investments
100.00%	160,226,100	160,226,100	0	4,130,198,636	1,308,054,095	Holding company
100.00%	19,738,631	19,738,631	0	1,312,601,495	7,834,793,263	Bank, credit institution
99.80%	5,121,549	5,121,549	0	117,676,085	87,800,325	Equipment lease financing
100.00%	7,941,401	7,941,401	30,000	432,022,804	180,013,923	Real estate leasing
12.25%	34,776,000	0	821,909	0	0	Capital engineering, life insurance and other insurance
40.00%	20,000,000	20,000,000	0	0	0	Acquisition of land, buildings and property rights
	12,400,059	11,816,095	35,171,064	89,840,761	0	
	6,202,453	6,202,453	0	19,793,986,005	152,158,623	
	24,694,395	21,556,301	13,145,646	721,762,173	478,116,345	
	884,954	884,954	128,695	0	0	

FINANCIAL STATEMENTS

7. DEXIA CREDIT LOCAL SECURITIES PORTFOLIO

7.1 AVAILABLE-FOR-SALE PORTFOLIO

(EUR millions)	Market value	Portfolio value	Unrealized gains	Unrealized losses	Net carrying amount
Bonds and other fixed-income securities					
French bonds	**1,534**	**1,581**	**3**	**(13)**	**1,544**
• **Public sector bodies**	**123**	**122**	**3**	**0**	**120**
Central governments	0	0	0	0	0
Local authorities	123	122	3	0	120
• **Other issuers**	**1,411**	**1,459**	**0**	**(13)**	**1,424**
Credit institutions	1,186	1,223	0	(3)	1,189
Other private companies	225	236	0	(10)	235
Perpetual bonds	0	0	0	0	0
Foreign bonds	**48,758**	**50,997**	**52**	**(534)**	**49,240**
• **Public sector bodies**	**18,387**	**19,152**	**52**	**(32)**	**18,367**
Central governments	1,569	1,623	0	(32)	1,601
Local authorities	16,818	17,529	52	0	16,766
• **Other issuers**	**30,371**	**31,845**	**0**	**(502)**	**30,873**
Credit institutions	16,857	17,596	0	(312)	17,169
Other private companies	13,514	14,249	0	(190)	13,704
Perpetual bonds	0	0	0	0	0
TOTAL BONDS AND OTHER FIXED-INCOME SECURITIES	**50,292**	**52,578**	**55**	**(547)**	**50,784**
Equities and other variable-income securities					
• **Mutual funds**	**272**	**324**	**6**	**0**	**266**
• **Equities**	**28**	**15**	**13**	**0**	**15**
TOTAL EQUITIES AND OTHER VARIABLE-INCOME SECURITIES	**300**	**339**	**19**	**0**	**281**
Government securities					
• **Public sector bodies**	**2,998**	**3,178**	**0**	**(70)**	**3,068**
Central governments	2,912	3,091	0	(70)	2,982
Local authorities	86	87	0	0	86
TOTAL GOVERNMENT SECURITIES	**2,998**	**3,178**	**0**	**(70)**	**3,068**
TOTAL	**53,590**	**56,095**	**74**	**(617)**	**54,133**

7.2 HELD-TO-MATURITY PORTFOLIO

(EUR millions)	Redemption value	Premium (discount)	Provisions for impairment	Net carrying amount
Bonds and other fixed-income securities				
French bonds	**75**	**-**	**-**	**75**
• **Public sector bodies**				
Central governments	-	-	-	-
Local authorities	-	-	-	-
• **Other issuers**				
Credit institutions	75	-	-	75
Other private companies	-	-	-	-
Perpetual bonds				
Foreign bonds	**622**	**-**	**-**	**622**
• **Public sector bodies**				
Central governments	237	-	-	237
Local authorities	60	-	-	60
• **Other issuers**				
Credit institutions	290	-	-	290
Other private companies	35	-	-	35
Perpetual bonds				
TOTAL BONDS AND OTHER FIXED-INCOME SECURITIES	**697**	**-**	**-**	**697**
Government securities				
• **Public sector bodies**	**40**	**-**	**-**	**40**
Central governments	40	-	-	40
Local authorities	-	-	-	-
TOTAL GOVERNMENT SECURITIES	**40**	**-**	**-**	**40**
TOTAL	**737**	**-**	**-**	**737**

7.3 AVAILABLE-FOR-SALE PORTFOLIO

(EUR millions)	Acquisition cost [1]	Market value [1]
Bonds and other fixed-income securities		
French bonds	**188**	**187**
• **Public sector bodies**	**0**	**0**
Central governments	0	0
Local authorities	0	0
• **Other issuers**	**188**	**187**
Credit institutions	50	49
Other private companies	138	138
Foreign bonds	**8,122**	**7,862**
• **Public sector bodies**	**60**	**63**
Central governments	39	40
Local authorities	21	23
• **Other issuers**	**8,062**	**7,799**
Credit institutions	2,550	2,384
Other private companies	5,512	5,415
TOTAL BONDS AND OTHER FIXED-INCOME SECURITIES	**8,310**	**8,049**
Government securities		
• **Public sector bodies**	**50**	**47**
Central governments	50	47
Local authorities	0	0
TOTAL GOVERNMENT SECURITIES	**50**	**47**
TOTAL	**8,360**	**8,096**

(1) Acquisition cost and market value both include all accrued interest.

Statutory Auditors' report on the parent company financial statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholder's Meeting, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying financial statements of Dexia Credit Local;
- the justification of our assessments;
- the specific verifications and information required by law.

The parent company financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE PARENT COMPANY FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the parent company financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of Dexia Credit Local as of December 31, 2009, and of the results of its operations for the year then ended, in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to note 1.2.a of the financial statements mentioning the anticipated application of a new regulation (CRC 2009-03 dated December 3, 2009) issued by the French Accounting Regulation Committee (*Comité de la Réglementation Comptable*) regarding the recognition of the commissions received by a credit institution and the incremental transaction costs incurred on the grant or acquisition of a loan.

II. JUSTIFICATION OF ASSESSMENTS

The financial and economic crisis, which resulted notably in an increase in volatility and a strong decrease in liquidity in certain markets, and made it difficult to judge financial and economic outlooks has had several impacts on credit institutions, in particular on their activities, their results, their risks and their funding, as described in note 1.1 to the parent company financial statements.

It is in this context and in accordance with Article L.823-9 of the French Commercial Code (*Code de commerce*) regarding the basis of our opinion that we bring to your attention the following points:

Accounting principles:

As mentioned in note 1.2.a to the parent company financial statements, your Company made changes to the accounting methods used during the year ended December 31, 2009 as a result of the early application of a new regulation (CRC 2009-03 dated December 3, 2009) issued by the French Accounting Regulation Committee (*Comité de la Réglementation Comptable*) regarding the recognition of the commissions received by a credit institution and the incremental transaction costs incurred on the grant or acquisition of a loan. As part of our assessment of the general accounting policies applied by your Company, we have verified the correct application of this change in accounting method and the appropriateness of its presentation.

Accounting estimates:

- As mentioned in note 1.2.b to the parent company financial statements, your Company uses internal models to value financial instruments that are not listed on active markets in the more difficult context of the financial crisis. Our procedures consisted in reviewing the control procedures (i) for listing financial instruments that are not listed on active markets and (ii) for the determination of valuation models retained, and appreciate data and assumptions, and verifying that the risks and results related to these instruments were taken into account.
- As mentioned in note 1.2 to the parent company financial statements:

– your Company records both specific impairment and general reserves for credit risks inherent to its activities as described in sections "Customer loans," "Provisions recognised under liabilities" and "Cost of risk;"

– your Company calculates any impairment of its securities available for sale portfolio based on their market value, net of any micro-hedges as described in section on "Securities transactions - Securities available for sale;"

– your Company calculates any impairment of portfolio securities, subsidiaries, associates, participating interests and other long-term investments on the basis of their going-concern value or their value in use as described in sections on "Securities transactions - Portfolio securities," and "Securities transactions – Subsidiaries, associates, participating interests and other long-term investments."

We have assessed the reasonableness of these estimates taking into account the specific context of the current crisis.

These assessments were made in the context of our audit of the parent company financial statements, taken as a whole, and therefore contributed to the opinion we expressed in the first part of this report.

III. SPECIFIC INFORMATION AND VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report regarding the fair presentation and the consistency with the parent company financial statements of the information provided in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the parent company financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code (*Code de commerce*) relating to the compensation and benefits received by the directors and officers of the Company and any other commitments made in their favor, we have verified its consistency with the financial statements, and with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. On the basis of this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine - April 8, 2010

The Statutory Auditors

MAZARS

Hervé HELIAS

Virginie CHAUVIN

DELOITTE & ASSOCIÉS

José-Luis GARCIA

6 Shareholders' Meeting

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Statutory Auditors' special report on regulated agreements and commitments

This is a free translation into English of the Statutory auditor's report issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on regulated agreements and commitments.

Agreements and commitments authorized in 2009:

In accordance with Article L.225-40 of the French Commercial Code (*Code de Commerce*), we have been notified of regulated agreement and commitments that were authorized by your Board of Directors.

We are not required to ascertain the existence of any other agreements and commitments but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (*Code de Commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed those procedures that we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Restructuring of the Financial products guarantee:

Common directors to Dexia Credit Local and Dexia Holdings Inc.: Pascal Poupelle and Philippe Rucheton.

The guarantee on the Financial products portfolio was restructured in order to transfer the costs from Dexia Credit Local to Dexia Holdings Inc. which owns the portfolio. The expense recognized by Dexia Holdings Inc. on the State guarantee fee amounted to USD 84.5 million during the fourth quarter of 2009.

This restructuring was approved by your Board of Directors on November 27, 2009.

Continuing agreements and commitments entered into in prior years

Moreover, in accordance with the French Commercial Code (*Code de Commerce*), we have been advised that the execution of the following agreements and commitments, approved during previous years, has been carried over into the year just ended:

Supplemental pension commitment:

Gérard Bayol joined Dexia SA as its Chief Executive Officer, with effect from January 1, 2007, as part of the board of managers of the Dexia Group who are eligible to receive a supplemental pension annuity that is equal to 75% of his average fixed compensation during the two years preceding his retirement, less any amounts he may receive from the obligatory legal pension.

This commitment was approved by the Board of Directors as of February 22, 2008.

Tax group agreement:

A tax group agreement came into force on January 1, 2002 for a period of five years (renewable). The head of the French tax group has been Dexia SA Établissement Stable in France, which holds 95% of the share of Dexia Credit Local.

In accordance with the applicable tax regulations, the agreement provides that the new head of the tax group benefits from any related tax savings instead of Dexia Credit Local.

This agreement was approved by your Supervisory Board on November 19, 2002.

Dexia Municipal Agency:

The "declaration of support" agreement of September 16, 1999 between Dexia Credit Local and Dexia Municipal Agency, which was approved by the Combined Shareholders' Meeting of January 10, 2000, benefits the holders of bonds issued by Dexia Municipal Agency. This agreement stipulates that Dexia Credit Local will hold over 95% of the capital stock of Dexia Municipal Agency on a long-term basis. In addition, Dexia Credit Local will ensure that Dexia Municipal Agency develops its activity in compliance with the provisions of Articles L.515-13 through L.515-33 of the French Financial and Monetary Code (*Code monétaire et financier*) concerning "*société de crédit foncier*" and has the financial resources it needs to meet its obligations.

Courbevoie and Neuilly-sur-Seine - April 8, 2010

The Statutory Auditors

MAZARS		**DELOITTE & ASSOCIÉS**
Hervé HELIAS	Virginie CHAUVIN	José-Luis GARCIA

Resolutions proposed to the Combined Shareholders' Meeting of May 21, 2010

SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING

FIRST RESOLUTION: APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS

The Ordinary Shareholders' Meeting, having heard the reports of the Board of Directors, the Chairman of the Board of Directors, and the Statutory Auditors, approves the information contained in the management report and the parent company financial statements at December 31, 2009 as presented, as well as all the transactions set out in these financial statements or mentioned in the reports, showing net income of EUR 699,114,407.52.

SECOND RESOLUTION: APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Ordinary Shareholders' Meeting, having heard the reports of the Board of Directors, the Chairman of the Board of Directors, and the Statutory Auditors, approves the information contained in the management report and the consolidated financial statements as of December 31, 2009 as presented, as well as all the transactions set out in these financial statements or mentioned in the reports, showing net income-Group share of EUR 268,778,973.

THIRD RESOLUTION: APPROVAL OF ANY REGULATED AGREEMENTS AND COMMITMENTS

The Ordinary Shareholders' Meeting, having heard the Statutory Auditors' special report on regulated agreements and commitments governed by Article L.225-38 of the French Commercial Code, approves, pursuant to Article L.225-40 of the Commercial Code, all regulated agreements and commitments mentioned therein.

FOURTH RESOLUTION: DISCHARGE OF DIRECTORS AND CORPORATE OFFICERS

By virtue of the adoption of the preceding resolutions, the Ordinary Shareholders' Meeting gives full and unconditional discharge to the Directors and officers of the Company for the performance of their duties during the year ended December 31, 2009.

FIFTH RESOLUTION: APPROPRIATION OF NET INCOME

The Ordinary Shareholders' Meeting resolves to allocate all EUR 699,114,407.52 in net income for the year to the general reserves account, bringing the of general reserves account to EUR 699,114,407.52.

In accordance with Article 243 bis of the French General Tax Code, the Shareholders' Meeting recalls the dividends paid in respect of the three previous years:

EUR	2006	2007	2008
Net dividend per share	4.49 (1)	4.55	-
Amount per share eligible for the tax allowance (Article 158.3-2 of the French General Tax Code)	4.49 (2)	4.55 (2)	-
Total amount eligible for the tax allowance (Article 158.3-2 of the French General Tax Code)	390,835,448.93 (2)	396,058,194.35 (2)	-

(1) Including EUR 1.04 under the terms of the extraordinary session of the Shareholders' Meeting held September 4, 2006.
(2) At a rate of 40%.

SIXTH RESOLUTION: CERTIFICATION OF THE FINANCIAL STATEMENTS

In accordance with Article L.822-14 of the French Commercial Code, the Ordinary Shareholders’ Meeting acknowledges that the parent company and the consolidated financial statements for the year ended December 31, 2009 are certified by the Statutory Auditors:

- Hervé Hélias and Virginia Chauvin, partners, representing the firm Mazars; and
- José-Luis Garcia, partner, representing the firm Deloitte & Associés.

SEVENTH RESOLUTION: RATIFICATION OF THE REPLACEMENT OF A DIRECTOR

The Ordinary Shareholders’ Meeting ratifies the November 27, 2009 resolution of the Board of Directors to appoint Julien Brami as Director, to replace Christian Costrejean, who has resigned, for the remainder of the latter’s term of office, i.e. through the Shareholders’ Meeting held to approve the financial statements for the year ending December 31, 2010.

EIGHTH RESOLUTION: APPOINTMENT OF A NEW DIRECTOR

The Ordinary Shareholders’ Meeting appoints Edouard Philippe as Director of the Company for a term of four years, until the Ordinary Shareholders’ Meeting held in the year 2014 and to approve the financial statements for the year ending December 31, 2013.

SUBMITTED TO THE EXTRAORDINARY SHAREHOLDERS’ MEETING

NINTH RESOLUTION: AMENDMENT OF ARTICLE 13 OF THE COMPANY’S BY-LAWS WITH RESPECT TO THE COMPOSITION OF THE BOARD OF DIRECTORS AND THE AGE OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Extraordinary Shareholders’ Meeting resolves to modify the first, second and third paragraphs of Article 13 of the by-laws to read as follows:

First paragraph:
“The Company is managed by a Board of Directors, the maximum number of whose members is provided for by law. The members of the Board of Directors are appointed and may be removed by the Shareholders’ Meeting.”

Second paragraph:
“The number of members of the Board of Directors who have reached 75 years of age may not exceed one third of the number of total active members of the Board of Directors. When this proportion is exceeded, the oldest member will be considered to have automatically resigned.”

Third paragraph:
“The appointment of any member of the Board of Directors who has exceeded 75 years of age must be confirmed every year by the Annual Shareholders’ Meeting. In the absence of any such confirmation, the interested party shall be considered to have automatically resigned.”

TENTH RESOLUTION: AMENDMENT OF ARTICLE 16 OF THE BY-LAWS WITH RESPECT TO THE AGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Extraordinary Shareholders’ Meeting resolves to modify the sixth paragraph of Article 16 of the by-laws to read as follows:

"The age limit of the Chairman of the Board of Directors is set at:

- *70 years, when the Chairman also acts as Chief Executive Officer of the Company;*
- *75 years, when the Chairman does not simultaneously act as Chief Executive Officer of the Company.*

In both cases, he shall be considered have automatically resigned at the end of the next meeting of the Board of Directors following the date of his birthday."

ELEVENTH RESOLUTION: POWERS

The Shareholders’ Meeting gives full powers to the bearer of the original, a copy or an excerpt of the minutes of the Meeting to perform all legal filing and publication formalities.

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1. GENERAL INFORMATION CONCERNING DEXIA CREDIT LOCAL

Background	Dexia Credit Local is one of the three principal entities of the Dexia Group, the Franco-Belgian group created in 1996 through the merger of Crédit Local de France and Crédit Communal de Belgique, two credit institutions specialized in the financing of local governments and participants in local economies.
Corporate name **Trade name**	As specified in its by-laws, the Company's corporate name is Dexia Credit Local. The Company uses the trade name Dexia Public Finance Bank - DPFB.
Country of origin **Incorporation date and term**	The country of origin of the Company is France. - It was incorporated in Paris on August 28, 1989 for a term of 99 years.
Registration number	It is registered with the Clerk of the Commercial Court of Nanterre under no. 351 804 042, and its APE business identifier code is 6492Z.
Registered office	Since March 1, 2007, the Company's registered office and chief place of business is: Tour Dexia La Défense 2 - 1, passerelle des Reflets – 92913 La Défense - France (telephone: +33 (0)1 58 58 77 77):
Legal form **Applicable legislation**	Dexia Credit Local is a French corporation (*société anonyme*) with a Board of Directors, as governed by Articles L.225- 17 et seq. of the French Commercial Code and Article L.511-1 of the French Monetary and Financial Code.
Business purpose	The purposes for which the Company is established are to: - conduct in France and abroad any and all credit operations promoting local development and, in particular, public amenities, mainly for the benefit of local authorities and public corporations, local authority-backed agencies, local semipublic companies, concessionary public service companies and, more generally, agencies carrying out development or housing schemes, or which have entered into an agreement with a local authority for the construction or management of local amenities; - carry out, for the benefit of the above parties, insurance brokerage activities and any advisory and assistance work in matters of financial management, financial engineering and, more generally, to offer any and all services to facilitate their financial management subject to the legislative provisions relating to the exercise of certain regulated professions; - receive cash deposits from local authorities and local public entities in accordance with the regulations applicable to such bodies; - hold the funds lent to customers, pending their use; - issue debt securities in France and abroad in order to fund the Company's lending operations. For this purpose, the Company may: - create subsidiaries; - hold interests in companies whose business is likely to contribute to the Company's business purpose; and establish and manage reserve funds securing loans granted to the agencies mentioned in the first paragraph of this article. The Company may also carry out any and all transactions falling within the scope of its business purpose on behalf of and on the instructions of agencies and institutions set up to serve the public interest.

Fiscal year	The Company's fiscal year begins January 1 and ends December 31.
Appropriation of net income	Net income for the year, less any prior-year losses and the appropriations provided for in Article 37 of the by-laws, (5% for the legal reserve prescribed by law) plus any retained earnings, is available for distribution to shareholders. The Shareholders' Meeting determines the fraction of income available for distribution to be paid out to shareholders in the form of dividends, based on the recommendations made by the Board of Directors. The balance of income available for distribution, if any, is allocated either to retained earnings or to one or more reserves, by decision of the Shareholders' Meeting, which also decides on the use to be made of said reserves. The Shareholders' Meeting may also decide to pay dividends to shareholders out of distributable reserves, but only after the year's income available for distribution has been distributed in full: in this case, the related resolution must clearly indicate from which reserves the dividends are to be taken. Insofar as it is possible, dividends are, however, first taken from distributable income for the period. The terms and conditions of payment of the dividend will be decided by the Shareholders' Meeting or, failing that, by the Board of Directors, but dividends must be paid within nine months of the fiscal year-end, unless this period is extended by order of the President of the French Commercial Court ruling on an application by the Board of Directors. Notwithstanding the foregoing and in the cases provided for by applicable legislation, the Board of Directors is authorized to pay interim dividends to be deducted from the total dividends for the year just ended or the current year, prior to the approval of the related financial statements by the Shareholders' Meeting. The amounts and payment dates of such interim dividends will be decided by the Board of Directors. When the final dividend is set, the Shareholders' Meeting will be responsible for verifying that the provisions of the above-mentioned paragraph have been fully complied with in respect of the total dividend (including any interim dividend).
Shareholders' Meetings	**Notice of Shareholders' Meetings** Shareholders' Meetings are called in accordance with applicable regulations. They are conducted at the Company's registered office or any other location mentioned in the notice of meeting. All shareholders are entitled to obtain copies of the documents they need to be able to make informed decisions about the matters put to the vote at Shareholders' Meetings and to assess the management and control of the Company. The types of documents concerned and the rules governing their transmission to or consultation by shareholders are prescribed by law and all applicable regulations. **Right to attend Shareholders' Meetings** All shareholders are entitled to attend Shareholders' Meetings upon presentation of a proof of identity, provided that their shares are fully paid-up. The shareholders may choose to be represented by another shareholder. Proxies should be filed at the registered office at least five days before the Shareholders' Meeting. **Voting rights** Shares carry voting rights based on the proportion of capital represented. Each share entitles the owner to one vote. Each person present at the Shareholders' Meeting is entitled to exercise one vote for each share held and for each share for which he or she holds a proxy.
Place where Company's legal documents may be viewed **Responsibility for information**	All documents and information concerning the Company may be consulted at its registered office. Please address any requests to: Didier Casas, Secretary General and member of the Management Board (+33 (0)1 58 58 58 70), François Laugier, Chief Financial Officer and member of the Management Board (+33 (0)1 58 58 58 60).

2. OUTLOOK

Recent events	Generally speaking, fiscal year 2009 was marked by the improvement in the Company's funding and liquidity conditions, which had been strongly affected by the financial crisis. Dexia's transformation plan was implemented, in accordance with the objectives laid out therein: focus on those activities for which Dexia had a significant commercial franchise, disposal of certain Holdings (including FSA), and lowering of the Group's risk profile and cost structure. In February 2010 the European Commission approved Dexia's restructuring plan. This plan, which incorporates the significant strides made in achieving Dexia's transformation plan, confirms the objectives of cutting costs and re-equilibrating/reducing the balance sheet. It calls notably for Dexia Crediop and Dexia banka Slovensko to be sold before October 31, 2012, and for Dexia Sabadell, to be sold by December 31, 2013.
Trends	In 2010, Dexia will maintain its efforts to improve liquidity and reduce its risk profile. The reduction of Dexia's liquidity needs should enable the Group to put an early end to the tripartite central government funding guarantee (June 2010 instead of October 2010). While conditions are still highly uncertain, they still provide an encouraging commercial outlook for the Company's bank loan and bond financing offer. The implementation of a new departmental organizational model will enable the Company to improve operating efficiency and optimize the control and decision making processes. After the Reduction in Force Plan that went into effect in 2009, the Group's senior management initiated a managerial motivation and individual support program in 2010 to aid in the transition.
Control	To the best of the Company's knowledge, no agreement exists whose implementation could, at a later date, bring about a change in its control.
Legal proceedings and arbitration	For at least the last twelve months, the Company was not involved in any governmental or legal proceedings or arbitration (including any proceeding of which the Company is aware that is currently in suspense or that has been threatened) that could have or has recently had a material impact on the Company's financial position or profitability.
Material changes	Since the end of the last fiscal year for which audited financial statements have been released, the Company's conditions have improved greatly, due notably to the impact of (1) the joint guarantee provided by the states of Belgium, France and Luxembourg on a significant portion of Dexia's sources of funding and (2) the transformation plan set in place in the Group.
Major contracts	The Company has not entered into any major contracts (other than those entered into in the normal course of business) that could confer upon any member of the Group a right or an obligation that could have a material impact upon its capacity to carry out its obligations to the holders of the securities it has issued.

Statutory Auditors

The principal and substitute Statutory Auditors of Dexia Credit Local are:

Principal Statutory Auditors	Substitute Statutory Auditors
• Mazars (appointment renewed by the Shareholders' Meeting of May 16, 2008, for a six-year term) Represented by Hervé Hélias and Virginie Chauvin, Partners Exaltis - 61, rue Henri Regnault - 92075 La Défense Cedex	• Charles de Boisriou (appointed by the Shareholders' Meeting of May 16, 2008, for a six-year term) Exaltis - 61, rue Henri Regnault - 92075 La Défense Cedex
• Deloitte et Associés (appointed by the Shareholders' Meeting of May 16, 2008, for a six-year term) Represented by José-Luis Garcia, Partner 185, avenue Charles de Gaulle - 92524 Neuilly-sur-Seine Cedex	• BEAS (appointed by the Shareholders' Meeting of May 16, 2008, for a six-year term) Represented by Mireille Berthelot, Partner 7-9, Villa Houssay - 92524 Neuilly-sur-Seine Cedex

ANALYSIS OF FEES RECOGNIZED FOR THE STATUTORY AUDITORS

	2008				2009			
(EUR thousands)	Mazars	%	Deloitte	%	Mazars	%	Deloitte	%
Audit								
Statutory audit, certification, examination of parent company and consolidated financial statements	2,295	99.70%	2,082	97.88%	2,327	98.27%	2,519	97.90%
Other assignments	7	0.30%	45	2.12%	41	1,73%	54	2.10%
Subtotal	**2,302**	**100.00%**	**2,127**	**100.00%**	**2,368**	**100.00%**	**2,573**	**100.00%**
Other services								
Legal, tax, human resources advisory services	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Internal audit	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Other (disclosure required when > 10% of audit fees)	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Subtotal	**0**	**0.00%**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0.00%**
TOTAL	**2,302**	**100.00%**	**2,127**	**100.00%**	**2,368**	**100.00%**	**2,573**	**100.00%**

Statement of the person responsible for the registration document *(document de référence)*

This free translation of the "Statement of the person responsible for the Registration document" issued in the French language is provided solely for the convenience of the English-speaking readers.

The person responsible for the Dexia Credit Local registration document (*document de référence*) is:

- Pascal Poupelle, Chief Executive Officer of Dexia Credit Local.

DECLARATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I the undersigned, Pascal Poupelle, Chief Executive Officer of Dexia Credit Local:

Hereby declare, after have taken all reasonable measures to this end, that, to the best of my knowledge, the information contained in the present registration document is accurate and contains no omission that would alter its meaning.

Hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with all applicable accounting standards and present a true and fair view of the assets, financial position and earnings of the Company and of all the companies included in the scope of consolidation, and that the management report on page 11 of the present document presents 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.

I have obtained an audit opinion from the Statutory Auditors in which they state that they have verified the information concerning the financial position and the accounts provided in the present document and have reviewed the entire document.

The historical financial data presented in this document have been discussed in reports by the Statutory Auditors on pages 194 and 245 of the present document, as well as those included by reference for fiscal years 2007 and 2008, respectively on pages 181 and 243 of the 2007 registration document and on pages 182 and 233 of the 2008 registration document, as amended. The Statutory Auditors' reports on the 2009 and 2008 parent company and consolidated financial statements contain some observations.

La Défense, April 12, 2010

Pascal Poupelle

Chief Executive Officer

List of information published or released during the previous twelve months (prepared March 23, 2010)

Type of information	Publication media and date
I - Revenues and earnings	
Revenues for Q4 2009 December 31, 2009 quarterly position	BALO: March 10, 2010
Revenues for Q3 2009	BALO: December 9, 2009
June 30, 2009 interim business review	BALO: October 19, 2009
Revenues for Q2 2009	BALO: September 7, 2009
Approval of 2008 parent company and consolidated financial statements	BALO: June 26, 2009
Revenues for Q1 2009	BALO: June 5, 2009
2008 parent company financial statements	BALO: April 27, 2009
II – Corporate events	
Appointment within Dexia Credit Local	Information note: February 19, 2010
Appointment within Dexia Credit Local	Information note: February 17, 2010
Appointment within Dexia Credit Local	Information note: February 1, 2010
Appointment within Dexia Credit Local	Information note: February 1, 2010
Appointment within Dexia Credit Local	Information note: January 29, 2010
Resignations of directors Appointments of directors	Les Petites Affiches: January 19, 2010
Appointment within Dexia Credit Local (capital markets)	Press release: January 7, 2010
Resignations and appointments of directors to the Board of Directors of Dexia Credit Local	Press release: December 9, 2009
Appointments within Dexia Credit Local PWB France	Information note: October 27, 2009
Appointment within Dexia Credit Local Communication department	Information note: October 1, 2009
Appointments within Dexia Credit Local Audit department	Information note: September 14, 2009
Appointments within Dexia Credit Local Regional Headquarters	Information notes: September 9, 2009
Appointments within Dexia Credit Local PWB France	Information note: September 9, 2009
Appointments within Dexia Credit Local Strategy & Business Development department - PWB	Information note: September 9, 2009
Appointments within Dexia Credit Local Specialized Markets department	Information note: September 9, 2009
Appointments within Dexia Credit Local	Press release: August 26, 2009
Appointments within Dexia Credit Local	Press release: August 17, 2009
Appointments within Dexia Credit Local	Press release: July 24, 2009
Appointments within Dexia Credit Local	Press releases: July 17, 2009
Appointments within Dexia Credit Local Treasury and Financial Markets department Finance department	Information note: June 9, 2009
Appointment within Dexia Credit Local Research department	Information note: June 4, 2009
Notice convening the Shareholders' Meeting of May 14, 2009	BALO: April 6, 2009

Type of information	Publication media and date
Resignations of directors Appointments of directors	Les Petites Affiches: March 13, 2009
Appointment within Dexia Credit Local	Information note: January 19, 2009
III – Other information	
Dexia France Foundation launches 2010 call for projects	Press release: March 15, 2010
Dexia announces the price and the increase of the secondary public offering of its Assured Guaranty Holdings	Press release: March 11, 2010
Dexia announces proposed secondary public offering of its Assured Guaranty Holdings	Press release: March 9, 2010
Orange Healthcare and Dexia sign a partnership agreement to develop e-health solutions for the hospital sector	Press release: February 22, 2010
Results of negotiations with European Commission are positive: Agreement reached with European Commission on the Dexia restructuring plan	Press release: February 6, 2010
Société Générale and Dexia finalize Crédit du Nord transaction	Press release: December 11, 2009
Agreement of sale of Dexia Épargne Pension to BNP Paribas Assurance	Press release: December 9, 2009
Key figures for European subnational authorities published by Dexia and the Council of European Municipalities and Regions	Press release: November 30, 2009
Public building and works industry organizes EUR 2.3 billion in subsidized loans to support local investment	Press release: November 17, 2009
Signature of a partnership for the construction of the new Robert Schuman hospital in Metz	Press release: November 12, 2009
Dexia announces ten commitments relating to the marketing of structured finance products to customers in France.	Press release: November 9, 2009
European Commission authorizes extension of central government guarantee for Dexia	Press release: October 30, 2009
Dexia partner of the Entreprise Publiques Locales convention for local public enterprises in Nantes	Press release: October 8, 2009
Société Générale and Dexia open negotiations for Société Générale's acquisition of Dexia's 20% stake in Crédit du Nord	Press release: October 6, 2009
Dexia undertakes a new stage of its transformation plan	Press release: September 25, 2009
Dexia Credit Local has signed a partnership with Vivalib at the USH convention to develop and fund a new concept of residential housing for seniors	Press release: September 16, 2009
Dexia completes the of public-private partnership financing of the Clignancourt University Center (University of Paris IV La Sorbonne)	Press release: July 27, 2009
One-year renewal of tripartite central government guarantee on Dexia's funding. Reduction of guarantee ceiling to EUR 100 billion. End of guarantee mechanism in October 2010.	Press release: September 18, 2009
Dexia signed six new partnership agreements with its customers at the Social Union for Housing (USH) Convention	Press release: September 17, 2009
2008 Sustainable development report: Dexia has honored its commitments, despite the crisis	Press release: July 9, 2009
Dexia Credit Local has successfully launched a 5-year EUR 1 billion senior benchmark bond, without the support of the guarantee of the states of Belgium, France and Luxembourg	Press release: July 8, 2009
Dexia and Assured Guaranty Ltd. announce that the major conditions needed for the finalization of Assured's acquisition of Financial Security Assurance Holdings Ltd. have been satisfied	Press release: July 1, 2009
Dexia finalizes sale of FSA Holdings Ltd. to Assured Guaranty Ltd.	Press release: July 1, 2009
Dexia and Fédération des Entreprises Publiques Locales renew their partnership agreement	Press release: June 11, 2009
Signature of an EIB-Dexia agreement to finance environmentally-friendly urban renewal	Press release: June 8, 2009
The members of the Management Boards and the Executive Committees of Dexia SA and the Group's principal operating entities will receive no bonus in 2009 (in respect of fiscal year 2008).	Press release: April 23, 2009
New edition of the Financial Memento-Guide	Press release: April 17, 2009
The youth of the Mission Locale Haut-Rhin Nord present the results of their "Mobilizing Youth for Community Environment," a citizens' initiative recognized by the Dexia France Foundation	Press release: April 1, 2009
The youth of the Mission Locale de l'Avesnois, ambassadors of water management A citizens' initiative recognized by the Dexia France Foundation	Press release: March 31, 2009
Dexia economic update for public hospitals: in 2007 and 2008, hospitals continued to pursue their capital investment program, despite the financial deterioration of their operating conditions	Press release: April 1, 2009
European Commission approves guarantee of FSA's Financial products portfolio	Press release: March 13, 2009
Dexia SA: Net loss of EUR 3,326 million in 2008 - Tier 1 ratio remains high at 10.6%	Press release: February 26, 2009
Dexia launched its first benchmark bond issue guaranteed by central governments yesterday	Press release: February 5, 2009
Dexia implements transformation plan to ensure its turnaround, and estimates net loss for 2008 at EUR 3 billion	Press release: January 30, 2009
Correction of 2008 registration document	AMF: May 6, 2009

Type of information	Publication media and date
2008 registration document	AMF: April 15, 2009
Press release - Dexia Credit Local: Specific financial disclosures as of June 30, 2009	Hugin: August 31, 2009
Press release - Dexia Credit Local: Release of 2009 interim financial report	Hugin: August 28, 2009
Press release – Dexia Credit Local: release of correction of 2008 annual report equivalent of registration document	Hugin: May 7, 2009
Press release – Dexia Credit Local: release of annual report equivalent of the registration document	Hugin: April 16, 2009
CERTIFICATES OF APPROVAL	
Luxembourg Financial Sector Supervisory Commission (CSSF) provides certificate of approval on September 11, 2009 of the 9th supplement to the 2008 Basic Prospectus	AMF: September 11, 2009
CSSF provides certificate of approval on September 2, 2009 of the 8th supplement to the 2008 Basic Prospectus	AMF: September 2, 2009
CSSF provides certificate of approval on July 31, 2009 concerning the 7th supplement to the 2008 Basic Prospectus	AMF: August 3, 2009
CSSF provides certificate of approval on July 3, 2009 of the 6th supplement to the 2008 Basic Prospectus	AMF: July 3, 2009
CSSF provides certificate of approval on May 15, 2009 of the 5th supplement to the 2008 Basic Prospectus	AMF: May 15, 2009
CSSF provides certificate of approval on April 15, 2009 of the 4th supplement to the 2008 Basic Prospectus	AMF: April 21, 2009
CSSF provides certificate of approval on March 4, 2009 of the 3rd supplement to the 2008 Basic Prospectus	AMF: March 2, 2009
CSSF provides certificate of approval on February 5, 2009 of the 2nd supplement to the 2008 Basic Prospectus	AMF: February 2, 2009
CSSF provides certificate of approval on January 22, 2009 of the 1st supplement to the 2008 Basic Prospectus	AMF: January 22, 2009
CSSF provides certificate of approval on January 22, 2009 of the 2008 Basic Prospectus	AMF: January 22, 2009
DEBT SECURITY ISSUES	
Dexia Credit Local - EMTN 870 TR 1 EUR 1,000,000,000 - maturing March 2013 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 22, 2010
Dexia Credit Local - EMTN 867 TR 1 EUR 10,000,000 - maturing February 2020	Hugin: March 19, 2010
Dexia Credit Local - EMTN 869 TR 1 EUR 60,000,000 - maturing February 2017	Hugin: March 18, 2010
Dexia Credit Local - EMTN 868 TR 1 EUR 100,000,000 - maturing August 2011	Hugin: March 18, 2010
Dexia Credit Local - EMTN 866 TR 1 EUR 60,000,000 maturing February 2015	Hugin: February 18, 2010
Dexia Credit Local - EMTN 864 TR 1 EUR 2,750,000,000 maturing February 2013 guaranteed by the states of France, Belgium and Luxembourg	Hugin: February 17, 2010
Dexia Credit Local - EMTN 863 TR 1 USD 500,000,000 maturing February 2013 guaranteed by the states of France, Belgium and Luxembourg	Hugin: February 16, 2010
Dexia Credit Local - EMTN 862 TR 1 EUR 50,000,000 maturing February 2012	Hugin: January 29, 2010
Dexia Credit Local - EMTN 861 TR 1 EUR 150,000,000 maturing January 2012	Hugin: January 26, 2010
Dexia Credit Local - EMTN 858 TR 1 EUR 2,500,000,000 maturing January 2014 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 19, 2010
Dexia Credit Local - EMTN 859 TR 1 EUR 49,000,000 maturing January 2011	Hugin: January 19, 2010
Dexia Credit Local - EMTN 857 TR 1 EUR 500,000,000 maturing April 2012 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 15, 2010
Dexia Credit Local - EMTN 855 TR 1 EUR 55,000,000 maturing July 2011	Hugin: January 14, 2010
Dexia Credit Local - EMTN 856 TR 1 NOK 220,000,000 maturing January 15, 2015	Hugin: January 14, 2010
Dexia Credit Local - EMTN 853 TR 1 GBP 1,250,000,000 – maturing January 2013 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 13, 2010
Dexia Credit Local - EMTN 854 TR 1 USD 600,000,000 maturing January 2012 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 12, 2010
Dexia Credit Local - SA 2010-2 USD 2,000,000,000 – maturing January 2014 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 11, 2010
Dexia Credit Local - SA 2010-1 USD 2,500,000,000 – maturing January 2012 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 11, 2010
Dexia Credit Local - EMTN 852 TR 1 EUR 10,000,000 – maturing December 31, 2011	Hugin: December 29, 2009

Type of information	Publication media and date
Dexia Credit Local - EMTN 849 TR 1 EUR 50,000,000 – maturing November 2014	Hugin: November 18, 2009
Dexia Credit Local - EMTN 848 TR 1 EUR 1,000,000,000 maturing February 2012	Hugin: November 4, 2009
Dexia Credit Local - EMTN 844 TR 1 EUR 65,000,000 maturing October 15, 2015	Hugin: October 13, 2009
Dexia Credit Local - EMTN 843 TR 1 EUR 10,000,000 maturing September 24, 2015	Hugin: September 22, 2009
Dexia Credit Local - EMTN 841 TR 1 USD 100,000,000 maturing September 30, 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: August 20, 2009
Dexia Credit Local - EMTN 840 TR 2 EUR 300,000,000 maturing July 2014	Hugin: August 17, 2009
Dexia Credit Local - EMTN 840 TR 1 EUR 1,000,000,000 maturing July 2014	Hugin: July 17, 2009
Dexia Credit Local - SA 2009-2 USD 2,000,000,000 – maturing September 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: June 23, 2009
Dexia Credit Local - SA 2009-3 USD 2,000,000,000 – maturing September 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: June 26, 2009
Dexia Credit Local - EMTN 799 TR 2 EUR 1,250,000,000 maturing January 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: June 4, 2009
Dexia Credit Local - EMTN 832 TR 1 EUR 100,000,000 maturing June 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: June 4, 2009
Dexia Credit Local - EMTN 831 TR 1 GBP 750,000,000 maturing October 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: June 2, 2009
Dexia Credit Local - EMTN 830 TR 1 EUR 87,000,000 maturing November 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: May 28, 2009
Dexia Credit Local - EMTN 828 TR 1 EUR 250,000,000 maturing May 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: May 25, 2009
Dexia Credit Local - EMTN 823 TR 1 USD 55,000,000 maturing April 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: April 29, 2009
Dexia Credit Local - EMTN 825 TR 1 USD 55,000,000 maturing April 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: April 28, 2009
Dexia Credit Local - EMTN 824 TR 1 EUR 40,000,000 – maturing August 2017	Hugin: April 28, 2009
Dexia Credit Local - EMTN 820 TR 1 EUR 300,000,000 maturing April 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: April 8, 2009
Dexia Credit Local - EMTN 819 TR 1 EUR 2,200,000,000 maturing April 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: April 8, 2009
Dexia Credit Local - EMTN 798 TR 2 EUR 10,000,000 maturing September 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 26, 2009
Dexia Credit Local - EMTN 817 TR 1 EUR 250,000,000 maturing September 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 19, 2009
Dexia Credit Local - EMTN 813 TR 1 EUR 3,500,000,000 maturing March 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 19, 2009
Dexia Credit Local - EMTN 811 TR 1 EUR 150,000,000 maturing November 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 19, 2009
Dexia Credit Local - EMTN 807 TR 1 EUR 179,000,000 maturing March 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 17, 2009
Dexia Credit Local - EMTN 809 TR 1 JPY 25,000,000,000 maturing October 27, 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 12, 2009
Dexia Credit Local - EMTN 810 TR 1 EUR 13,000,000 maturing March 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 11, 2009
Dexia Credit Local - EMTN 808 TR 1 EUR 8,000,000 maturing March 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 11, 2009
Dexia Credit Local - EMTN 806 TR 1 EUR 100,000,000 maturing March 2010 guaranteed by the states of France, Belgium and Luxembourg	Hugin: March 11, 2009
Dexia Credit Local - EMTN 803 TR 1 EUR 3,000,000,000 maturing October 28, 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: February 12, 2009
Dexia Credit Local - EMTN 799 TR 1 EUR 1,250,000,000 maturing January 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 26, 2009
Dexia Credit Local - EMTN 798 TR 1 EUR 589,000,000 maturing September 2011 guaranteed by the states of France, Belgium and Luxembourg	Hugin: January 19, 2009

Cross-reference table

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* *In accordance with Article 28 of Commission Regulation (EC) no. 809-2004, for reference purposes we have included the financial data for the year ended December 31, 2007, and the Statutory Auditors' reports on the consolidated and the parent company financial statements for that period, presented respectively on pages 181 and 243 of the 2007 registration document (filed on April 3, 2008 with the French Financial Markets Authority [AMF] under D.08-0196).*

** *In accordance with Article 28 of Commission Regulation (EC) no. 809-2004, for reference purposes we have included the financial data for the year ended December 31, 2008, and the Statutory Auditors' reports on the consolidated and the parent company financial statements for that period, presented respectively on pages 182 and 233 of the 2008 registration document (filed on April 15, 2009 with the French Financial Markets Authority [AMF] under D.09-0250), for which a correction was filed on May 6, 2009 with the AMF.*

Subsidiaries and affiliates in France

SUBSIDIARIES

CBX.IA 2
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tel.: + 33 1 58 58 77 77
Acquisition and administration of buildings

Dexia Bail
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tel.: + 33 1 58 58 84 06
Equipment lease financing

Dexia CLF Banque
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 72200
F-92919 La Défense Cedex
Tel.: + 33 1 58 58 88 02
Banking services for the local public sector

Dexia CLF Régions Bail
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tél : + 33 1 58 58 84 06
Real estate lease financing,
mainly for the local public sector

Dexia Éditions
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tel.: + 33 1 58 58 78 78
www.dexia-editions.com
Publication of specialized works on topics
concerning the local public sector

Dexia Flobail
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tél : + 33 1 58 58 84 06
Lease financing of local investments
(notably for energy conservation
and environmental protection)

Dexia Habitat
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tel.: + 33 1 58 58 77 77
Acquisition of holdings in public housing
corporations

Dexia Location Longue Durée
22, rue des Deux Gares
F-92564 Rueil-Malmaison Cedex
Tel.: + 33 1 57 69 55 55
www.dexia-lld.fr
Long-term leasing and management of public sector
vehicle fleets

Dexia Municipal Agency
1, passerelle des Reflets
Tour Dexia – La Défense 2
TSA 92202
F-92919 La Défense Cedex
Tel.: + 33 1 58 58 77 77
www.dexia-ma.com
Dexia Credit Local's *société de crédit foncier*

Dexia Sofaxis
Route de Creton
F-18100 Vasselay
Tel.: + 33 2 48 48 10 10
www.dexia-sofaxis.com
Employer risks insurance brokerage and
management advisory services for local authorities
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Insurance company providing asset optimization and
social engineering services

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F-92320 Châtillon
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www.domiserve.com
Assistance for in-home services

OTHER DEXIA GROUP COMPANIES IN FRANCE

Dexia Asset Management France
Washington Plaza
40, rue Washington
F-75408 Paris Cedex 08
Tel.: + 33 1 53 93 40 00
www.dexia-am.com
Management of mutual funds

Dexia Ingénierie Sociale
13, rue Croquechâtaigne
BP 30064
F-45380 La Chapelle St Mesmin
Tel.: + 33 2 36 56 00 00
assurance@dexia-is.com
Supplemental medical insurance for employees
of private and para-public companies

RBC Dexia Investor Services Bank France
105, rue Réaumur
F-75002 Paris
Tel.: + 33 1 70 37 83 00
Administration of securities accounts,
services for institutional investors and mutual funds

International subsidiaries and locations

SUBSIDIARIES

Germany

Dexia Kommunalbank Deutschland
Charlottenstraße 82
D-10969 Berlin
Tel.: + 49 30 25 59 8-0
www.dexia.de

Australia

Dexia Credit Local Asia Pacific Pty Ltd
207 Kent Street, Veritas House, Level 23
Sydney NSW 2000
Tel.: + 61 2 925 13 961

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A-1010 Vienna
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www.dexia-kom.com

Dexia Kommunalkredit Adriatic d.o.o.
Radnicka cesta 80 HR
10000 Zagreb
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Dexia Kommunalkredit Bulgaria EOOD
19 Karnigradska
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Wratislav Palace
Trziste 13,
118 00 Praha 1
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Dexia Kommunalkredit Hungary kft.
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1027 Budapest
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Str Fagaras nr 21, Sector 1
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Romania
Tel.: + 40 21 206 01 50

Dexia banka Slovensko
Hodzova 11
01011, Zilina
Slovakia
Tel.: + 421 41 51 11 101, 102
www.dexia.sk

Spain

Dexia Sabadell
Paseo de las Doce Estrellas 4
Campo de las Naciones
E-28042 Madrid
Tel.: + 34 91 721 33 10
www.dexiasabadell.es

United States

Dexia FP Holdings, Inc.
445 Park Avenue, 5th floor
New York, NY 10022
Tel.: + 1 212 826 01 00

Israel

Dexia Israel Bank Ltd.
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61200 Tel Aviv
Tel.: + 972 3 764 76 00

Italy

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Via Venti Settembre, 30
I-00187 Rome
Tel.: + 39 06 47 71 1
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CH-1207 Geneva
Tel.: + 41 22 718 01 20

BRANCHES

Canada

Dexia Credit Local Canada Branch
800 Square Victoria, Bureau 1620
CP 201, Montreal (Quebec)
Canada H4Z 1 E3
Tel.: + 1 514 868 1200

United States

Dexia Credit Local New York Branch
445 Park Avenue
New York, NY 10022
USA
Tel.: + 1 212 515 70 00
www.dexia-americas.com

United Kingdom

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Shackleton House
4 Battle Bridge Lane
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PO Box 694 GT
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2-1-1 Marunouchi, Chiyoda-ku,
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